STATE OF DATA 2022

PART II:
PREPARING FOR THE NEW ADDRESSABILITY LANDSCAPE

MEDIASCIENCE

Phillip Lomax
Dr. Duane Varan

IAB

Chris Bruderle
Jeffrey Bustos
Angelina Eng
Meredith Guiness

TABLE OF CONTENTS

FOREWORD & EXECUTIVE SUMMARY

FOREWORD

This report marks the fifth year and sixth installment of IAB's State of Data research, which examines how changes in privacy legislation, the deprecation of third-party cookies and identifiers, and platform policies are affecting data collection, addressability, measurement, and optimization. For this installment, **IAB** commissioned **MediaScience** to conduct a qualitative research study on how brands, agencies, and publishers are evolving their approach to consumer privacy, as well as working with their internal and external partners to meet consumer privacy expectations.

Although Google postponed the deprecation of third-party cookies until 2024, stakeholders throughout the industry should be aware (and, perhaps, alarmed) that the market has already lost approximately 50 to 60% of the signal fidelity from third-party identifiers[1] due to actions from other platforms (like Apple, Firefox, etc). This, coupled with impending changes to the regulatory landscape, necessitate an immediate re-evaluation for the ecosystem.

As updates to California's privacy law take effect, new laws come online in Colorado, Virginia, Utah, and Connecticut, and more states and international bodies roll out new legislation, marketers are being forced to reimagine their data strategies, along with their overall customer relationship management ecosystem. Industry solutions for addressability and measurement that focus on privacy-by-default, while also complying with disparate state privacy laws, will be table stakes for this new landscape from a compliance and regulatory standpoint.

Changes to existing and new privacy laws will advance consumer rights and therefore the business requirements regarding the following advertising strategies and tactics, among others:

- Conducting targeted advertising
- Measuring the effectiveness of ad campaigns
- Using "sensitive data" for segmentation, measurement, research, or other purposes
- Passing consumer preferences and requests through the ad industry supply chain

As a result, the vitality of the entire digital media economy as it operates today is at stake. And yet, in our conversations with 30 senior-level, data decision-makers across brands, agencies, and publishers, few seemed truly prepared for ongoing data privacy legislation changes and the effect that these impending laws, and platform and browser changes, will have on their businesses.

The State of Data 2022 Part II: Preparing for the New Addressability Landscape report provides an overview of the scalable solutions currently used by marketers, while investigating reliable strategies and tactics to reach audiences while protecting consumer privacy. This report reveals pressing concerns and issues facing marketers today which, when addressed directly, can result in improved business performance and product innovation, as well as influence lawmakers on the impact their legislation will have on the $189.3 billion U.S. digital advertising industry.[2]

IAB thanks our sponsors:

Principal Sponsor
onetrust

Platinum Sponsor
neustar
A TransUnion® Company

[1] Interviewees from this study and AdExchanger, 6/7/22
[2] IAB/PwC Internet Ad Revenue Report, FY 2021

EXECUTIVE SUMMARY

1 THE NEW PRIVACY LANDSCAPE

Interviewee perceptions of the landscape along with a self-assessment of preparedness.

- The senior-level, data decision-makers at brands, agencies, and publishers interviewed for this study agree that consumer trust is paramount, but what's lacking is a more effective and transparent way to communicate the data value exchange. Overall, there is a lack of communication with consumers regarding how their data is being used by companies for monetization in support of their businesses, and how that, in turn, powers the creation of personalized consumer experiences, products, and services.

- As privacy legislation evolves at the state level, compliance is becoming more challenging. The evolving laws and regulations are outpacing marketers' ability to enact and adopt consistent measures and protocols, both internally and externally with third- party vendors. The majority of our respondents agreed that the most logical approach is to apply conservative one-size-fits-all approaches across multiple jurisdictions. However, this could create another issue, where marketers could miss out on opportunities to leverage data across state lines, where permitted.

- There continues to be a disconnect among senior-level, data decision-makers between their self-stated sense of preparedness for the loss of third-party cookies and identifiers and their knowledge of the factors beyond the deprecation of cookies that are driving the evolution of the privacy landscape. For example, while many of the interviewees rated themselves as prepared, they are not fully versed in many of the privacy-related laws that could contribute to signal loss.

- There was also a disparity among interviewees regarding the level of impact the deprecation of third-party cookies and identifiers will have on their revenue: Some said it's still too early to tell, while others estimated up to 25%. However, there was consensus that smaller businesses are likely to be more heavily impacted due to a lack of funds or infrastructure to keep pace with future solutions.

EXECUTIVE SUMMARY
CONTINUED

2 CURRENT APPROACHES

How interviewees are navigating the landscape, and what can and is being done.

- Many of our interviewees reported that they are collecting a wide range of first-party data, and are leveraging third-party data for further enrichment. However, scale and data quality were the top issues cited.

- There is a lack of communication and awareness within companies regarding the types of data beyond email addresses being collected and used for identifiers. Although leveraging email addresses for marketing purposes can be done in a way that complies with current privacy requirements, it is likely that email and IP addresses will face increased scrutiny in the future as state privacy legislation continues to evolve consumer choice requirements, restrictions on the use of "sensitive data," and further refines the circumstances in which information can/cannot be shared with third-parties for advertising purposes.

- The interviewees noted that data clean rooms and identity solutions are key third-party tools that can help power data collection and enrichment. However, only a handful of interviewees are testing these new approaches, as many are either evaluating or trying to understand what specifically to test. Also noted were challenges within the testing process, due to the resource and financial investment required, and the confusion around the abundance of tools available.

- Among the interviewees, the pursuit of capturing data on known (logged-in) first-party audiences is being prioritized ahead of capturing data on unknown (not logged-in) first-party audiences. This is a missed opportunity, as the majority of publisher audiences (~80% according to interviewees) are unknown. This leaves a significant amount of potentially rich data on the table that could otherwise be leveraged by the buy-side for various purposes, most notably to power advanced contextual targeting.

- The publishers interviewed are optimistic about the use of Seller-Defined Audiences (e.g., custom cohorts) as one solution for addressability. However, buy-side awareness (currently low) is needed order for successful adoption. Publishers overall expressed a desire to build stronger relationships with the buy side via robust addressability solutions, and demonstrating the value of their content.

EXECUTIVE SUMMARY
CONTINUED

3 RECOMMENDATIONS

Below is a summary of the detailed action items found on pages 23 to 28 of this report.

- It's not enough to simply offer consumers an option to opt-in to cookies. Companies should provide users with a clear opportunity to select the types of data they are willing to allow for business purposes, including for advertising.
- Companies throughout the industry need to recognize that the biggest immediate threat to the industry is inconsistent and poorly crafted state-level privacy regulation, not the loss of third-party cookies and identifiers.
- Companies need to more precisely assess the financial impact of the new privacy landscape, which includes balancing investments in new technology and human capital to manage it.
- Beyond leveraging email addresses, which are likely to face restrictions in the future due to the evolution of state and national legislation, companies need to further invest in first-party data and look to third-party sources to enrich that data.
- While many in the industry have prioritized capturing first-party data across known (logged-in) users, companies need to pay equal attention to unknown (not logged-in) audiences in order to achieve scale.

PART 1:
THE NEW PRIVACY LANDSCAPE

- CONSUMER TRUST & THE VALUE EXCHANGE
- PRIVACY LEGISLATION & COMPLIANCE
- PREPAREDNESS & FINANCIAL IMPACT

The New Privacy Landscape

Consumer Trust & The Value Exchange

Consumers are aware that their personal data is being leveraged by companies for business purposes. However, there is a standing perception by lawmakers and consumers that companies are misusing or abusing the consumer data—a perception that is often shaped by the worst offenders. By way of contrast, the reality is there is a powerful value exchange that often benefits the consumer.

The senior-level, data decision-makers at brands, agencies, and publishers interviewed for this study are surprised by this lack of consumer understanding as many of them claim that their privacy policies are clear up front, and that they provide consumers with an easily-accessible way to determine what types of data are being collected.

On the wider open web, however, the clarity dissipates because, as indicated in several interviews, there are some bad actors that cast a shadow over the industry. Several publisher and brand interviewees agreed that technology partners generally are not doing enough to inform consumers as to how their data is being leveraged for advertising purposes and, in turn, that consumers don't necessarily trust advertising and big tech.

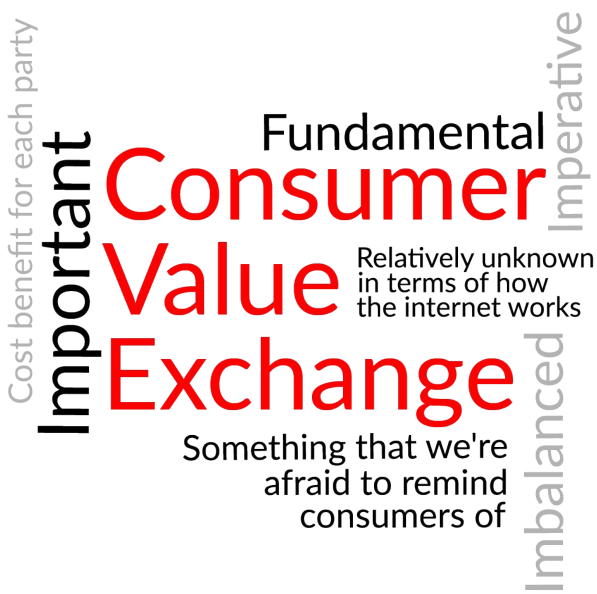
At the beginning of our interviews, interviewees participated in a lightning round where they responded with the first words that came to mind when hearing certain phrases in the context of addressability and first-party data.

The results for "consumer trust" are illuminated in the following word cloud.

It's clear that consumer trust is lacking. As a result, interviewees remarked that such trust is more important than ever, and that it's intimately tied to brand integrity.

Additional education is required to help consumers, businesses, and the government understand how and why consumer data is being collected and used.

> “Nobody wants to give you all of their information just so they can continue reading free content on the internet. Everybody says consumers get it, (but) a lot of time (they) just want to read what they want to read as quickly as possible. So making it easy for the consumer is going to be key.” Small Publisher (<$2 billion annual 2021 revenue)



In the lightning round, the consumer value exchange was cited by most of the interviewees as an “important” and “fundamental” solution for building consumer trust and collecting valuable consumer data points. The consumer value exchange is a *quid pro quo*, in that the more value a company provides to audiences (through content, education, or special offers), the more personal data consumers are (or should be) willing to share.

For example, a primary goal for a large publisher (>$2 billion annual 2021 revenue) is subscription growth across their multiple digital properties to allow for the collection of user data across streaming platforms. This publisher can glean behavioral insights from consumer usage, enabling the publisher to offer thousands of preselected behavioral segments which advertisers can leverage across the publisher’s properties.

As a result, advertisers can leverage publisher data to inform their creative and audience targeting, thus providing better experiences for users.

> “It’s the value exchange. We're trying to figure out how to get more users to opt into us using their data and to understand how it has value for our company.”
> Large Publisher

However, the interviewees also expressed global concerns about executing successful consumer value exchanges. For example, some companies are collecting more data than they need, which jeopardizes consumer privacy for the industry as a whole. There was also concern regarding the accuracy of sources that help stitch together data in a way that respects consumer privacy (e.g., data clean rooms).

While delivering on such a value exchange comes with its own challenges, failing to provide it may come with an even greater cost as companies would lack the ability to access data they need to monetize their businesses and create better consumer experiences, products, and services.

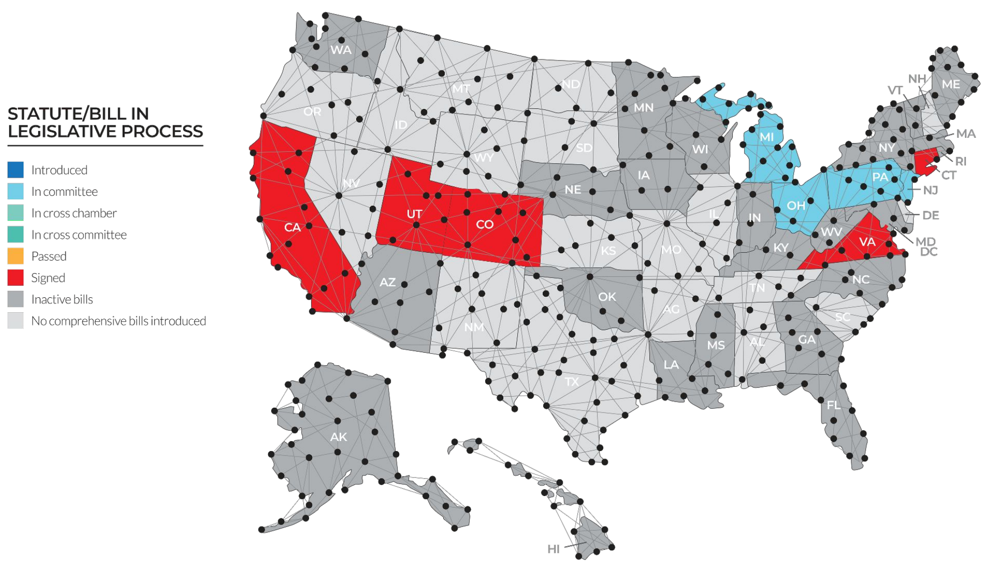
Privacy Legislation & Compliance

Although Google postponed the deprecation of third-party cookies until 2024, stakeholders throughout the industry should acknowledge that the market already has lost approximately 50 to 60% of the signal fidelity from third-party identifiers[3] due to actions from platforms like Apple and Firefox that have already deprecated cookies. This, coupled with impending changes to the regulatory landscape and potential actions by the Federal Trade Commission, demands an immediate re-evaluation of the ecosystem.

In fact, the biggest immediate threat to the industry is inconsistent and poorly crafted state-level privacy regulation, not the loss of third-party cookies and identifiers. The introduction of new legislation and revisions to existing legislation is outpacing companies' abilities to enact and adopt consistent measures and protocols. As more states and international bodies roll out new legislation, major changes are coming to the privacy compliance landscape in 2023: Updates to California's privacy law take effect on January 1, and new laws come online in Virginia (January 1), Colorado (July 1), Connecticut (July 1), and Utah (December 31).[4]

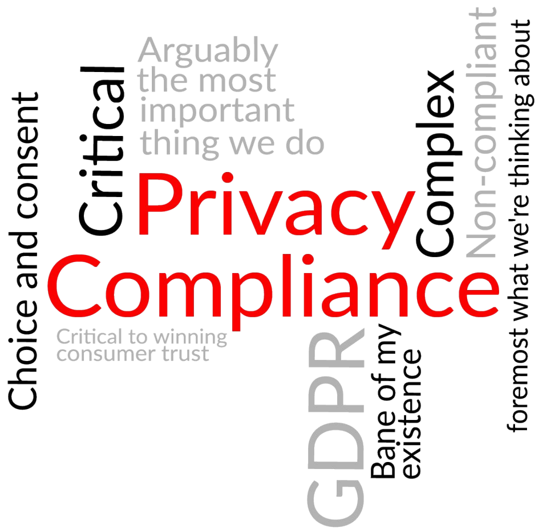
> "Cookie deprecation is happening end of '23, beginning of '24, but that signal loss is already here. With IDFA also being diminished, and Safari and Firefox deleting their cookies starting back in 2017, that's 48% of mobile and desktop viewers using that browser."
>
> Large Brand

U.S. STATE PRIVACY LEGISLATION TRACKER 2022[5]



[3] Interviewees from this study and AdExchanger, 6/7/22
[4] The National Law Review, 8/8/22
[5] International Association of Privacy Professionals, 8/11/22

Interviewees agree that privacy compliance is critical and complex, as evidenced in the lightning round (see below).



Some believe the logical and responsible approach to impending legislation will derive from a standard that adheres to the most conservative policies such as a one-size-fits-all approach.

Nonetheless, there are drawbacks to a blanket, universal approach across multiple jurisdictions: While it not only can severely limit a company's ability to collect data it can also lead to missed opportunities to leverage data that have fewer restrictions within certain states.

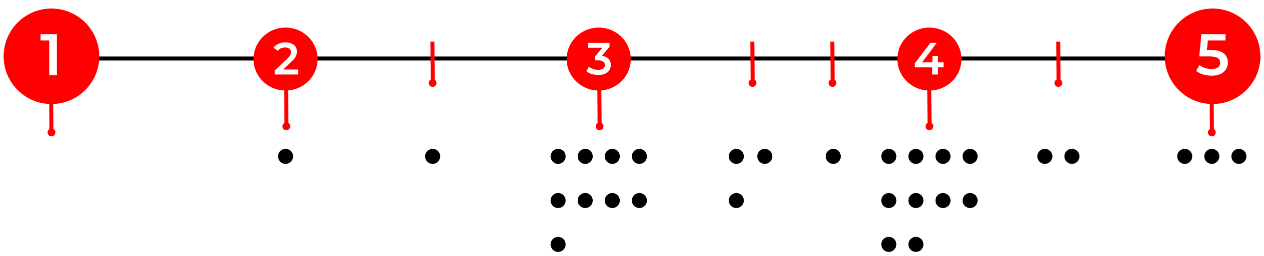
For publishers this is a very difficult environment as revenue is often directly tied to identity. In many cases it's not equitable for a publisher to choose a one-size-fits-all solution. It serves them to be as opportunistic as possible in terms of leveraging data, as long as they know they are protecting their users' data and providing the option for opt-out.

Companies should investigate how consent and compliance are linked to brand trust. By taking measures to respect user opt-in preferences, marketers are fostering the growth of consumer trust, which will become paramount as brands look to enrich transactional data and entice consumers to share based on the proven value exchange.

Preparedness & Financial Impact

In this study, interviewees were asked to rate their company's preparedness on a scale of 1 to 5, with 1 being the least prepared and 5 being the most prepared regarding the loss of third-party cookies and identifiers.

On average, brands, agencies, and publishers rated themselves between a 3 and a 4.



BRAND AVG. RATING
3.6

AGENCY AVG. RATING
3.8

PUBLISHER AVG. RATING
3.6

Upon examining the results, there continues to be a disconnect among senior-level, data decision-makers between their self-stated sense of preparedness and their knowledge of all of the factors beyond the deprecation of cookies that are driving the evolution of the privacy landscape. For example, while many of the interviewees rated themselves as highly prepared (score of 4 to 5), they are not fully versed in many of the privacy-related laws that will contribute to signal loss.

By way of contrast, those who rated themselves between a 2 and 3 seemed more informed as to their preparedness, expressing a clearer understanding of the impact of the impending legislative changes and acknowledging that the efforts will be long-term and iterative.

> "We are taking steps to build a full stack system with a customer data platform and a customer relationship marketing platform all tied together along with consent management. However, we are just getting started on this journey, I'm giving us a 3 for making the effort and putting a plan in place. I don't think that plan is perfect and I think we're going to have to adjust it sort of iteratively as we go forward. But I think that's kind of the MO for everybody outside of maybe a select few companies."
> Large Brand

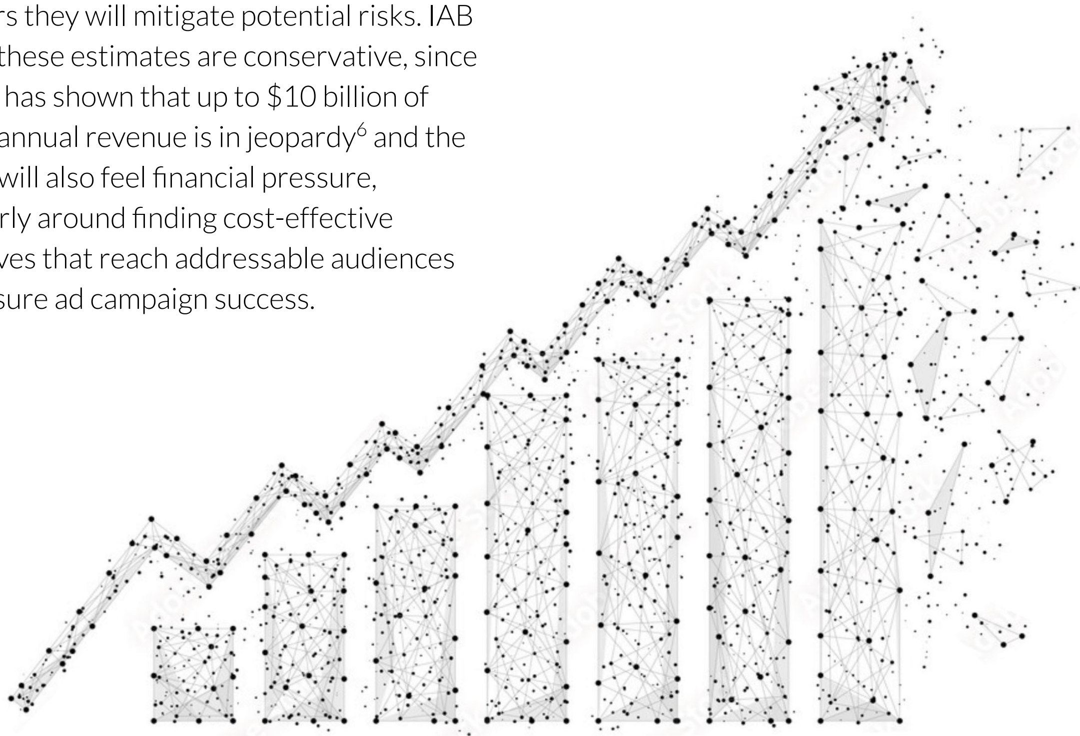
> “I think preparation is really subjective right now. We've been working on a variety of approaches to a strategy that continues to evolve because we haven't reached maturity for some of the things we consider viable for the future. I would say, despite all the progress we've made, it's irresponsible and premature of us to be anything further than that. I think we'll continue to be a 3 to 4 for another few years.”
> Large Brand

There was a disparity among interviewees regarding the level of impact that the deprecation of third-party cookies and identifiers will have on their/their clients’ revenue. Publishers estimate an impact of up to **25%**, while large brands predict up to **15%.** Other respondents felt it was too early to tell, while large agencies shared that they are not concerned about their clients’ potential revenue loss. Agencies believe that by forming deep contextual partnerships with the top 20 to 30 publishers they will mitigate potential risks. IAB believes these estimates are conservative, since research has shown that up to $10 billion of sell-side annual revenue is in jeopardy[6] and the buy side will also feel financial pressure, particularly around finding cost-effective alternatives that reach addressable audiences and measure ad campaign success.

That said, many interviewees noted that they’ve made significant investments in the last 12 months by building first-party data management infrastructure via multi-million dollar investments in systems, governance, and personnel.

As privacy legislation evolves, digital advertising players’ investments will surely quadruple over the next three-to-five years, primarily focused on compliant (and non-cookie-based) identity and measurement solutions along with data scientists and specialists who are essential for vetting and managing infrastructure and third-party partnership opportunities. The cost of human capital can easily be ten times the cost of the technology itself.

Because of this, many of the interviewees expressed that smaller to mid-sized players will be at a disadvantage in this new privacy landscape as they lack the investment and infrastructure capabilities to keep up with solutions for the future.



[6] McKinsey, 4/12/21 and IAB and Deighton Associates, 2/10/20

PART 2:

CURRENT APPROACHES

- DATA COLLECTION & ENRICHMENT
- ADDRESSING ADDRESSABILITY

Current Approaches

Data Collection & Enrichment

The most advanced brands, agencies, and publishers interviewed for this study are currently collecting data from consumers across devices and are assembling a wide range of data points such as email address, purchase behavior, geo-location, and streaming viewing habits. However, a significant gap among companies continues to widen as smaller companies lack the ability to build rich, multi-touchpoint datasets and the resources to deploy and maintain costly data management and enrichment tools and services like customer data platforms (CDPs), data management platforms (DMPs), and data clean rooms (DCRs)—let alone the investment of human capital for implementation and maintenance.

When looking at publishers interviewed, specifically, the difference between large and small was stark. For example, large publishers tend to benefit from having access to multiple consumer touchpoints via both digital and physical, thus enabling them to connect data points across an omnichannel journey. By way of contrast, smaller publishers tend to have access to only a single channel or vertical-specific consumer data. Although less robust, it still enables them to hone in on their niche audiences.

For example, a health publisher we spoke to collects data regarding types of information users access, and then leverages that information to create custom cohorts for targeting, aka Seller-Defined Audiences. Large publishers benefit from legacy data and intellectual property and will surely see incremental benefit as they continue to enrich their portfolios with more content, which can be used to map a user's desires, behaviors, and viewing preferences.

Brands both big and small can benefit from having a direct relationship with their customers, however there is a clear distinction among the types of relationships brands currently can have with their customers based on their product categories as well as the channels where their products are sold. For example, a major CPG brand we spoke to, whose products are primarily sold in third-party retail stores, is trying to find ways to directly communicate and convert consumers via digital properties. This will enable a better understanding of their consumers in the pursuit of developing a clear understanding of the value exchange.

And building direct customer relationships remains a common challenge for brands that primarily rely on third-party retailers. Direct relationships with consumers are based on and enriched by the capture of invaluable first-party data.

With this understanding, agencies advise their brand clients to collect first-party data. However, in our interviews, we learned that smaller agencies are at a disadvantage as many of them, and their clients, do not have the resources, budgets, or expertise to explore other solutions. Smaller brands fear that shifting focus to new solutions will take away resources and focus from producing and maintaining current results. There is a struggle to figure out how to convince clients to adopt new solutions as some of their day-to-day clients aren't particularly senior within their organizations and thus don't have the ability to influence widespread change.

As a result, smaller agencies are often forced to focus their attention on their largest clients while waiting for smaller clients to build out or evolve their data hygiene and collection best practices.

Additionally, the agencies interviewed are advising their brand clients to be more intentional about the first-party data they collect, enrich, and use for segmentation. An area of concern as indicated by a large agency is that data is often too broad to use for targeting and there is a gap between what data points brands think are important for their agencies to leverage and what data points agencies actually need.

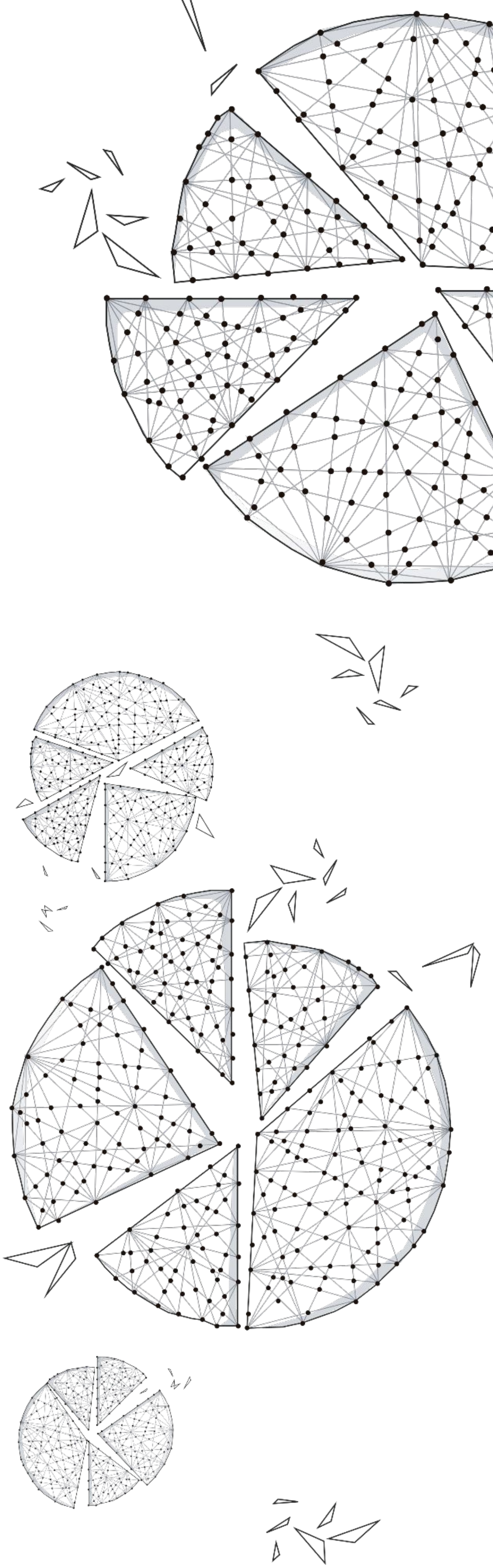
Among the brands, agencies, and publishers we spoke to who have sufficient first-party data, the majority have adopted a customer relationship management (CRM) tool or customer data platform (CDP) to construct profiles and connect with third-party sources for enrichment. The most common data identifier being used are email addresses, which serve as the foundation for creating a user profile or user graph.

Although leveraging email addresses (or more commonly hashed and encrypted IDs generated from raw email addresses) for marketing purposes can be done in a way that complies with privacy requirements, doing so requires careful consideration about how to provide adequate transparency and control to consumers to meet the privacy standards set by state law and industry self-regulatory programs, including for purposes of targeted advertising, identity resolution, and measurement. It is also likely that email and IP addresses will face increased scrutiny moving forward as state privacy legislation continues to evolve regarding the definition of "sensitive data" and the circumstances in which information can/cannot be shared with third-parties for advertising purposes.

Across agencies, brands and publishers, there is a lack of communication and awareness regarding all of the types of data, beyond email addresses, that they are collecting and can use for identifiers. Not only is this a missed opportunity, it prevents companies from making proper decisions about adhering to evolving privacy legislation.

Brands don't see a world in which current third-party enrichment practices as they operate today are sustainable. In fact, many interviewees identified limitations with some legacy DMP and CDP third-party solutions including data reliability (e.g., data that's outdated by multiple years) as well as limitations in terms of the execution of those tools within their businesses.

Interviewees expressed that mapping users via DMPs seems to provide one solution for collecting exposures that can be fed into a brand's first-party dataset. One large agency interviewee remarked that the use of impression pixels on exposures to third-party audiences helps to build audiences for prospecting based on campaigns and strategies. Then, using cohorts through a DMP, their clients are able to extend their first-party data reach into "1.5-party data". However, interviewees acknowledged that once the impending privacy legislation is enforced in 2023, the future of DMPs is questionable, as far as being able to push and activate audiences outside of a company's own properties. In this new privacy landscape, companies can still use DMPs to evaluate their own audiences on their own properties, but being able to leverage audience segments outside of their own properties to target and measure faces growing hurdles.



With regards to CDPs, large organizations with multiple platform experiences are finding data consolidation and cleaning highly complex, whether they've built their own or are leveraging a third party solution. In many cases, the same brand or publisher will find that different business units within their portfolio use different platforms, adding considerable complexity to their collective data aggregation demands. Further adding to the complexity are the demands of different clients, each looking to extract different kinds of data out of the CDP. Often the needs of clients and those of the fused platforms are not well-aligned, and clients often ask for specific technologies to be used.

Several third-party enrichment solutions that are being developed and discussed across the industry today, particularly data clean rooms and identity solutions, were identified as being imperative for brands, publishers and agencies. However, only a handful of interviewees are testing these new approaches while many are either evaluating or trying to understand what specifically to test. There was also an acknowledgement of the challenges that exist within the testing process due to significant investment and resource allocation required as well as the abundance of tools available.

As a result, when asked what first comes to mind regarding data clean rooms, interviewees gave mixed feedback, as illuminated in the word cloud in the column to the right.

In fact, some of our interviewees went so far as to express that they think data clean rooms are a viable path forward for data security, particularly when working across company types in the industry, while others are skeptical of the security capabilities and ability to enable universal interoperability.

> "Data clean room adoption was a big opportunity for us to shore all (of our data security) up. This is the way we want to route data. It provides an enormous amount of security for our first-party data and it provides that safety and conscious feeling for the advertiser as well. It gives us the opportunity to play in the sandbox with that data so that we're completely privacy compliant. We don't touch theirs, they don't touch ours, but that match is happening in the middle and we both can be ensured we have those protections in place."
> Large Publisher

> "False security. There's a false expectation of what they (data clean rooms) will really be able to do depending on how structured your data is and what you're looking to achieve."
> Small Agency

There is consensus among interviewees that data clean rooms can go only so far as their ability to bring together the largest publishers in the industry, a near Herculean task, according to our interviewees.

A few publishers shared that they think identity solutions will have a large market impact and ultimately fill the gap third-party cookies leave behind. However, interviewees also expressed that there are challenges with identity solutions as evidenced in the word cloud below from the lightning round.

A small publisher interviewee asserted that individual identity solutions may likely not be able to provide the ecosystem with scale: "They may only cover (account for) 5% of the total internet population." While identity solutions will undoubtedly see further adoption, the publisher went on, "I just don't think that they're going to reach a large percentage of the internet population."

As a result, digital advertising players may look to partner with a host of identity solutions, which presents its own challenges from a consolidation, cost, and complexity standpoint.

> "It's like we're replacing one problem with another problem. Now you just have to integrate like 17 other ID solutions in order to possibly have the scale that you once did."
> Small Publisher

Current Approaches

Addressing Addressability

The senior-level, data decision-makers interviewed for this study highlighted how first-party data and a focus on growing and enriching it, seems to be the majority of companies' primary focus. The type of first-party data that they've emphasized is for known audiences, deterministic data points on consumers that are logged-in or consumers they are able to facilitate direct relationships with.

However, when asked directly about solutions they're using for generating probabilistic first-party data on unknown audiences (non-logged in users), many interviewees did not provide detail on specific approaches they're taking beyond cohort or contextual, and noted the challenges with garnering this type of data.

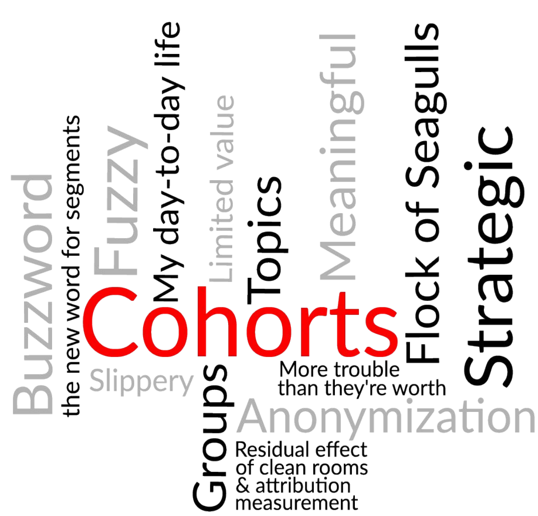
> "We'll probably have to work two, three or four times as hard to make up for some of the degradation we see along the way."
> Small Publisher

The prioritization of first-party data on known audiences seems misplaced given that most publisher interviewees indicated that at most only 20% of their audience logs in. By largely focusing on data for only known audiences, companies are leaving a significant amount of potentially rich data on the table that could otherwise be leveraged by the buy side for various purposes, most notably to power advanced contextual targeting.

> "As a publisher that has both anonymous and known users, we know that we're going to have to supplement."
> Small Publisher

Interviewees agreed that there is value in using contextual advertising which, based upon previous research done by MediaScience, has yet to fully be leveraged beyond the traditional means. For example, placing category relevant products adjacent to contextually relevant programming can be effective (i.e., a golf club advertisement adjacent to golf programming). In fact, there are a wide variety of contextual transfer effects beyond category relevance and increasingly brands will need to understand the type of context that best suits their specific communication objectives. (For additional perspective from MediaScience, see page 33 in the appendix.)

Regarding cohort-based solutions, there was a theme of disappointment in the short-term among interviewees because of issues during testing and roll out (see the word cloud below).



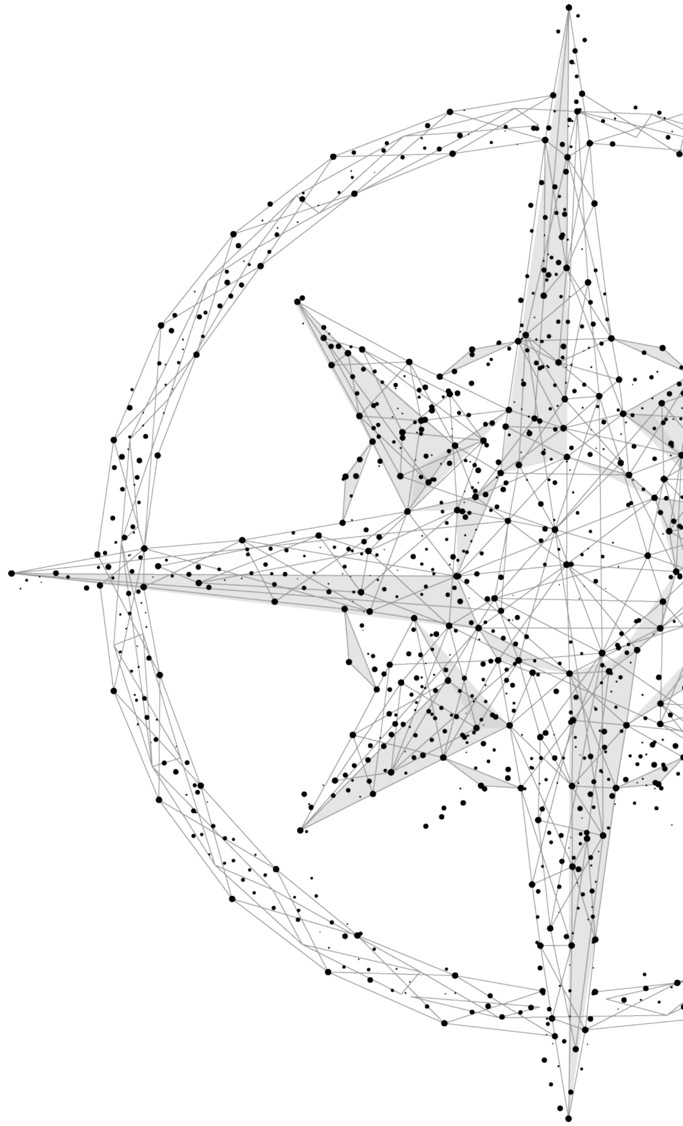
Despite these initial disappointments, all publishers interviewed are still optimistic about cohorts, such as Seller-Defined Audiences going forward.

> "Cohorts, interesting concept. I think that's the best route from our perspective on how to move forward, but there's room for more learning there."
> Large Publisher

That said, when speaking with brands and agencies there was a lack of awareness of new solutions that solve for unknown audiences, which empower publishers to own their data. There is hesitancy from brands and agencies that the audience segments that the publishers create are accurate. In order to ensure trust, there needs to be full transparency from publishers on the source of the data, the size of the audiences, and the recency of the data–preferably validated by a third-party.

Publishers overall expressed a desire to build stronger relationships with the buy-side via robust addressability solutions and the articulation of the value of their content.

The challenge will be respecting known audiences while still finding and identifying unknown audiences. Finding identity solutions to address both, to follow along the prospect's journey and reach a level of identification via its data clean room solution, was a key priority shared by a large brand interviewee.



Unknown audiences should be contextualized. Given this need to reach unknown users, there are new opportunities for publishers to come to market with more robust offerings so they can better capitalize on context.

However, if a user wishes to remain anonymous, interviewees agree that it is critical for them to feel safe within digital environments and that their data must not be misused. A clear direction must be communicated to the consumer as to how their data is being used.

PART 3: RECOMMENDATIONS

Recommendations

Consumer Trust & The Value Exchange

Since consumers are likely unaware of the breadth and specificity of their data being captured by companies they interact with in digital environments, it's not enough to simply offer them an option to opt-in to "cookies" (a term they likely don't understand) or expect them to read complex legal policies.

Companies can build trust with consumers by providing them with a clear opportunity to select the types of data they are willing to allow for business purposes, including for advertising. This should include user provided data, as well as any information inferred from behavior such as interest preferences or any forms of enriched data derived by third parties. For resources and checklists for managing consumer consent, transparency, and data management, consult the IAB *CPRA Toolkit*.*

<table>
<tr><th colspan="5">ACTION ITEMS</th></tr>
<tr><th>Function / Department</th><th>Brands</th><th>Publishers & Platforms</th><th>Agencies</th><th>Ad Tech</th></tr>
<tr><td rowspan="2">Marketing, Media Planners, Buyers & Account Managers</td><td colspan="4">Provide clear, customer-facing experiences that allow users to view and select specific data points for advertising and marketing purposes that they are comfortable sharing, while communicating the value that their data provides.</td></tr>
<tr><td></td><td colspan="3">Be aware of the types of data clients are using to activate audiences, and provide best practices and guidelines for data transference in order to avoid overcollection, leakage, and abuse.</td></tr>
<tr><td>Data Scientists, Data Engineers</td><td colspan="2">Avoid data leaks and be cautious when exposing website data to third-party partners, including geographic, behavioral, audience, or contextual data and any other data that may be considered "sensitive" or personally identifiable.</td><td colspan="2">Audit and assess the collection and syndication of website or audience data. Inform ad tech developers and website owners about any potential risks.</td></tr>
<tr><td>Developers, Engineers, Ad Ops & Product</td><td colspan="4">Support solutions designed to streamline transmitting privacy, consent, and consumer choice signals to ad tech providers, and integrate those with existing privacy signals. For resources and checklists for managing consumer consent, transparency, and data management, consult the IAB CPRA Toolkit.*</td></tr>
<tr><td>Legal & Compliance</td><td colspan="4">Walk the executive leadership teams through the actual privacy regulations and detail the specific laws that their company must adhere to given their relevant locations.</td></tr>
</table>

Note: IAB toolkits do not constitute legal advice, and if you have any legal questions, please consult your attorney. While IAB has made efforts to assure the accuracy of the material in these toolkits, it should not be treated as a basis for formulating business and legal decisions without individualized legal advice.

Recommendations

Privacy Legislation & Compliance

Companies throughout the industry need to recognize that the biggest immediate threat to the industry is inconsistent and poorly crafted state-level privacy regulation, not the loss of third-party cookies and identifiers. While taking a one-size-fits-all approach, companies should also be scrutinizing their practice at each level (local, national, and international) to be compliant with the impending laws and to ensure they're not leaving any data on the table.

<table>
<tr><th colspan="5">ACTION ITEMS</th></tr>
<tr><th>Function / Department</th><th>Brands</th><th>Publishers & Platforms</th><th>Agencies</th><th>Ad Tech</th></tr>
<tr><td>Marketing, Media Planners, Buyers & Account Managers</td><td colspan="4">When using email addresses as identifiers, ensure compliance with the privacy standards set by state law and industry self-regulatory programs. Additionally, companies should be aware that email and IP addresses could face restrictions in the future and should begin to explore alternatives for enrichment in preparation.</td></tr>
<tr><td>Data Scientists, Data Engineers</td><td colspan="4">Assess your company's current data infrastructure framework, determine if any updates need to be made for privacy compliance, and confirm that there is proper data governance and a security framework in place.</td></tr>
<tr><td>Developers, Engineers, Ad Ops & Product</td><td colspan="4">Identify, manage, and monitor tech and product implementations and iterations to ensure that your organization is securing and adequately meeting consumer expectations and privacy standards set by state laws and industry self-regulatory programs. Adhere to updated privacy signaling specifications in the IAB Tech Lab's Global Privacy Platform.</td></tr>
<tr><td rowspan="2">Legal & Compliance</td><td colspan="4">Remain up to date on the changing privacy compliance requirements at the local, national and international levels. Leverage the IAB CPRA Toolkit* for draft language regarding service provider and contractor agreements, risk and operational assessment considerations, and more. Collaborate across functions and departments to assess the risks and implications to your organization as requirements evolve.</td></tr>
<tr><td colspan="4">Have data and privacy protection agreements in place across your tech stack (both direct and indirect) with those that would have access to you or your customers' data. Use the IAB's state compliance framework to meet requirements at scale, including the forthcoming Multi-State Privacy Agreement (which will amend the existing Limited Service Provider Agreement) and Global Privacy Platform.</td></tr>
</table>

*Note: IAB toolkits do not constitute legal advice, and if you have any legal questions, please consult your attorney. While IAB has made efforts to assure the accuracy of the material in these toolkits, it should not be treated as a basis for formulating business and legal decisions without individualized legal advice.

Recommendations

Preparedness & Financial Impact

Companies need to more precisely assess the financial impact of the new privacy landscape, which includes balancing investments in new technology and the human capital to manage it. When testing and evaluating approaches, business performance should be prioritized in a privacy-by-design or privacy-safe context, while delivering efficiency and scale. Scope should not be limited to tech solutions (such as CDPs, DMPs, data clean rooms, and identity solutions), but also include infrastructure, operational management, logistics, compliance management and requirements, as well as resources.

<table>
<tr><th colspan="5">ACTION ITEMS</th></tr>
<tr><th>Function / Department</th><th>Brands</th><th>Publishers & Platforms</th><th>Agencies</th><th>Ad Tech</th></tr>
<tr><td>Marketing, Media Planners, Buyers & Account Managers</td><td colspan="3">Enrich and invest in unknown audience solutions (such as probabilistic first-party data that has potential monetization value) as the size of the addressable market continues to decrease.</td><td></td></tr>
<tr><td>Data Scientists, Data Engineers</td><td colspan="4">When testing and adopting solutions be aware of what current capabilities could be lost (for example, third-party prospecting and behavioral targeting or remarketing) and prioritize based on potential ROI and minimized costs.</td></tr>
<tr><td>Developers, Engineers, Ad Ops & Product</td><td colspan="2">Look for opportunities to consolidate your ad tech stack in order to cut costs and achieve optimal efficiency.</td><td colspan="2">Develop simpler and automated client solutions that allow companies of various sizes to reduce the human capital burden.</td></tr>
<tr><td rowspan="2">Legal & Compliance</td><td colspan="4">Invest in governance and compliance evaluation tools to help your company assess any organizational risks, and take appropriate actions. Although investments require outlays, it will save money long-term.</td></tr>
<tr><td colspan="4">Be prepared for possible costs, lawsuits, penalties, or fines due to upcoming regulatory and compliance changes that are unforeseen due to their complexity.</td></tr>
</table>

Recommendations

Data Collection & Enrichment

Beyond leveraging email addresses, which are likely to face increased scrutiny in the future due to the evolution of privacy legislation, companies need to further invest in first-party data and look to third-party sources to enrich that data. As this study revealed, improvements in the quality and accuracy of third-party sources (such as data clean rooms and identity solutions) need to be made a priority. To aid in this effort and improve transparency across the industry, companies should adopt standard ways of classifying and labeling audiences such as the IAB Tech Lab *Content Taxonomy*, *Audience Taxonomy*, and *Seller-Defined Audiences*.

<table>
<tr><th colspan="5">ACTION ITEMS</th></tr>
<tr><th>Function / Department</th><th>Brands</th><th>Publishers & Platforms</th><th>Agencies</th><th>Ad Tech</th></tr>
<tr><td>Marketing, Media Planners, Buyers & Account Managers</td><td colspan="3">Invest in additional methods for enriching your first-party data stack to enable the development of consumer insights beyond transactional data and the creation of cohort audiences that can be leveraged for advertising and monetization purposes.</td><td></td></tr>
<tr><td rowspan="2">Data Scientists, Data Engineers</td><td colspan="4">Prioritize data quality and accuracy by focusing on data architecture and standardizing taxonomy to better clean and automate data for activation or analysis.</td></tr>
<tr><td colspan="4">Test probabilistic solutions and propensity modeling technology as the loss of third-party cookies and identifiers will make the continued use of deterministic data at scale difficult. Explore leading indicators for outcome assessments and the use of AI/ML to fill in the gaps.</td></tr>
<tr><td>Developers, Engineers, Ad Ops & Product</td><td colspan="4">Manage and reduce potential AI bias to ensure that the technology delivers fair and reliable results. Refer to the IAB Understanding Bias in AI for Marketing Guide to help mitigate any potential unforeseen consequences of the technology implementation.</td></tr>
<tr><td>Legal & Compliance</td><td colspan="2">Be diligent in the avoidance of data leakage and cautious when exposing website data, particularly “sensitive data” to third-party partners. This information could pose an increased privacy risk to customers, even in a “hashed”/”salted” environment.</td><td colspan="2">Ensure there are data and privacy protection agreements in place across your tech stack (both direct and indirect) with those that would have access to you or your customers’ data. Use the IAB's state compliance framework to meet requirements at scale, including the forthcoming Multi-State Privacy Agreement (which will amend the existing Limited Service Provider Agreement) and Global Privacy Platform.</td></tr>
</table>

Recommendations

Addressing Addressability

While many in the industry have prioritized capturing first-party data across known (logged-in) users, companies need to pay equal attention to unknown (not logged-in) audiences in order to achieve scale. Strategies should integrate multiple data sources, use machine learning to model or segment audiences, and leverage consistent taxonomy to further identify and classify audiences to enable data monetization opportunities.

<table>
<tr><th colspan="5">ACTION ITEMS</th></tr>
<tr><th>Function / Department</th><th>Brands</th><th>Publishers & Platforms</th><th>Agencies</th><th>Ad Tech</th></tr>
<tr><td>Marketing, Media Planners, Buyers & Account Managers</td><td colspan="3">Remain agnostic, and continuously explore multiple partnerships to reach both known and unknown audiences that are not dependent on the use of third-party cookies and identifiers. Partner across the industry for best practices and strategies to capitalize on collective knowledge of how users interact with content and advertisements.</td><td rowspan="2">Seek buy-in from brands and publishers for successful and sustainable interoperability solutions.</td></tr>
<tr><td>Data Scientists, Data Engineers</td><td colspan="3">Deploy constant experimentation to reach both known and unknown audiences, including classic experimental design, multivariate testing, fractional factorial methodologies, and market segmentations.</td></tr>
<tr><td>Developers, Engineers, Ad Ops & Product</td><td colspan="4">Adhere to industry standards that are interoperable for unknown audiences. This includes consistent approaches to API feeds, data inputs and outputs, taxonomy labels, and nomenclature, such as the IAB Tech Lab Content Taxonomy, Audience Taxonomy, Seller-Defined Audiences, and Open Measurement.</td></tr>
<tr><td>Legal & Compliance</td><td colspan="4">Closely monitor new privacy regulations to determine any impact on companies’ abilities to target known and unknown users. Keep key stakeholders throughout your company informed on any changes and ensure that your company is complying with industry standards for interoperability, particularly with unknown audiences.</td></tr>
</table>

APPENDIX

METHODOLOGY

This report is the summation of qualitative, in-depth interviews with 30 senior-level data decision-makers (at the vice president level or above) at brands, agencies, and publishers to determine how companies are evolving their approaches to consumer privacy as well as working with their internal and external partners to meet consumer privacy expectations.

The online interviews, each lasting between 30 and 60 minutes, were conducted between July 5 and July 22, 2022 by MediaScience, and included a mix of both large companies (2021 annual revenue of more than $2 billion) and small-sized companies (2021 annual revenue of less than $2 billion).

INTERVIEWS WERE CONDUCTED BY MEDIASCIENCE ALONGSIDE IAB SUBJECT MATTER EXPERTS:

- **Phillip Lomax**, EVP, **MediaScience**
- **Angelina Eng**, VP, Measurement & Attribution, **IAB**
- **Jeffrey Bustos,** VP, Programmatic & Data Center, **IAB**

REPORT AUTHORS:

- **Chris Bruderle**, VP, Research & Insights, **IAB**
- **Meredith Guiness**, Senior Manager, Research & Insights, **IAB**
- **Angelina Eng**, VP, Measurement & Attribution, **IAB**
- **Jeffrey Bustos,** VP, Programmatic & Data Center, **IAB**
- **Phillip Lomax**, EVP, **MediaScience**
- **Dr. Duane Varan,** CEO**, MediaScience**

HARKConnect by **MediaScience** was used for data collection and analysis. HARKConnect is a QualTech™ platform that creates a digital green room for clients to watch and analyze qualitative research. Live transcriptions and translations into 60 languages allows in-depth interviews and focus groups to take place across multiple geographies. AI tagging captures key moments within interviews and aggregates statistics such as how many times a specific key topic is mentioned.

All interviews and the respective insights within this report were anonymously aggregated and separated into respective categories of large and small brands, agencies, and publishers.

MediaScience would like to thank IAB for initiating and co-authoring this research and report. As with all MediaScience research, this work is both independent and objective, without any influence from any business, government, or other institution. MediaScience is a privately held company.

Special thanks to Elissa Moses and Dr. Duane Varan for their contributions to the report.

ABOUT MEDIASCIENCE

THE LEADER IN MEDIA AND ADVERTISING INNOVATION RESEARCH

MediaScience® is a global leader in media and advertising innovation research with best-in-class research facilities located in Austin, Chicago, New York, London, and Perth. MediaScience's founder & CEO, Dr. Duane Varan, ranks among the top ten researchers in the world in terms of peer-reviewed journal publications in the advertising discipline and was recently awarded the ARF's prestigious Erwin Ephron Demystification Award.

MediaScience specializes in custom best-in-class lab-based and in-home research and utilizes an array of scientific tools to tackle client research questions, including eye-tracking, neurometrics, facial response coding, implicit and reaction time measures, traditional dial testing, and traditional survey measures. The MediaScience team is made up of a team of scientists who specialize in various fields in cognitive psychology, neuroscience, statistics, communication, and advertising - along with an in-house support team of data collection and data prep teams, video editors, and software engineers. Clients of MediaScience span the realm of broadcast networks, brands, digital content providers, advertisers, and much more.

MediaScience has a particularly strong track record for innovation research. Indeed, almost every major innovation in the TV advertising industry over the course of the past decade was first tested by MediaScience.

iab.

A note from MediaScience CEO, Dr. Duane Varan

Have your cake, and eat it too

Reaching unknown audiences is a modern reality. The brand, agency, and publisher experts in this survey reported that only 20% of their audiences are actually logging in.

The challenge of effectively reaching unknown audiences is not a new one. It represents the classic model of what good advertising has always been about. And above all, it is about good creative.

MediaScience research demonstrates that roughly two-thirds of the impact of an ad can be attributed to the ad creative. By way of contrast, category relevance only accounts for about 10% of this effect. If targeting draws attention away from a focus on developing strong creative, it is a losing proposition.

Similarly, media environment and context are significant moderators of ad impact. But context works in specific ways, with each environment delivering its value in different ways. Advertisers need to understand the specific types of context that deliver best to their communication objectives for a brand.

And in a broader sense, the dynamics of effectively reaching unknown audiences comes down to such communication objectives and the experiences that companies are delivering to their audiences.

We must ask, what are the specific communication objectives for a brand? How can a brand best engage their audiences? And what are the best-in-class measures to meet these objectives?

Once we have these answers, we can measure both creative and context to give our ads the best chance of delivering an impact, even if the specific audiences we reach remain unknown to us.

Don't let the algorithms do all the work. Come up with hypotheses and testing approaches, and partner with organizations to deploy experiments to inform future decisions. Consider classic experimental design, multivariate testing, fractional factorial methodologies, market segmentations, physiological signals, econometrics, multi-touch attribution, surveys, focus groups, and more.

We will need ongoing experimentation to fill in the gaps for what was built on top of the cookie.

Of course, this is not a zero sum equation. Brands need to prepare for the advent of the post-cookie world and changes in privacy legislation across two fronts. They need strategies designed to maximize their capacity to reach both known (through first-party data and new data partnerships) and unknown (through classic marketing science) audiences. The focus on one should not diminish attention to the other. Both play a critical role moving forward.

MEDIASCIENCE

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

IAB Programmatic+Data Center Board Member Companies include:

AccuWeather, Acxiom, Best Buy Ads, Broadsign, Davis + Gilbert, Dotdash meredith, experian, Google, gumgum, havas media, Hearts & Science, horizon media, IBM Watson Advertising, infutor, Kroger Precision Marketing powered by 84.51°, Meta, Monster Energy, neustar A TransUnion Company, Nielsen, Roundel, theTradeDesk, TikTok, wirewheel, yahoo!

ABOUT OUR SPONSORS

Principal Sponsor

onetrust

As society redefines risk and opportunity, OneTrust empowers tomorrow's leaders to succeed through trust and impact with the Trust Intelligence Platform. The market-defining Trust Intelligence Platform from OneTrust connects privacy, GRC, ethics, and ESG teams, data, and processes, so all companies can collaborate seamlessly and put trust at the center of their operations and culture by unlocking their value and potential to thrive by doing what's good for people and the planet.

Platinum Sponsor

neustar®
A TransUnion® Company

Neustar, Inc., a TransUnion company, is a leader in identity resolution providing the data and technology that enable trusted connections between companies and people at the moments that matter most. Neustar offers industry-leading solutions in marketing, risk and communications that responsibly connect data on people, devices and locations, continuously corroborated through billions of transactions. Learn how your company can benefit from the power of trusted connections. home.neustar

iab.

MEDIASCIENCE