State of Data 2022

The Measurement Dilemma

Assessing the Industry's Awareness and Readiness for Changes in Measurement and Addressability

February 8, 2022

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Foreword: The Time to Plan Is Now

IAB's State of Data 2021 report revealed industry leaders* believed they were infinitely more prepared for the deprecation of third-party cookies and identifiers than their organizational readiness demonstrated. This lack of preparedness should have served as a call-to-action for industry leaders to both educate themselves and implement these imminent and ever-evolving standards, caused by updates to privacy and compliance regulations, the emergence of new business and technical requirements, platform upgrades, and the evolution of rules and mandates by technology companies such as Apple, Facebook, and Google. While the industry's sense of preparedness grows, actual implementation has made little progress.

As part of our fifth annual State of Data initiative, IAB has commissioned Ipsos to co-create and execute this quantitative and qualitative analysis to examine how changes in privacy legislation, the deprecation of third-party cookies and identifiers, cross-media addressability, and platform rules and mandates are profoundly affecting data collection, measurement, and optimization. These changes will be disruptive across the entire media and advertising industry, including how the industry conducts business, identifies and connects with audiences, and engages in the media planning and buying process overall. This report focuses specifically on the disruption to measurement.

This report surveys over 200 industry leaders across brands, agencies, publishers, ad tech, and data companies and surfaces how the inability to properly capture data and measure success will disrupt the industry. There is still much work to be done to mitigate the risks to revenue, brand visibility, and customer relationship management. As a result, there is a clear and present danger threatening the execution of addressability and the measurement of outcomes in support of content monetization.

Measurement as marketers know it today is going away, and the industry is not moving fast enough to prepare.

Measurement is one of the industry's biggest challenges and serves as a bellwether to the broader data discussion, especially as measurement will become more difficult with the loss of third-party cookies and identifiers and will be further compounded by the complexities of channel and platform bifurcation.

Additionally, since media consumption is not linear, the consumer journey cannot focus on any specific channel. It must span the entire digital ecosystem. Therefore, the industry must establish universal measurement standards so that collectively we can build and align on transactional KPIs across channels.

This report reveals how we came to these conclusions and provides an action plan to address the measurement issue.

**Verified industry leaders identified as either providers or users of data and further classified based on their purview into data spend or revenue across the following five company types: brands, agencies, publishers, ad tech, and data companies. Please refer to the appendix for the respondent profile and survey methodology.*

Executive Summary

Executive Summary

1 Measurement as we know it is over: Action is required to address the new measurement reality.

Measurement of the past will not be measurement of the future—and the industry should expect it to continuously evolve. Although nearly 60% of industry leaders expect ad campaign measurement to be affected by the loss of third-party cookies and identifiers, they are not taking action to mitigate the effects moving forward. For example:

- Low industry knowledge regarding major initiatives like Google's Privacy Sandbox (46%) suggests that the industry doesn't understand the impact that it and other proposed industry solutions will have on addressability and measurement.
- Despite widespread adoption of the Open Measurement SDK with more than 100 SDKs and apps integrated, only 15% of participants are using the Open Measurement SDK signal checks in bid requests—an integral component for buyers' ability to standardize and consistently measure video and apps.

2 Measurement is a multi-billion-dollar problem.

Big money is at stake. Since third-party cookies and identifiers power the addressability and measurement in open RTB programmatic buying, up to $10 billion* of sell-side annual revenue is in jeopardy. The buy side will also feel financial pressure, particularly to find cost-effective alternatives to reach addressable audiences and measure ad campaign success:

- Increased ad costs due to the privacy-driven disruptions on the digital ad supply chain will shrink the pool of available addressable audiences driving up costs to maintain campaign ROAS/CAC/CPMs from 29% to as much as 200%**

Additionally, all company types in the ecosystem will need to invest time, resources, and money on the following:

- Reconfiguring existing and/or implementing new data tools and infrastructure including AI and ML, campaign activation functionality, privacy compliance authorization, measurement, and attribution modeling, etc.
- Hiring and/or retaining legal, policy, and data specialists for education, recommendations, and solution implementation.

Although it is difficult to determine the exact impact of the loss of third-party cookies and identifiers, and regardless of the changes imposed by big tech, the industry needs to work together to design more privacy-centric addressability and measurement solutions.

*Sources: McKinsey, 4/12/21; IAB and Deighton Associates, 2/10/20
**Sources: Common Thread Collective, 1/10/22 ; eMarketer, 11/5/21; MOLOCO

Executive Summary

3 A false sense of confidence: While the industry's sense of preparedness grows, actual implementation has made little progress.

- Although over three-fourths (77%) of the industry claim to be prepared for the loss of cookies and identifiers (+15% YoY), most are not taking the necessary steps to adapt their data approaches and operations:
  - More than two-thirds (69%) are not increasing use of AI
  - Two-thirds (66%) are not adjusting their measurement strategies this year
  - 59% are not increasing their investment in first-party data
- Despite its threatened future availability and efficacy, investment in third-party data increased 8.1% year-over-year, double the rate of increase seen last year.
- Two-thirds to three-fourths of the industry does not expect revenue and finances to be affected, although increased CPMs and decreasing margins demonstrate that major investment is needed for the tools and infrastructure that would allow measurement to function in the post third-party cookie and identifier ecosystem.

4 The industry needs action: IAB recommends a two-fold approach.

IAB is calling on the industry to **engage, collaborate, and build** to solve for cross-channel measurement. With the current state of data being fragmented and inconsistent, combined with the imminent loss of cookies and identifiers, companies need to work together to establish a dynamic foundational framework that will enable them to adapt to ever-evolving technology changes and regulatory requirements.

- **Industry collaboration:** Engage with IAB and IAB Tech Lab committees and working groups to build new forms of addressability and measurement standards and requirements with a privacy-by-design approach.
- **Internal and external partner collaboration:** In parallel, engage with internal and external partners to build, assess, and address changes from a logistical, operational, and financial perspective.

The Measurement Dilemma

Measurement: A Seismic Shift in Data Collection

The ability to capture data to drive measurement and optimization will be significantly limited in the post third-party cookie and identifier era:

Basic Online Tracking
- Blocked third-party cookies/identifiers
- Limited use of first-party cookies
- Limited access to browser history
- Less ad frequency controls

User Identification
- Limited use of mobile, device, and user identifiers
- Limited sharing of first-party data to third parties
- Masking of personal data (e.g., email address)

Reporting & Attribution
- Shorter attribution windows
- Restrictions on link decorations
- Aggregated reporting
- Predominantly post-click attribution
- Delayed signals
- Delayed reporting

User Location
- Obfuscation of IP and Wi-Fi addresses
- Limited use of geographic data

The Industry Has Been Slow to Act

If the industry is aware of the measurement dilemma, why is no one taking action?

My agency/ad tech partners own the solution.

"I think I'm going to use a little bit of everything as long as I don't have to do all the tech work."

– SVP, Programmatic/Data, Publisher

"[There is] an over index on asking the platforms for help."

– SVP, Media, Fashion Brand

Wait and see: Why implement now when things keep changing?

"We've talked about different ID solutions, there are dozens and dozens of them, no one really knows which of them are going to work or scale or have participation. So, it creates a little bit of overhead for everyone in terms of having to manage through quite a lot of ambiguity… It would be useful for the whole industry if there was greater clarity."

– CxO, Adtech

"Picking a favorite [proposed industry solution] at this point when so much is changing and moving is kind of like a losing move (sic). And so, I don't think we've committed ourselves to anything just yet, but we're keeping an open mind to testing and learning."

– EVP, Intelligence, Publisher

"We are still at a stage in figuring out what is right in terms of our use of data for our businesses, let alone what the external forces will allow us to do once we get organized. There's agreement across the board for knowing our customer, collecting more, thinking more about 1P data, but we haven't gotten to the point of saying, 'Okay, what are we going to do with it once we have it?'

– SVP, Media, Fashion Brand

We're not ready to make a decision.

"I think if I pretended to be ready, I'd be lying to you, I mean, there's always more work to be done. I think we've got more to do. I think we've begun to kick off a variety of initiatives to get closer and form more intimate relationships with our consumer."

– SVP, Digital Ad Sales, Publisher

"It's too soon to say. We're in an early stage of actually tackling which direction we actually go in, and we've got a few key hires that are joining us very soon that will be engaged in supporting those decisions."

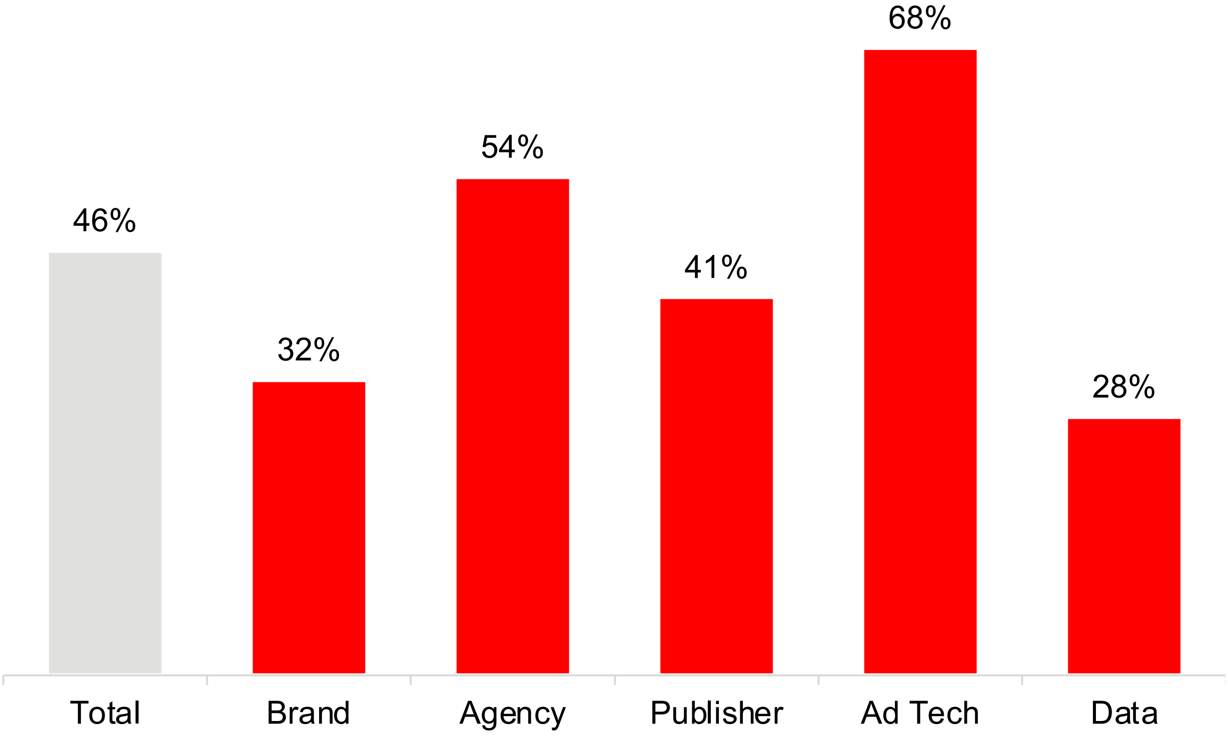
– CxO, Publisher

Education and Awareness Is Lagging

Less than half of industry leaders (46%) consider themselves knowledgeable about Google's Privacy Sandbox. This suggests an overall lack of attention that's needed to fully understand future open web opportunities that will affect addressability and measurement, including those beyond Google such as The Trade Desk's Unified ID 2.0 and Microsoft's Parakeet initiatives.

Unfamiliarity with proposed solutions prevents the awareness of the future feasibility of current measurement approaches and hinders a view into the types of adjustments (if any) that will need to be made to operate in the future.

% Knowledgeable About Google's Privacy Sandbox



Q: How much would you agree with the following statement: You consider yourself extremely knowledgeable about the various proposals and changes being proposed in Google's Privacy Sandbox (including FloC, FLEDGE, Attribution Reporting, 1P Data Sets, etc.) – Top 2 Box Summary (Strongly Agree/Agree Somewhat)
(2022 survey: Total, n=204)

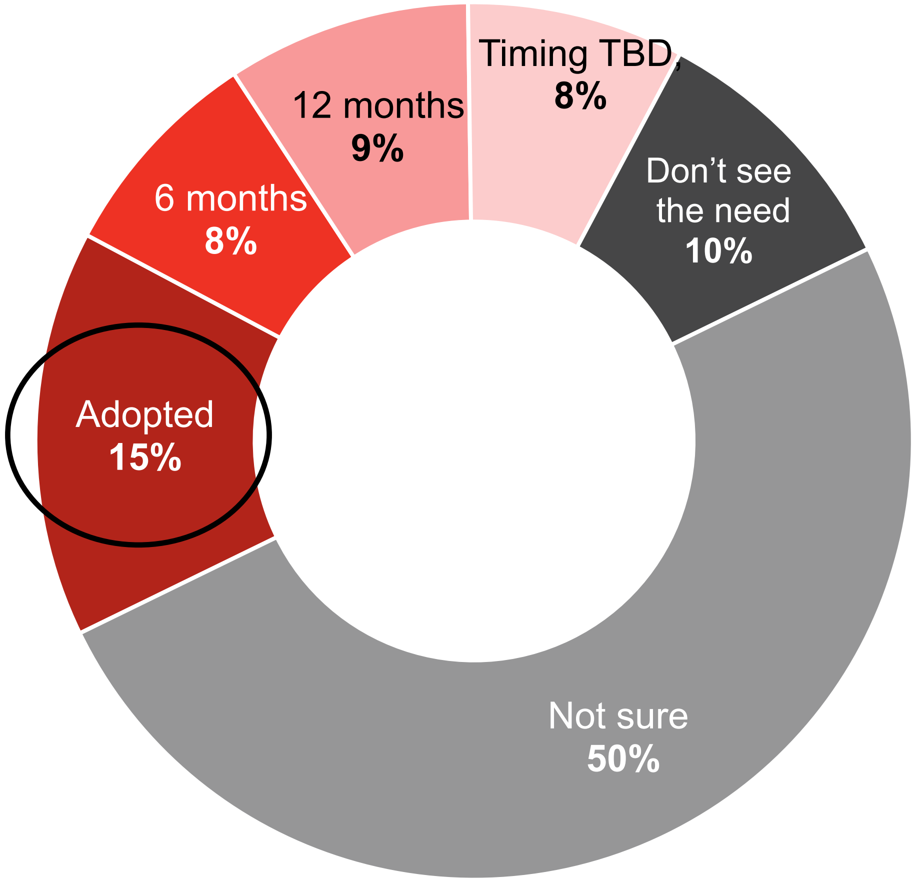
Prepare for Continuous Evolution and Increase Adoption of Measurement Technology Standards

Despite the wide adoption and integration of the OM SDK, IAB Tech Lab's Open Measurement SDK* "signal checks" is an example of a technology standard with a low adoption rate: Only 15% of the sell side have adopted it and are leveraging its ability to enable standardized privacy-compliant measurement of their client's video and mobile app viewability and verification.

The sell side's low adoption rate (15%) indicates that the buy side needs to put more pressure on partners to advance adoption of various tech standards on their behalf.

**The Open Measurement Software Development Kit (OM SDK) is designed to facilitate third-party viewability and verification measurement for ads served to web video and mobile app environments. For more information, please visit: https://iabtechlab.com/standards/open-measurement-sdk/*

Sell-Side Adoption Timeline: OM SDK Signal Checks in Bid Stream and Buys Based on OM Availability



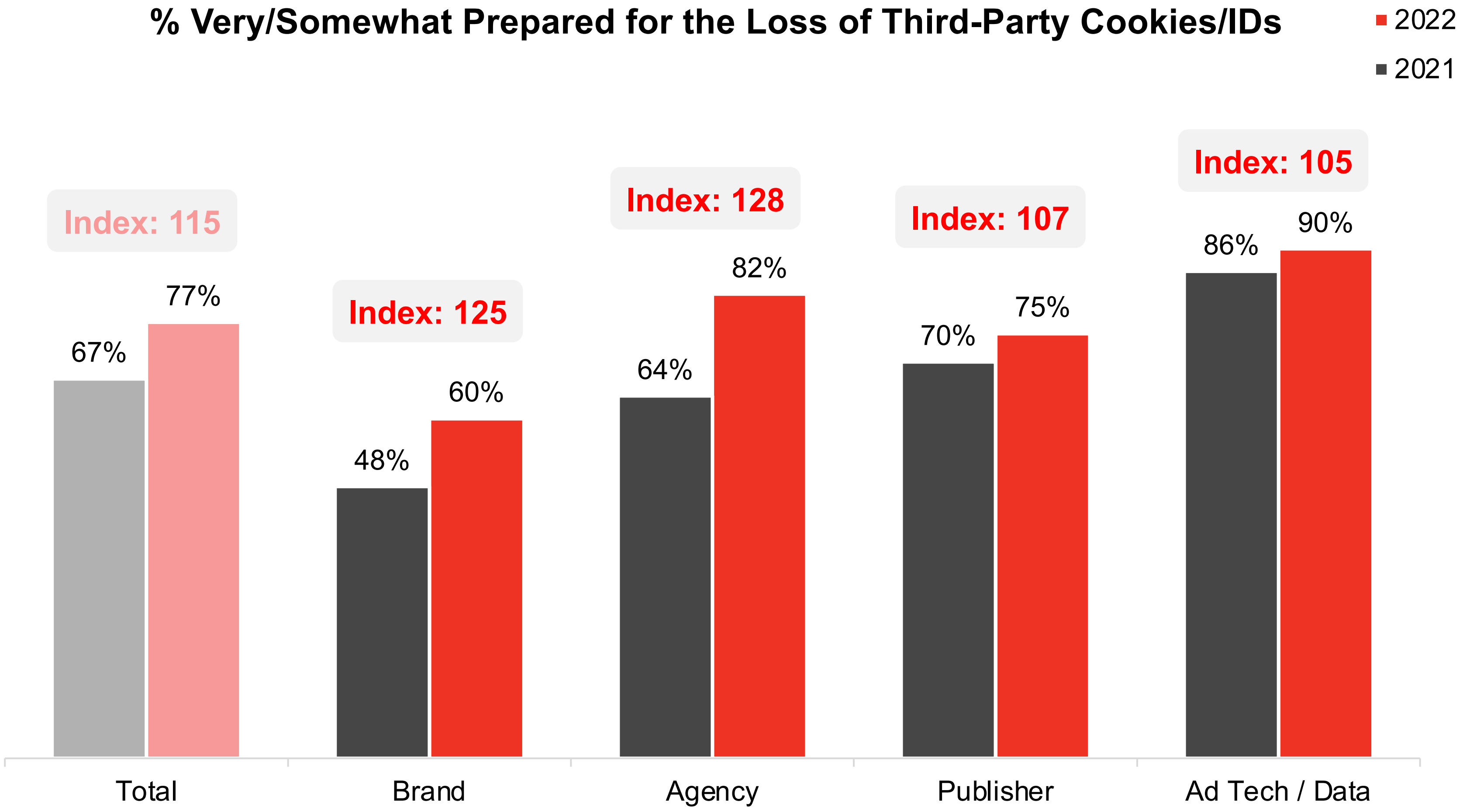
Q. What is your timeline for adopting the following tech standards?
(2022 survey: Publishers & AdTech, n=101)

False Confidence: Perception vs. Reality

Perception of Preparedness for the Loss of Cookies/IDs Increased YoY

Last year, the IAB State of Data 2021 report uncovered that most industry leaders believed they were infinitely more prepared for the post third-party cookie and ID tracking world than their organizational readiness demonstrated.

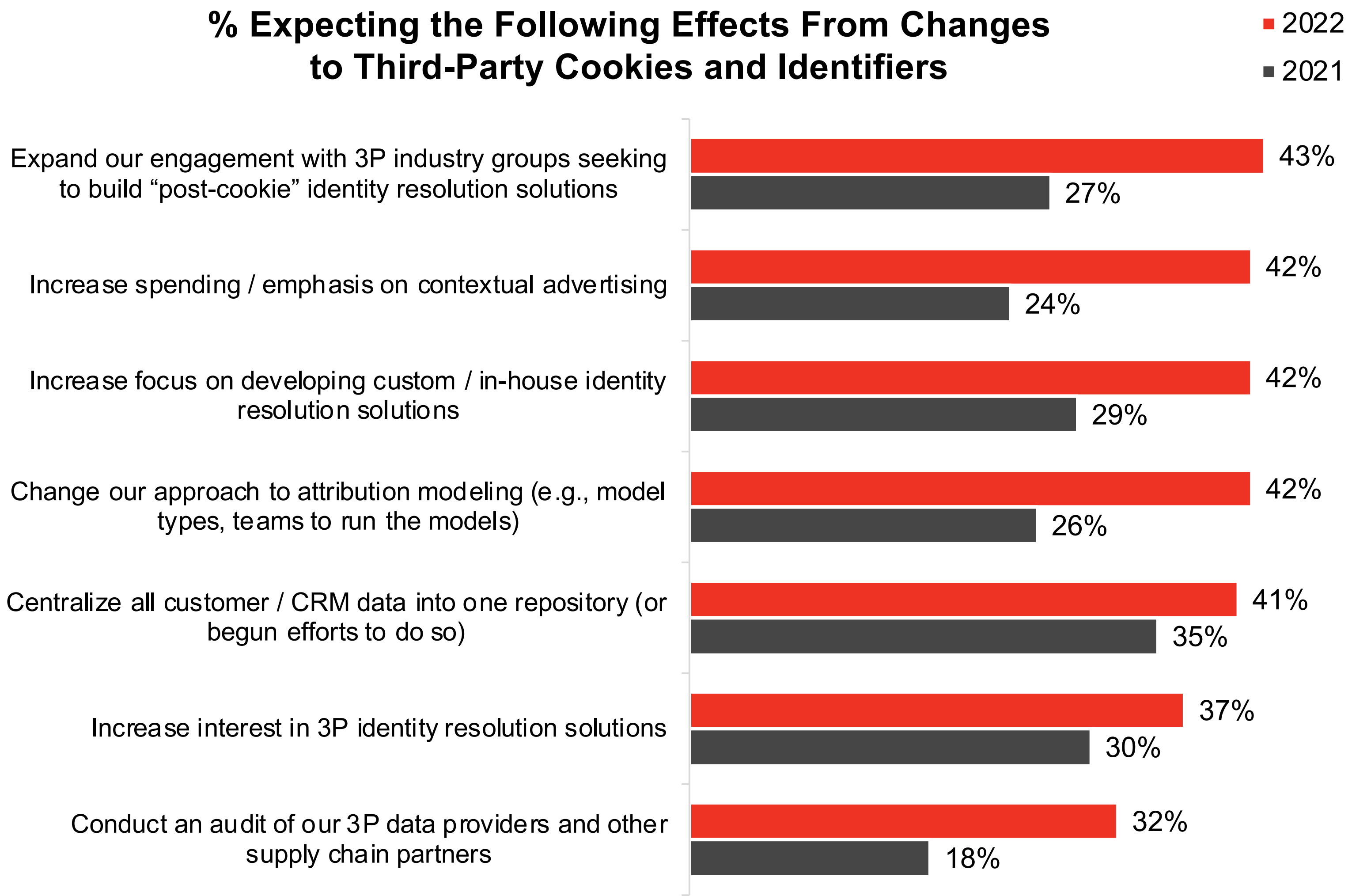
This Year: Over three-fourths (77%) of leaders report being prepared for the loss of cookies and identifiers (+15%), with all company types showing growth in self-stated preparedness.



Q: How prepared do you believe your company to be right now regarding current/impending changes to 3P cookies and identifiers and the impact of consumer privacy legislation on ad tracking? – Top 2 Box Summary (2022 survey: Total, n=204; 2021 survey: Total, n=203)

Increased Confidence Is Driven by Increased Action, But It's Not Enough

Increased action in 2022 towards engaging with third-party industry groups, increasing contextual targeting, and developing identity resolution solutions will aid data users in the preparation for the post third-party cookie and identifier ecosystem.



Q: How do you expect the coming changes to 3P cookies and identifiers will affect your company's use of data?
(2022 survey: Data users, n=125; 2021 survey: Data users, n=121)

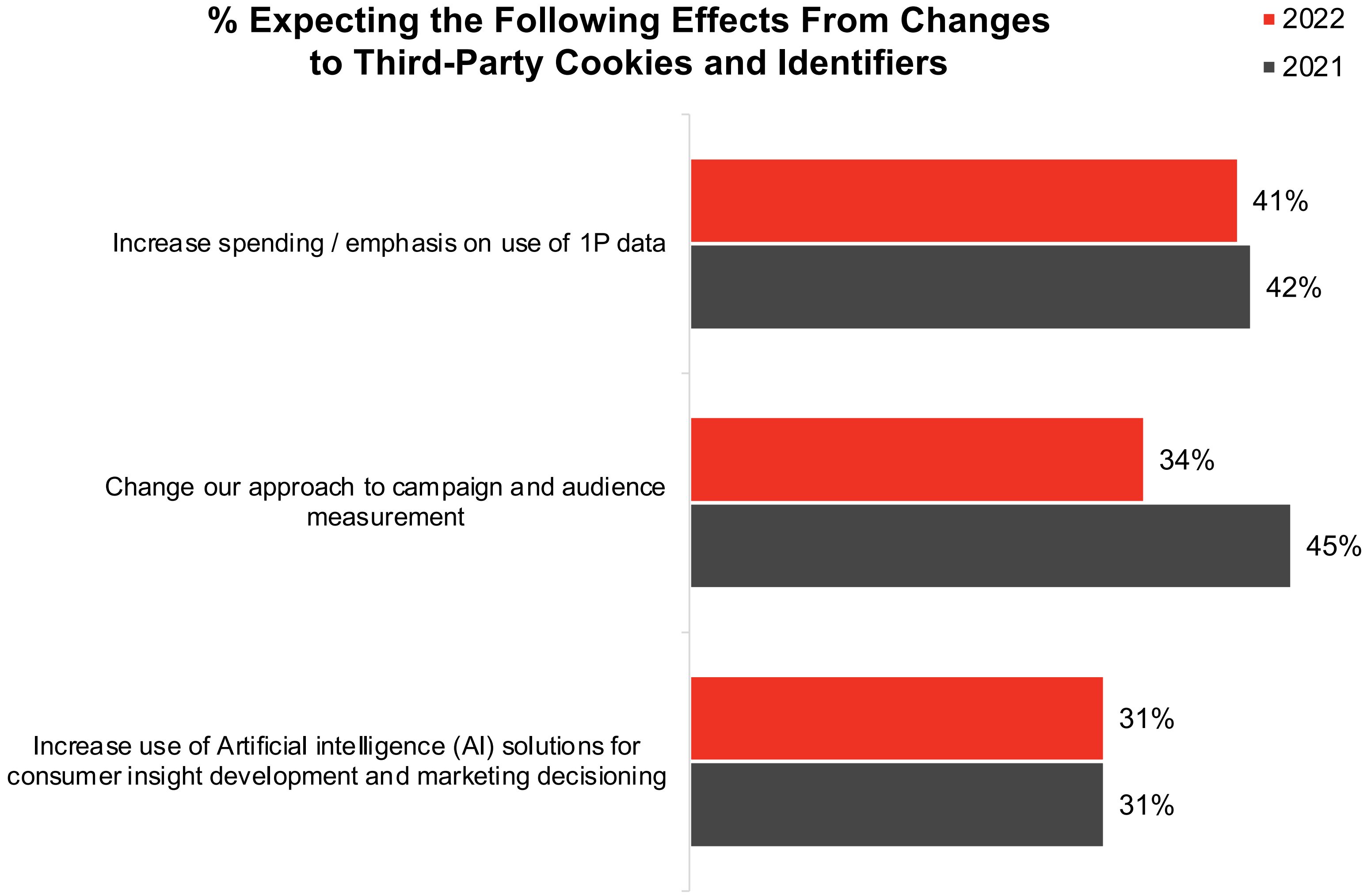
Lack of Progress Against Critical Functions Reflects an Incomplete Approach to Addressing Measurement

Fewer or the same amount of data users year-over-year are looking to:

1. Increase spending on first-party data
2. Change measurement approaches
3. Increase the use of AI

Each of these are integral to mitigating the effects of the loss of third-party cookies and identifiers.

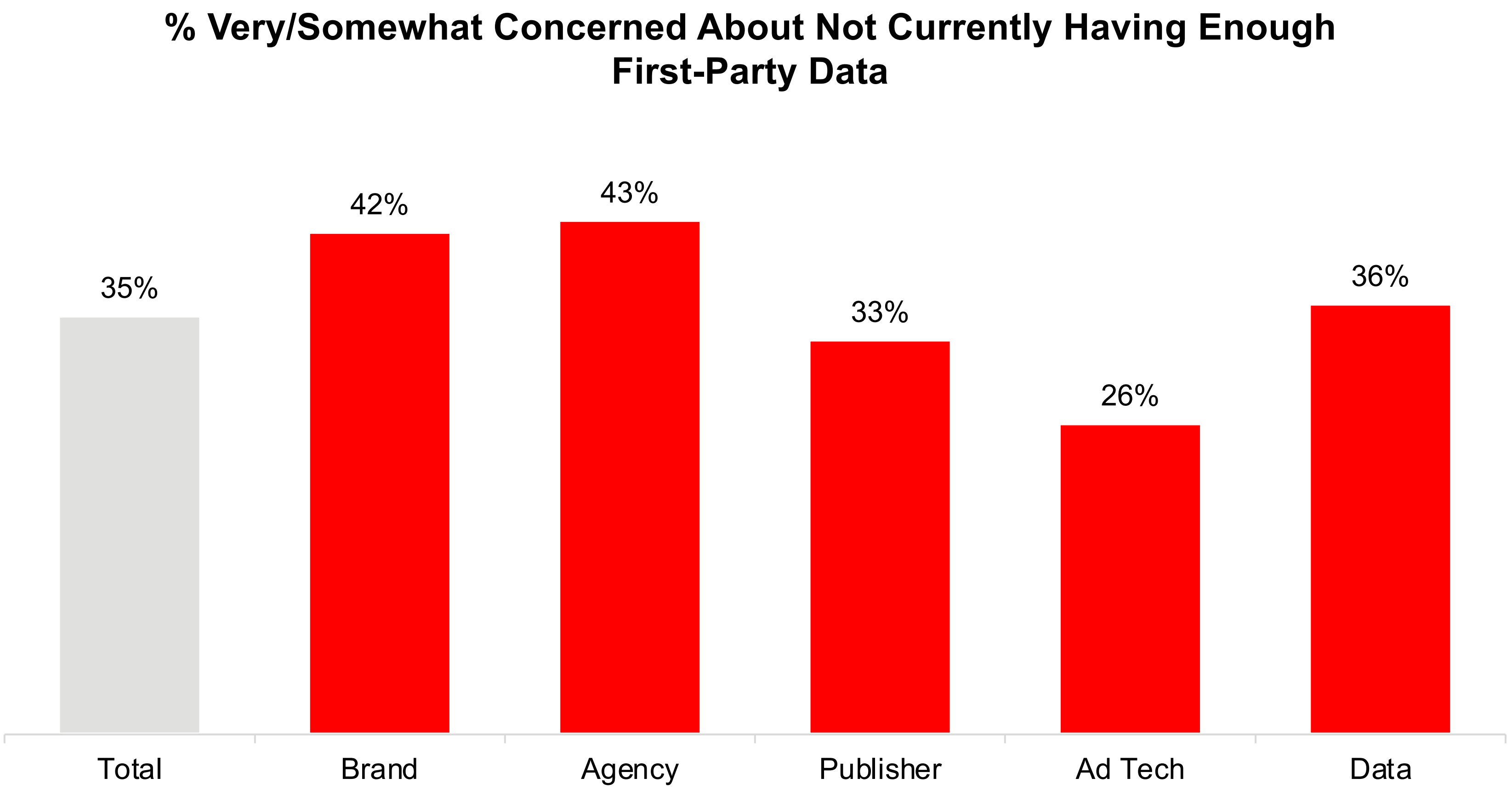
% Expecting the Following Effects From Changes to Third-Party Cookies and Identifiers



Q: How do you expect the coming changes to 3P cookies and identifiers will affect your company's use of data?
(2022 survey: Data users, n=125; 2021 survey: Data users, n=121)

The Industry Is Not Sufficiently Concerned About First-Party Data

Only 35% of industry leaders at these types of companies are very or somewhat concerned about currently having enough first-party data.



Q: Please rate your level of concern with each item below when it comes to the current / impending changes to 3P identifiers as well as new consumer privacy laws and other related legislation.
- Top 2 Box Summary (We don`t currently have enough 1P data)
(2022 survey: Total, n=204)

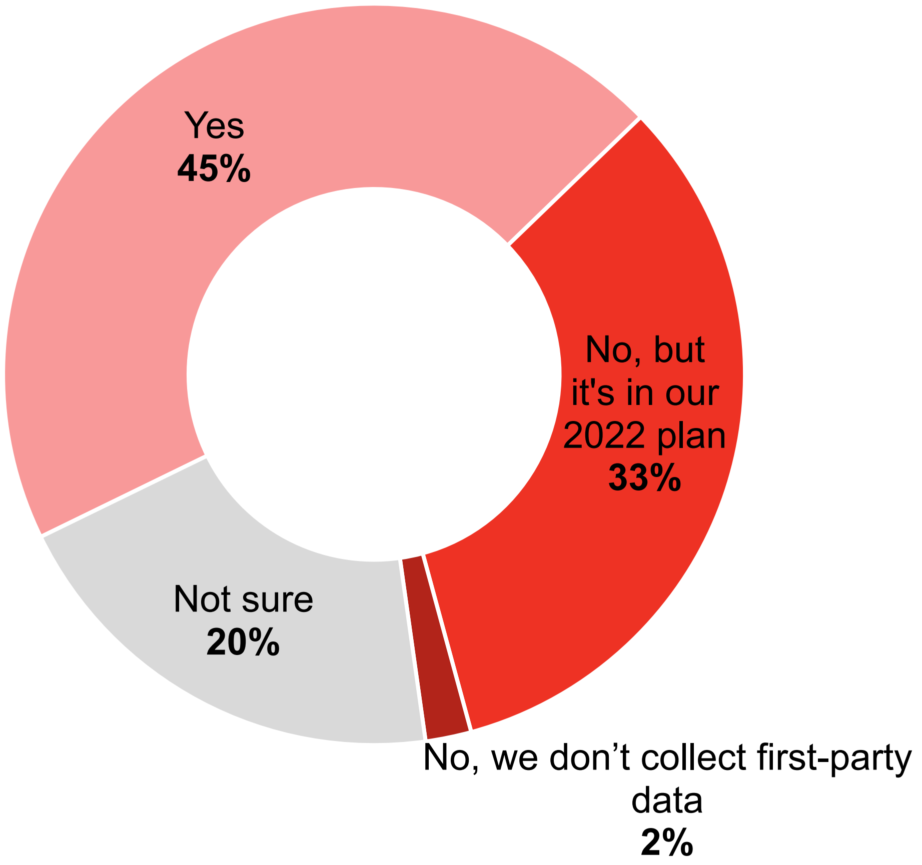
Less than Half (45%) of Publishers Are Collecting Enough First-Party Data for Audience Marketing

This means that 55% of publishers are currently unable to offer extended reach through first-party data matching to their advertisers.

"The benefit of [our first-party data] is when you have that foundation, then you can use that data for our advertising partners, both from an insights perspective through to an activation perspective. So, I think of our data supporting our entire business."

– CxO, Publisher

% of Publishers Claiming They Collect Enough First-Party Data for Audience Matching



Q: Does your company collect enough 1P data for audience matching?
(2022 survey: Publishers, n=51)

Spending on Third-Party Data Continues to Grow Despite Challenges

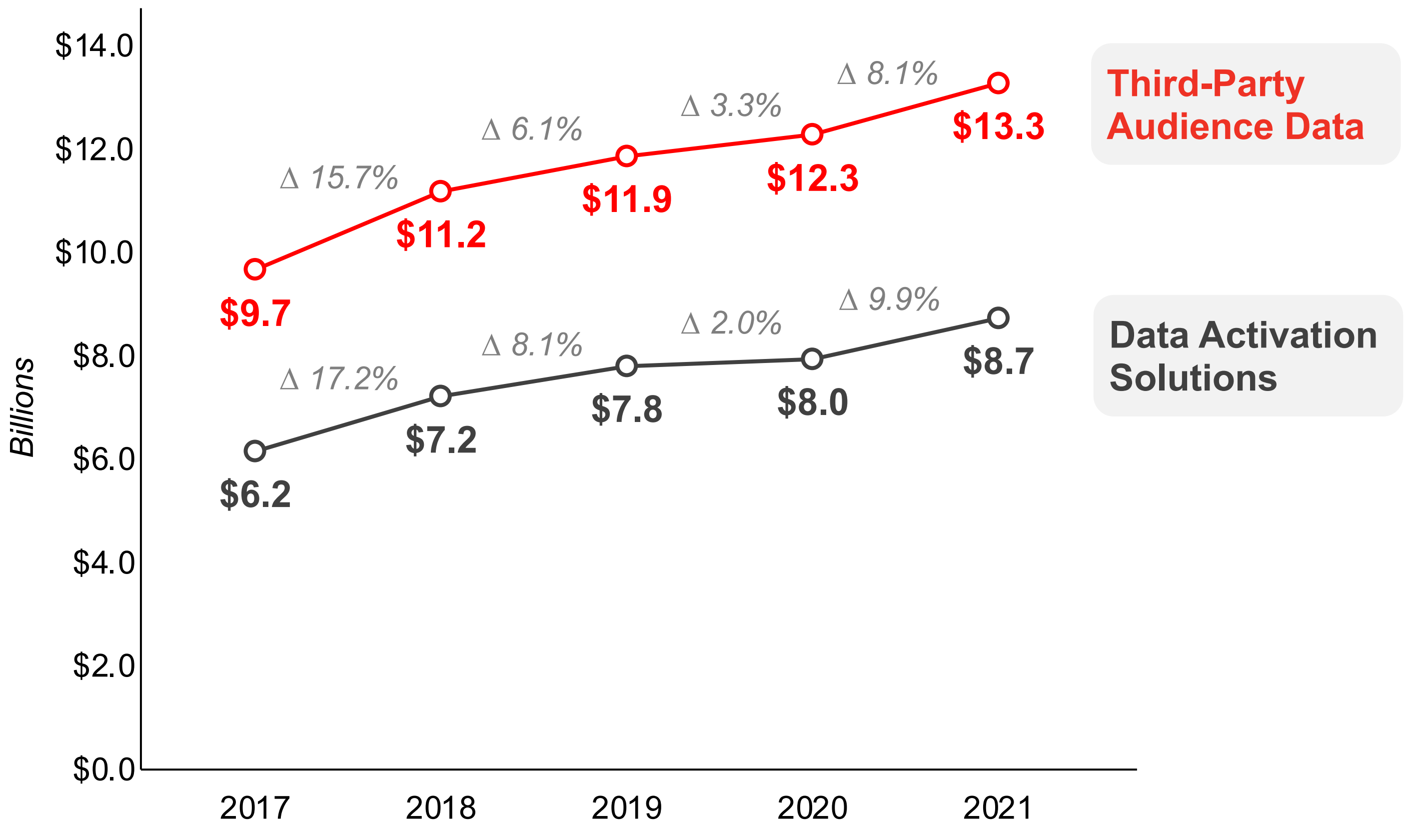
"3P data has and will probably remain for a while more important. In part because we are very conservative with how we use 1P data. In terms of a connection to our media investments, a connection to our digital media strategies, 3P data will be a bigger piece of it."

– SVP, Media, Fashion Brand

"Even though people know that [3P data] may be going away and it will change in terms of scale, if it's working for them right now, and getting results, they need to get results."

– Cxo, Adtech

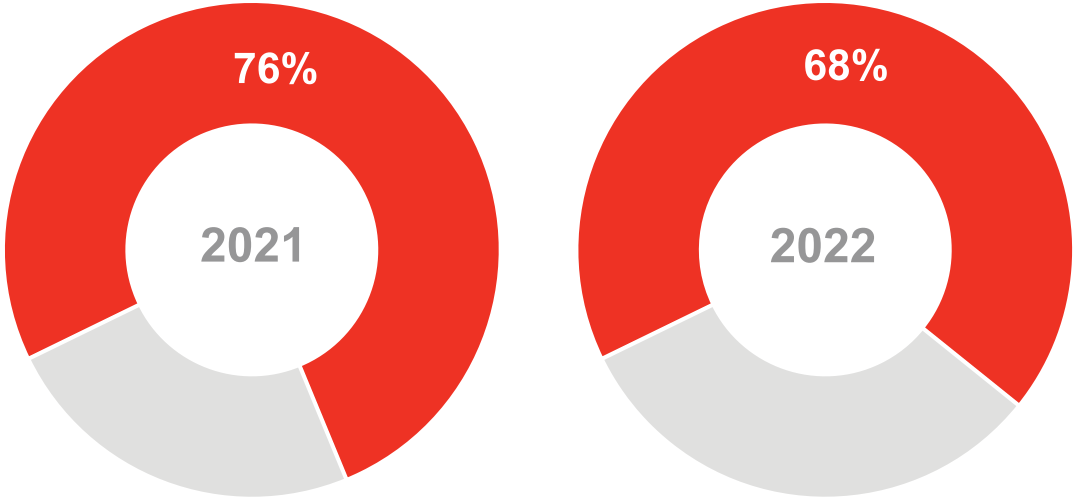
Year-Over-Year Change in Third-Party Data-Related Expenditures



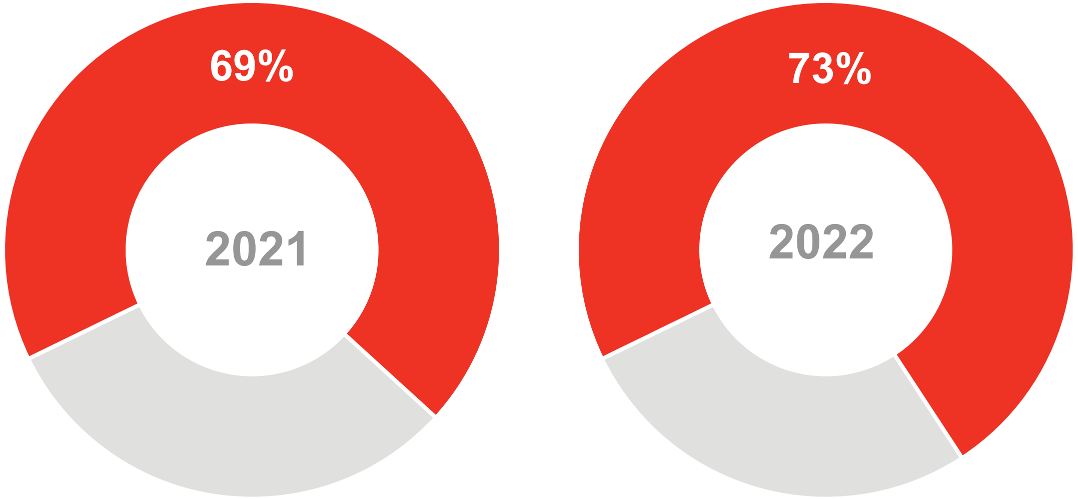
*2017-2019 data is from the State of Data research conducted and published by Winterberry Group in partnership with the IAB Programmatic+Data Center of Excellence
2020-2021 data was provided by mdrk Consulting

Industry Leaders Do Not Believe Impending Changes to Cookies/IDs Will Affect Revenue

% Expect Revenue Will NOT be Affected



% Expect Financial Equity, Resources, Cash Flow Will NOT be Affected

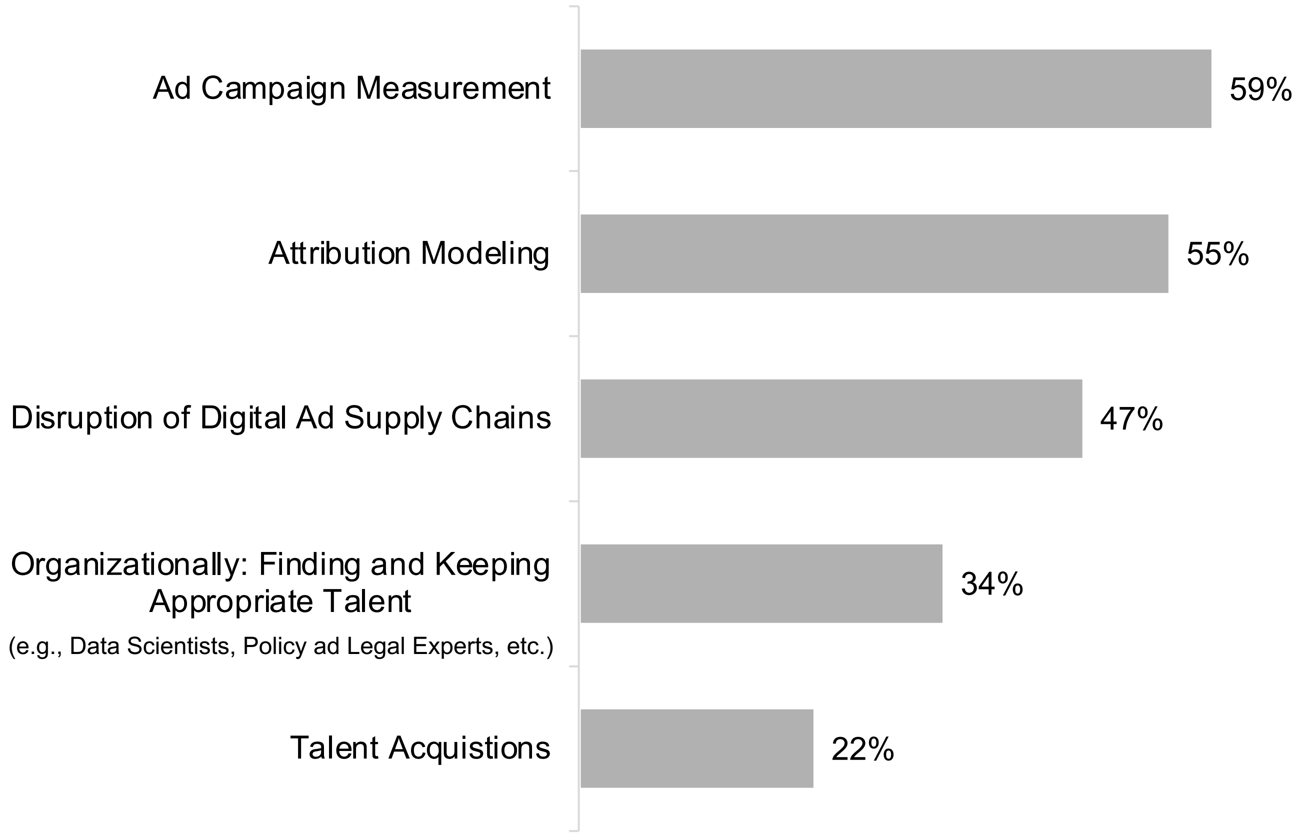


Q: To what degree do you think your company will be impacted by the impending loss of 3P identifiers in each of the following areas? - Top 2 Box Summary
(2022 survey: Total, n=204; 2021 survey: Total, n=203)

However, the Effects Anticipated Will Require Investment, Affecting Revenue and Margin

Industry leaders say they expect the loss of third-party cookies and identifiers will affect measurement, modeling, digital ad supply chains, and talent—all things that will require financial investment to correct.

% Expect to Be Extremely/Fairly Affected



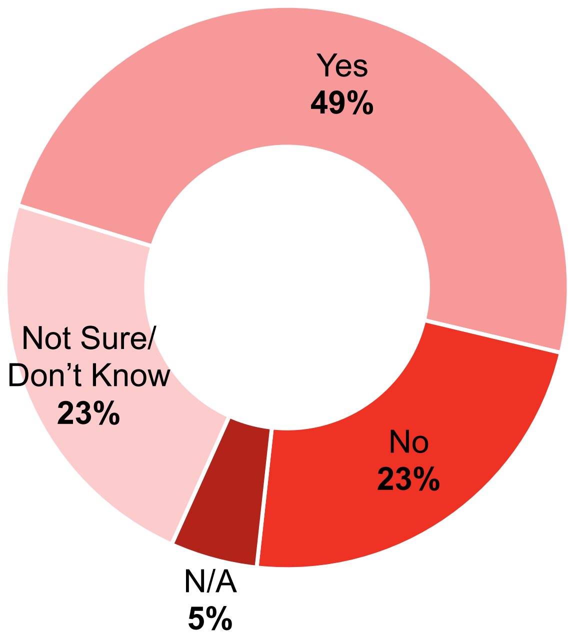
Q: To what degree do you think your company will be impacted by the impending loss of 3P identifiers in each of the following areas? - Top 2 Box Summary
(2022 survey: Total, n=204)

The Buy Side Is Already Seeing CPM Increases on iOS and Android

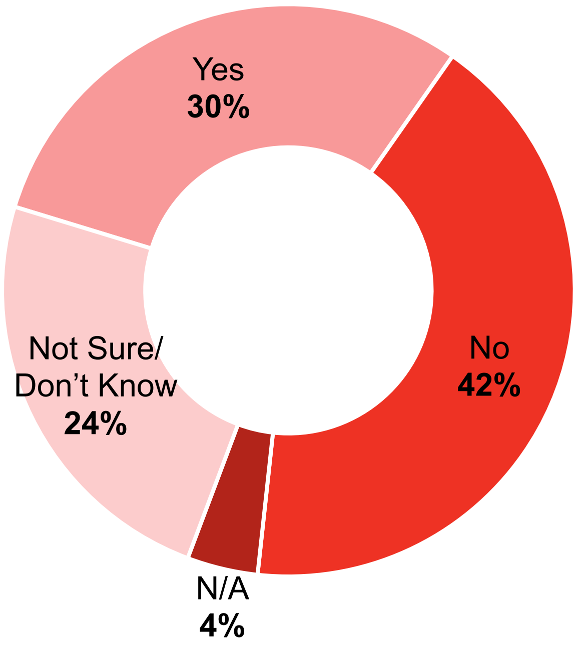
Industry leaders say their revenue and margin won't be affected but the data shows that the buy side has been hit financially: Approximately half (49%) are seeing increased CPMs on iOS and 30% are seeing increased CPMs on Android following Apple's iOS 14.5 release.

The restrictions that came with iOS 14.5 have shrunk the volume of addressable audiences and inventory available, driving up costs.

% of Buy Side Reporting Increases in CPM Rates for Apple iOS Devices



% of Buy Side Reporting Increases in CPM Rates for Desktop and/or Android Devices



Q: Have you experienced any of the following since Apple released iOS 14.5 or above?
(2022 survey: Brands & Agencies, n=78)

Plan of Action

Embrace Continuous Change: The Time to Act Is Now

Media owners, sellers, and ad tech platforms need to monitor the ever-evolving updates and changes being proposed by the various browser platforms and operating systems and assess the level of impact these changes will have to their finances, infrastructure, operations, and talent. The industry cannot solely rely on ad tech vendors to solve for these changes, and all organizations need to plan accordingly for necessary adjustments.

Action plan for all company types:

- Document your current processes to determine areas for re-evaluation and any potential gaps or risks that need to be mitigated. Earmark budget, time, and resources for this documentation process and any identified adjustments needed.
- Reassess your measurement approaches and KPIs. Identify the metrics that are most important for your or your clients' businesses and prioritize accordingly. Eliminate any metrics that are deterrents from your/your clients' goals.
- Re-evaluate your current tech stack, models, and algorithms. Determine the technical and business requirements you need to adjust and/or implement to support your or your clients' business needs in both the short term and long term. Identify any new data sets, systems, services, and products needed, and establish a timeline for securing these new solutions.
- Determine if you have the right team or specialists in place to support your or your clients' goals. Restructure your teams accordingly or hire any additional staff needed.
- Earmark budgets to develop or explore new solutions that are more privacy-centric and less reliant on third-party cookies and identifiers. Set aside time to test and learn as there is no current single industry solution, and there will be multiple solutions in the marketplace for the next several years.
- Meet with your clients and internal and external partners frequently to share industry, product, and regulation updates and to brainstorm action plans to address these changes.

"We need to stay on top of it in the trades, with our client partners, and our agency partners."

– VP, Digital Marketing, CPG Brand

Evaluate Data Stacks and Implement Tech Standards and Solutions to Enable Cross-Channel Measurement

IAB and IAB Tech Lab are both committed to helping the industry bridge measurement gaps by publishing guidelines, best practices, and technical standards. This is more important now as media consumption increasingly becomes a non-linear journey across multiple channels, therefore making measurement more complex. For marketers to be most effective in driving engagement and sales, they must have a clear view of how their marketing is reaching customers across multiple channels.

Action plan for all company types:

- ❑ Aggregate and consolidate all your data into one place (e.g., data clean rooms, data lakes, etc.) in order to do a full assessment of your data stack to identify any gaps.
- ❑ Identify key KPIs and metrics that can be consistently measured across channels and re-evaluate your attribution models on a frequent basis to keep up with the rapid changes in the industry.
- ❑ Leverage companies using AI and ML for data-driven probabilistic modeling to aid in measurement.
- ❑ Incorporate qualitative studies (such as panel-based formats) to fill in any measurement gaps identified.

"There is frustration in the lack of standards and capabilities that currently exist to measure across platforms."

– EVP, Media, Publisher

- ❑ Leverage IAB's library of measurement guidelines and best practices and enforce these guidelines across your organization and external partners.
- ❑ Brands and agencies should make it a priority to require their publisher and ad tech partners to adopt IAB tech standards and should emphasize the importance of measurement accreditation of ad tech solutions. Ad tech vendors should aspire to receive measurement accreditation from either the Media Ratings Council and technical compliance certification from from IAB Tech Lab's Compliance Program.
- ❑ Reach out to IAB and IAB Tech Lab to learn more about membership opportunities and join our committees and working groups to help develop standards to improve addressability and measurement. Get involved in IAB's Cross-Channel Measurement initiatives—contact data@iab.com for more info.

Industry Collaboration Is Required for Success

A concerted effort with stakeholders across the advertising business community can help solve for the challenges in measurement. Due to industry fragmentation, challenges exist in the alignment of stakeholders on shared measurement definitions, terms, and best practices. It's important that the advertising industry builds consensus on proper alternatives to third-party cookie and identifier measurement approaches to effectively enable marketers to determine how to invest media dollars in a privacy-safe way.

Partner with IAB and industry experts in the following ways:

- ❑ Collaborate to establish a common language and universal standards to improve cross channel measurement, including transactional KPIs.
- ❑ Engage with IAB's committees and working groups to develop solutions in response to consumer, big tech, and government concerns, by finding alternative addressability and measurement approaches, including new interoperable tech standards.
- ❑ Build upon existing measurement guidelines, best practices, research, and technology standards to inform new measurement requirements to meet current and future business needs.

"I've never met one marketer who only measures one thing. It's really difficult to build a single measurement solution that measures multiple goals."

– VP, Ad Strategy, Publisher

IAB Groups:

- ❑ Cross-Channel Measurement Council
- ❑ Measurement & Attribution Committee
- ❑ Brower/OS Ads Testing Task Force
- ❑ Intrinsic In-Game Task Force

IAB Tech Lab Groups:

- ❑ Project Rearc Task Force
- ❑ Accountability & Addressability Working Groups
- ❑ Digital Video Technical Standards Working Group
- ❑ Open Measurement Working Group
- ❑ Podcast Technical Working Group
- ❑ CTV Technical Working Group
- ❑ Programmatic Supply Chain Working Group

Appendix

Methodology

Partnered With Ipsos

IAB commissioned Ipsos to co-create and execute a quantitative and qualitative analysis to examine how changes in privacy legislation, the deprecation of third-party cookies and identifiers, cross-media addressability, and platform rules and mandates are affecting data collection, measurement, and optimization.

Quantitative Sample Generated and Execution

- 15-minute anonymous online survey, n=204
- Ipsos leveraged NewtonX B2B sample methodology to recruit verified industry leaders, identified as either providers or users of data and further classified based on their purview into data spend or revenue for their employer, across the following five company types:
  - brands
  - agencies
  - publishers
  - data companies
  - ad tech
- Fielded: December 10, 2021 through January 4, 2022

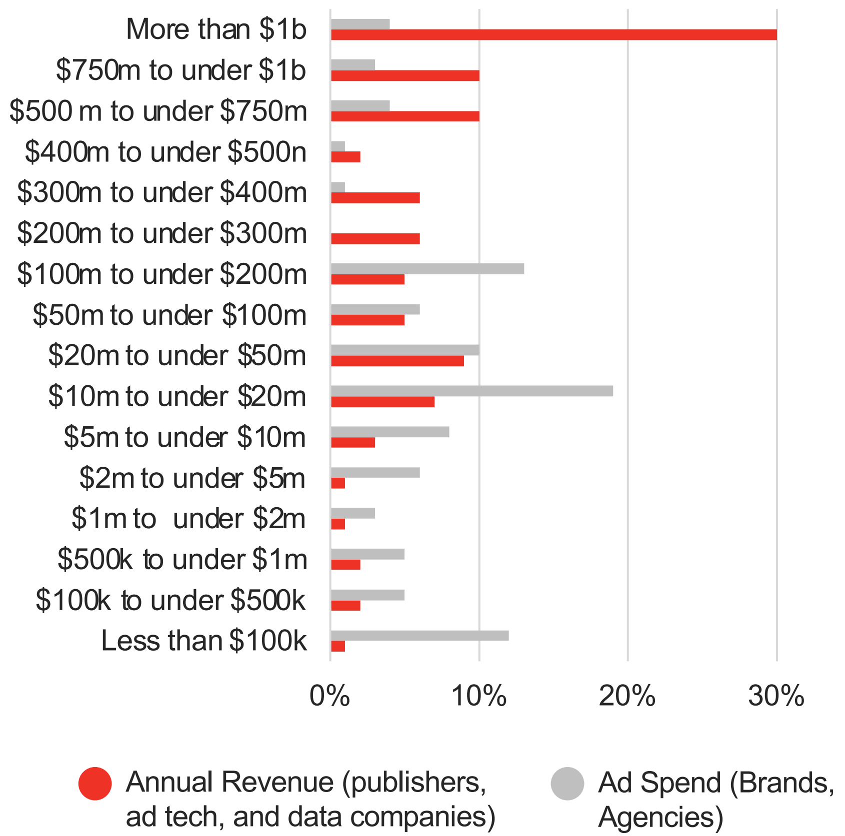
Qualitative Sample Generated and Execution

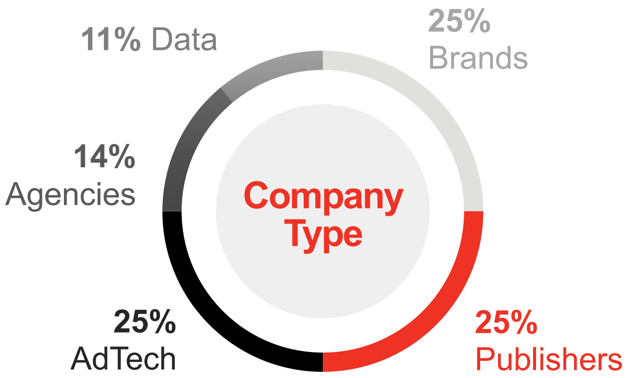
- 30-minute interviews with 20 industry leaders, with representatives across the following company types: brands, agencies, publishers, and ad tech companies
- Fielded: January 2022

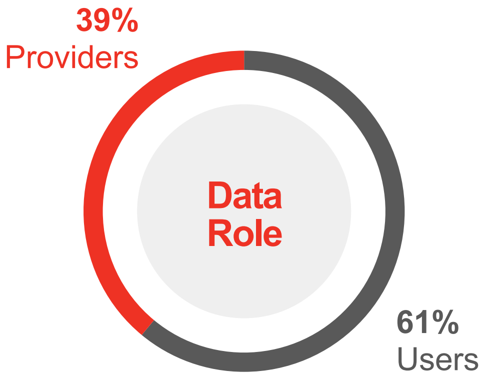
Third-Party Audience Data and Data Activation Solutions: Projection Methodology

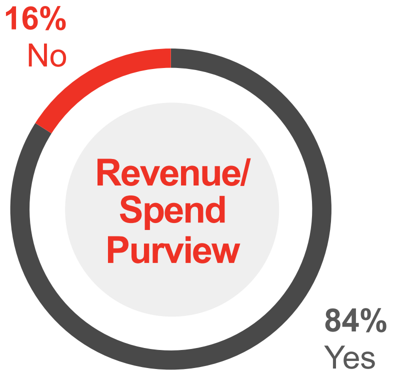
IAB Research & Analytics partnered with **mdrk Consulting** to develop a multi-method statistical model to estimate the size of the third-party audience data and data activation solutions in U.S. markets. Statistical methodologies included heuristic analyses of industry trends via public filings across the ad ecosystem, segmented/weighted distributions of quantitative State of Data survey results, and growth-based projections of historic report findings.

Respondent Profile









About IAB

The Interactive Advertising Bureau empowers the media and marketing industries to thrive in the digital economy. Its membership comprises more than 700 leading media companies, brands, agencies, and the technology firms responsible for selling, delivering, and optimizing digital ad marketing campaigns. The trade group fields critical research on interactive advertising, while also educating brands, agencies, and the wider business community on the importance of digital marketing. In affiliation with the IAB Tech Lab, IAB develops technical standards and solutions. IAB is committed to professional development and elevating the knowledge, skills, expertise, and diversity of the workforce across the industry. Through the work of its public policy office in Washington, D.C., the trade association advocates for its members and promotes the value of the interactive advertising industry to legislators and policymakers. Founded in 1996, IAB is headquartered in New York City.

About the IAB Programmatic+Data Center

The IAB Programmatic+Data Center is a unit within IAB, founded to enhance existing IAB resources and to drive the data agenda for the digital media, marketing, and advertising industry.

The Programmatic+Data Center's mission is to define boundaries, reduce friction, and increase value along the data chain, for consumers, marketers, and the ecosystem that supports them.

IAB Programmatic+Data Center is focused on:

- Driving accelerated digital marketing transformation through emerging technologies
- Advancing programmatic growth while supporting media buying for emerging formats
- Leading industry consumer privacy and ethics initiatives
- Defining data transparency, quality, and identity to inform measurement and attribution within the supply chain

PROGRAMMATIC+ DATA CENTER

IAB Programmatic+Data Center Measurement, Attribution & Board Member Companies include:

84.51° · AccuWeather · acxiom · BANK OF AMERICA · Best Buy Ads · Broadsign · CUSTOMER ID · experian · Google · gumgum · IBM Watson Advertising · infutor · MMI · MONSTER ENERGY · neustar · Nielsen · theTradeDesk · TikTok · wirewheel

About Ipsos

Ipsos is the third largest market research company in the world, present in 90 markets and employing more than 18,000 people.

Our research professionals, analysts, and scientists have built unique multi-specialist capabilities that provide powerful insights into the actions, opinions, and motivations of citizens, consumers, patients, customers or employees. Our 75 business solutions are based on primary data coming from our surveys, social media monitoring, and qualitative or observational techniques.

“Game Changers” – our tagline – summarises our ambition to help our 5,000 clients to navigate more easily our deeply changing world.

Founded in France in 1975, Ipsos is listed on the Euronext Paris since July 1st, 1999. The company is part of the SBF 120 and the Mid-60 index and is eligible for the Deferred Settlement Service (SRD).

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Game Changers

In our world of rapid change, the need for reliable information to make confident decisions has never been greater.

At Ipsos we believe our clients need more than a data supplier, they need a partner who can produce accurate and relevant information and turn it into actionable truth.

This is why our passionately curious experts not only provide the most precise measurement, but shape it to provide True Understanding of Society, Markets and People.

To do this, we use the best of science, technology and know-how and apply the principles of security, simplicity, speed and substance to everything we do.

So that our clients can act faster, smarter, and bolder.
Ultimately, success comes down to a simple truth:
You act better when you are sure.

Thank You!

For more information, visit:
iab.com/state-of-data