ExchangeWire *deep dive*

The Anonymous Web: why we're all wrong about the future of advertising

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INTRODUCTION

Advertisers have been sold the dream that the future of the internet lies in authentication. But that simply isn't true. Or, to be more accurate, it's only about 5% true.

To succeed in a post-cookie world, advertisers must look to a future that leverages both the authenticated and anonymous web in order to see all the users that will disappear from view on the open web when Google pulls the plug on third-party tracking cookies.

It's why the future of successful advertising lies in the little understood 'anonymous' web. It's here where 90% of users will be unknown to buyers — here, where the promise of an authenticated web breaks down.

Let's rewind.

The ad tech ecosystem today is built around a third-party identifier. But with Apple, Firefox and Google's browser changes and regulators seeking ever stricter privacy rules against those IDs, one of the only identifiers which can be relied on is the email address.

That's given rise to the idea of the authenticated web, built around the idea people will submit their email address to access content and services, and there are a number of smart solutions out there tackling this.

But the authenticated web accounts for just a tiny sliver of the market, and is unlikely to grow at any great pace. It's enormously valuable for insights and modelling, but not for targeting as it is so limited in scale. It's not enough: across publishers, a median of just 2% of traffic is authenticated.

Doubling or tripling that over the next 18 months would be seen as a spectacular success, but that still leaves the vast majority of publisher inventory out of the picture. And, while a reader might be authenticated on the Guardian, they may not be on the Mail Online — leading to an inconsistent fragmented picture of that user as well.

Instead, we need to rebuild for an ecosystem where third-party identity is not known, particularly if regulators and browsers next crack down on email addresses as well. For example, Apple, in removing IDFA (identifier for advertisers), has banned the use of email addresses from apps.

This is the last gasp of an ecosystem that is trying to preserve its old ways of working. It's time to recognise that the web has split into two and embrace the anonymous web.

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WHY TARGETING THE ANONYMOUS WEB IS THE BEST WAY FORWARD

This is the part of the web unknown to buyers, but not to publishers who are the only ones capable of understanding their users, have that direct relationship with them, and the ability to collect a first-party identifier and attach information to it, as well as ensuring compliance with regulations such as GDPR and CCPA.

Effectively each publisher is now a walled garden: the web has been shattered into thousands of publisher-sized pieces.

So why not just retreat to the familiar walled gardens of Google and Facebook? They've dominated because they are able to use their data to deliver performance. That's everything from frequency capping, identity management, modelling and insights - but, crucially, all without exposing a single user record back to the advertiser.

Part of their reasoning for this is privacy, but it also makes business sense for them, data is their greatest asset. This also makes business sense for publishers, who can establish themselves at the top of digital's value chain, rather than commoditized sites whose data has been at the mercy of third-party intermediaries. Now, all of a sudden, their data and inventory are coupled together.

What's in it for advertisers?

That's a compelling argument for advertisers who themselves collect first-party data but only within the context of their own properties. In an authenticated world they can't move it to another ecosystem until they collect an email address which is limited. It might be good for addressing known users and retargeting however it doesn't work for prospecting because advertisers won't have an email address for a prospect.

However, if advertisers embrace the anonymous web there is another way that allows them to reach the audiences they want in contextual, relevant and timely ways.

This is important because it requires a shift in thinking: it's moving from a world of one-to-one marketing and back to one where audiences, not individuals, are key. Personalisation is important but to iterate that down to named individuals is fast-becoming a regulatory — and moral — dilemma.

However, with edge computing, where data remains on a user's device, the technology is here now to allow advertisers and agencies to link with publishers to get a picture of what is happening on their sites in real time, whether they're casual users or serial linkers. Cloud-based solutions are too slow to do so, and not built with privacy in mind.

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It's like contextual 'plus', publishers are able to string together data to build an image of a user. They can build a much more nuanced view of their audiences rather than simply targeting those who land on a specific page as with contextual targeting.

For example, a user arrives on a publisher site and reads the review of the new iPhone. It's useful. But if that user then reads the review of the new Google and Samsung phones as well, you now know they're actively researching which mobile to buy rather than being an Apple fan. That's a much richer and more valuable insight.

Bringing the new 'micro' walled gardens together

We're already seeing successful publishers pivot to use their first-party data to leverage deeper connections with their clients, but the missing part is scale.

It's why we're working with the publishing industry to establish common protocols and to provide a way to validate that those protocols are being adhered to. And we expect others to do the same — to provide a common data stack across publishers that allows advertisers to piece back together that fractured, fragmented network of micro walled gardens.

A brand gets to find the right users, the users who match, or the users who belong to the audiences it wants to reach — and in the right environments. There is confidence that data is being ingested in a clean and safe way, that the models being built and deployed are identical, that the data being collected is validated and safe and consistent across all publishers.

Privacy first and foremost.

Privacy first — and audience first

There are two lenses to which privacy is observed. One is, can these companies collect data and profile a user if they don't have a relationship? And that's something the regulators and browsers are seeking to end. It's why we should be building solutions that embody the spirit of those laws as well as the letter.

Conversely, many users benefit from personalised advertising and welcome it — within certain parameters. A certain degree of personalisation is healthy within permitted parameters, such as within a publisher's domain that a user enjoys a relationship with, rather than being followed across the web. Partner, not stalker.

It's why audiences, not individuals, are key to the next generation of digital advertising. And why the anonymous web should be valued over the pipe-dream of authentication for all.

It's why it's time to stop fearing the unknown and embrace it.

The Publisher Perspective

As the industry edges ever-closer to the anonymous web, we see the balance of power move with it. First-party data is set to fill the cookie and identifier-shaped holes in the targeting space, offering a new, and potentially more prosperous dawn for those who hold it.

We spoke to Jana Meron, programmatic and data strategy leader at Insider Inc., Ryan Nathanson, SVP of operations at SHE Media, and Joe Root, co-founder and CEO at Permutive, about what tighter regulation and technological changes could mean for one segment of the industry who could benefit the shift towards first-party data: publishers.

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Q&A with Jana Meron, Insider Inc.

How do you think publishers are handling the changes taking place in ad tech?
I think publishers have been looking for solutions ever since the announcement came out from Chrome, and advertisers are now starting to really ramp up their testing of other forms of targeting.

At Insider Inc., we've been working on moving away from cookies for over two years, because we believe that, much like search, content and context are the greatest drivers of intent. Therefore, we're focusing on not just the authenticated user, but also on the behaviour of the unauthenticated user. This is because, while logged in users are important, it's unlikely that all users will log in all the time, so you need to have some sort of hybrid approach.

What has Insider Inc. done to prepare for a cookieless landscape?
Last year we launched our first-party data platform, Saga (which is named after the Norse goddess of history and storytelling), which we built using Permutive's technology as a baseline and enhanced with additional dimensions. Saga helps us understand user behaviour, enabling us to make strategic recommendations to our advertisers based on what the consumer is interested in. There's also the Saga Audience aspect, which centres on all-things targeting, and then Saga Surround, which allows an advertiser to take full ownership of a theme across Insider Inc.'s sites.

What underpins all of Saga's elements is insights — it equips us to give deeper, detailed insights around engagement, time, hover rates, location, and such, for all of our clients. So, data is really at the centre of everything we're doing — each part of Saga feeds into the other to provide vital data points that can help advertisers enhance and optimise their campaigns.

Has the buy-side really got to grips with the termination of the cookie?
At first, I think the reality of the upcoming change hadn't really sunk in for many advertisers. However, over the last several months, as we've been working with firms and explaining the impact of the change, we've seen them become far more open to testing out a first party data strategy, and we're actually seeing great success: click through rates are higher, engagement time is higher, and we're actually exceeding all of our benchmarks. So, I would say, at this point, yes — most sophisticated buyers are very much switched on to the change.

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> Jana Meron, Insider Inc.

Q&A with Ryan Nathanson, SHE Media

What is SHE Media doing to make full use of first-party data?
Our main role as a publisher is to entertain, educate, and inform our users. To do this well, we need to know what the user wants, often before they want it. Having a robust editorial research and analytics discipline built on first-party data gathered from content consumption behaviour, survey and poll responses and registration data, to name just a few of the 1,000+ signals we regularly view, helps us understand our users' interests. We're able to analyse this data to shape our content so that it generates strong user engagement and consumption, and thus gives brands a platform to reach their desired audience in an accurate, safe and impactful contextual environment.

Our first-party data allows us to optimise our targeting capabilities, which dramatically cuts waste for advertisers whilst creating a better experience for our users. We adopted a strict discipline around cookies fairly, and as a result have seen tremendous results in our ability to open up new addressable audiences for advertisers and to expand our connections with existing and new users.

Do you think that the industry will arrive at a stage where logins and user IDs are compulsory? What would it take to reach this stage, and do you think it would ever work in practice?
Perhaps, but there's still a lot of friction surrounding this matter. We know that younger generations are generally more open to exchanging some piece of information, such as an email address, for access to content. As these generations become industry and global leaders, we may see the larger cultural shift where logging in or being identified in some manner becomes commonplace.

Do you think that the buy-side is responding appropriately to the end of the cookie?
I'm not sure, but I can say that they are asking us the right questions about first-party data,

our capabilities, and how we plan to use it to help them reach their audiences. But they have a lot of work ahead of them – decades of research, processes, and habits that helped to refine performance for the buy-side will soon become obsolete, and we can be fairly confident that vendors will continue to use cookies right up until the bitter end.

 This isn't the first time that the buy-side has been behind on adjusting to changes to the web ecosystem – the question is which businesses are ready to invest time and attention now in order to be in a leading position when cookies finally vanish. When they do, SHE Media will be there to help our publishing partners and advertisers make a painless transition. Using first-party data and investing in intelligent, data-driven disciplines are already paying off in enhancing user trust and experience as well as advertiser performance.

Should publishers be doing more to promote their first-party audiences?
Publishers should primarily use first-party data to inform decisions across their business, with its use in advertising coming second. From editorial work to delivering an effective ad campaign, first-party data is about being putting intelligence at the core of the company and making smart business decisions that first positively impact users, and then, in turn, advertisers. Therefore, I think that exploring what data-driven disciplines publishers are investing in and committed to should be the real focus. First-party data is a means to an end — promote the end and discuss the means.

Q&A with Joe Root, Permutive

How have you found the transition away from third party to first party data?

We started focusing on first-party data 3 years ago, and at that time, it was pretty niche – if an advertiser wanted to target very niche audiences, you would have to go to a publisher and custom-build them. Since then, and as the industry has shifted away from the cookie, advertisers have started to see problems with scale, and they've turned to publishers for help. And this has given publishers real momentum, so much so that some publishers no longer use any third-party data at all in their campaign, instead relying on an entirely first-party database. If anything, what will happen over the next 18 months is, as the cookie disappears and third-party data disappears with it, the use of first party data will only become mainstream.

How are you responding to the opportunities presented by the anonymous web that has emerged from the changes to data and targeting technology?

The way that advertising works today has been massively reconfigured. We have the likes of Facebook and Google, walled gardens who built enormous businesses by allowing advertisers to bring their data in, but not to take their data out of their ecosystem. For publishers, it's kind of been the inverse: digital advertisers don't need to give them their data. Instead, advertisers work with DSPs, meaning that data never has to exit their ecosystem. At the same time, all that data is leaking out into the rest of the ecosystem. What happens as cookies disappear is that publishers are forced to become walled gardens – as cookies disappear, it becomes impossible for ad tech companies to get data out of the publishing ecosystem.

Publishers will need to develop new ways to enable advertisers to get data into their ecosystem, and we think that this is a huge opportunity – that data space alone is worth USD $19bn (£14bn). Permutive's focus is on enabling publishers to take that opportunity. We've started doing this by first allowing publishers to use their own data to better target ads within their own ecosystem. And over the coming months, as third-party cookies finally disappear in their entirety, the focus for us will be enabling publishers to allow data into their walled gardens, giving them the tools to allow advertisers to put their data in there to build insights, but more importantly, to model at scale and activate against it.

Some consider the anonymous web less valuable than the authenticated web. Would you agree with this or do you think that they're missing a particular opportunity?

I think the thing to bear in mind with the anonymous web is that it hosts the same users — the audience hasn't changed, but the data which you have available to target those users and understand those users has. All third-party data reuse today comes from a retargeting of publishers' contextual data, with third-party data providers watching how users engage with publishers' web pages and building models to predict those users' intentions. The anonymous web takes that ability away from ad tech companies and leaves it squarely in the hands of publishers.

I think the reason why the anonymous web is seen as less valuable is because the ad tech ecosystem doesn't have direct access to disintermediate publishers within that ecosystem. The users themselves and the data that publishers have on those users is valuable.

What impact do you think this will have on the relationship between publishers and vendors?

Vendors whose business model don't compete with, but rather complement publishers will be able to adapt well to this. I think the vendors whose strategies undermine publishers' business models are going to struggle.

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I think it's tough to argue why retargeting companies, for example, should be able to take as much of the pie as they have done now given that it is the publishers who still have to put the work in to build the relationships with the users that audiences are built off of.

Do you think that the buy side is ready for the end of the cookie?
I think that we're seeing two camps — one has completely accepted this new reality and, as a result, has been researching and developing potential solutions. Unfortunately, I think that camp is the minority. I think a lot of vendors sit in the second camp, who are hoping that Google (or someone else) will provide them with a third-party identity which will allow them to continue business as usual. When we spoke to vendors before Google made the announcement, they all said "well Safari and Firefox are just a small portion of the web. We just tell people to use Chrome or go via an app instead". But now, with Chrome getting rid of third-party cookies and the Apple removing IDFA from its app ecosystem, neither is possible.

Now, people have no choice but to rebuild around the fact that third-party identity is not going to be a commodity which everyone has access to. I think, from an agency and brand side, there's still some educational work to be done – I think most people are aware of these problems, but the ecosystem is trying to plaster over them. As a result, I think many people are only beginning to realise how much of an impact these changes will have on everything, from targeting through to attribution and measurement.

What do you think publishers should be doing to promote and sell their first-party audiences more effectively?
Our belief is that publishers becoming walled gardens is an opportunity, but also a threat. The threat comes from not bringing anyone into your walled garden. There are two broad strategies publishers can implement to avoid this: one is direct sales, which involves going out to market, evangelising about your data, and informing advertisers and agencies of what is happening now and what they need to do to be able to succeed in a post-cookie world; the other is providing advertisers with tools to make it easier for them to access your walled gardens. A really good example of this is standardisation of basic publishing data – making that available for advertisers to buy in a scalable way is a really good way to bring people into your ecosystem without losing any privacy around your data as a result.

"Many people are only beginning to realise how much of an impact these changes will have on everything, from targeting through to attribution and measurement."
Joe Root, Permutive

ABOUT PERMUTIVE

Permutive is a data management platform built for publishers. Permutive enables publishers to increase their data driven advertising revenue and make revenue diversification a reality, whilst keeping user privacy at the heart of its technology. Some of Permutive's customers include BuzzFeed, Insider Inc., The Economist, Condé Nast International, Immediate Media and Burda Forward.

To find out more, visit www.permutive.com

ABOUT EXCHANGEWIRE

ExchangeWire tracks global data-driven and programmatic advertising, media buying trends, and the ad tech and mar tech sectors. Delving deep into the business of automated media trading and the technology that underpins it across multi-channels (online display, video, mobile and social), the site aims to keep readers up to data on all the latest news and developments.

ExchangeWire provides opinion and analysis on the following sector companies: specialist media buyers, ad traders, ad networks, media agencies, publishers, data exchanges, ad exchanges and specialist ad tech providers in the video, mobile and online display markets.