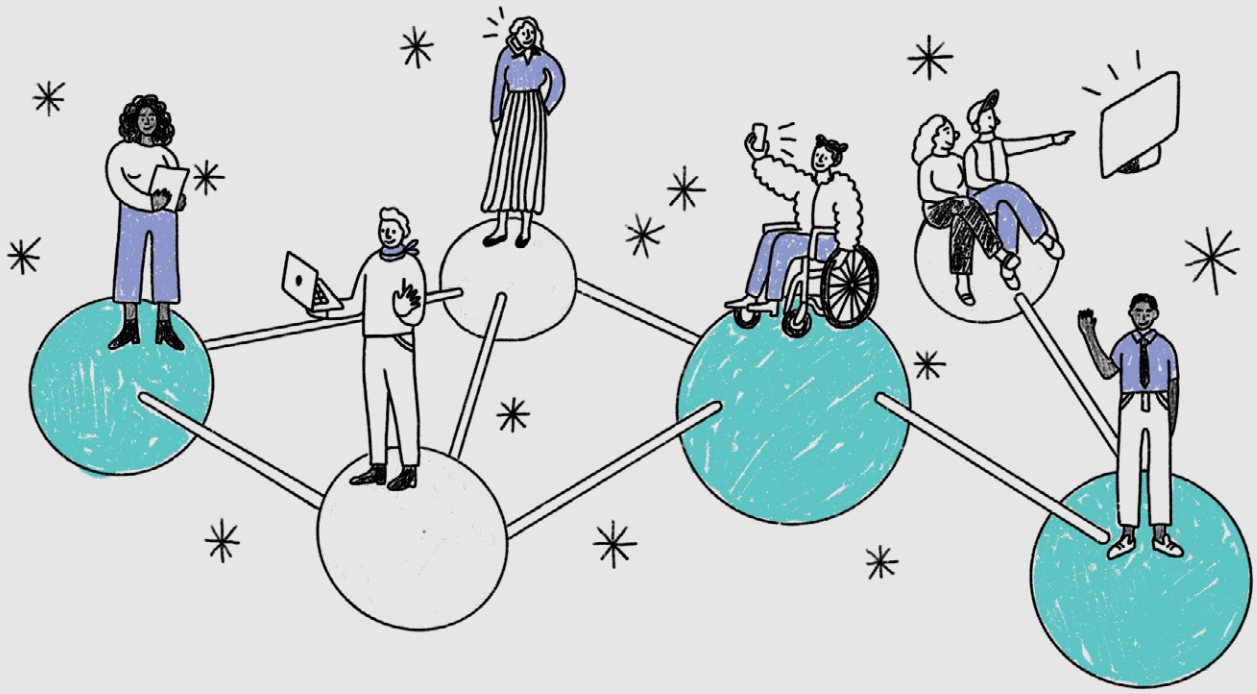
Index Exchange

Preparing for the Future of Addressability

How to navigate today's addressable opportunity for success in tomorrow's privacy-first world



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Introduction

In today's increasingly digital world, there's an ongoing movement to give consumers more transparency and control over their personal data. We've seen this play out in the digital advertising ecosystem over the last decade, with rapid developments to phase out the third-party cookie.

The advertising industry was put on notice when the European Union (EU) began enforcing the General Data Protection Regulation (GDPR) in 2018, requiring a new approach to consumer privacy. Tech platforms have furthered efforts to improve privacy by blocking third-party cookies and limiting device identifiers. The impending deprecation in Google Chrome effectively signals the death of the third-party cookie.

These decisions have wide-ranging implications for the future of addressability. A privacy-centric future is inevitable, and it will transform how we reach and measure audiences across the open web. And, this future is ultimately the right path forward as we take the proper measures to uphold consumer trust.

There are many new addressability solutions available to help combat the signal loss that comes with the deprecation of third-party cookies and device identifiers. However, there's unlikely to be a single solution that will replace cookies. Instead, we expect that marketers and publishers will require a portfolio of solutions in order to maintain effective targeting, measurement, and attribution.

Replacing third-party cookies requires a major shift in the fundamentals of digital advertising. The good news is that there's a substantial opportunity in cookie- and device-restricted environments today to test solutions and improve addressable performance.

In this guide, we'll look back at what led us to the current state of addressability to better understand the opportunity today. We'll then explore how to take advantage of existing opportunities to prepare for the post-cookie and post-device-identifier world.

A global timeline: looking back at how we reached the current state of addressability

YESTERDAY — TODAY — TOMORROW

- Ancient history: cookies and regulation
- Regulation overview
- Platform restrictions overview
- The future: replacing third-party identifiers

To truly understand the state of addressability today, we have to go back to the very beginning. While it feels like the debate over cookies and privacy only began in earnest in recent times, consumers have expressed concern over their personal data and privacy for over two decades.

Privacy regulations and platform restrictions soon followed. Here's how they've affected our industry around the globe and what it means for the future.

Ancient history: cookies and regulation

YESTERDAY — Ancient history: cookies and regulation

1994
Cookies are invented

The year is 1994 and Lou Montulli, a 23-year-old Netscape engineer, has just invented the cookie. In their original iteration, cookies were designed to improve the web experience for consumers by allowing site owners to remember visitor settings or shopping cart items across return visits. These first-party cookies—which aren't going away—are still used in mostly the same way nearly three decades later.

1995
Cookies used for advertising

The emerging ad tech industry quickly determined other uses for cookies. DoubleClick, still an independent company at the time, was the first to pioneer the use of third-party cookies for advertising, initially to solve for frequency capping. Digital advertising has relied on the third-party cookie to make advertising relevant to consumers and measure effectiveness ever since.

2001
Privacy concerns emerge

It didn't take long for consumers to raise questions about privacy on the web. In 2001, The New York Times ran a front-page article with the headline "Giving Web a Memory Cost Its Users Privacy," citing a study that 67% of US consumers are concerned about online privacy and detailing the multiple legislative bills under consideration.

The New York Times

Giving Web a Memory Cost Its Users Privacy

By JOHN SCHWARTZ

TRACKS IN CYBERSPACE

First of three articles.

One day in June 1994, Lou Montulli sat down at his keyboard to fix one of the biggest problems facing the fledgling World Wide Web — and, as so often happens in the world of technology, he created another one.

At that moment in Web history, every visit to a site was like the first, with no automatic way to record that a visitor had dropped by before. Any commercial transaction would have to be handled from start to finish in one visit, and visitors would have to work their way through the same clicks again and again; it was like visiting a store where the shopkeeper had amnesia.

At 24, Mr. Montulli was the ninth employee hired by what would come to be known as Netscape Communications, and was already known as a programmer of exceptional skill. So he quickly came up with an ingenious idea to address the problem and hammered out a five-page document describing the technology that he and co-workers would design to give the Web a memory.

on each visitor's machine that would track what the visitor's computer did at that site. Mr. Montulli called his new technology a "persistent client state object," but he had a catchier name in mind, one from earlier days of computing. When machines passed little bits of code back and forth for such purposes as identification, early programmers called the exchanged data "magic cookies." Mr. Montulli would call his invention, a direct descendant, a "cookie."

It was a turning point in the history of computing: at a stroke, cookies changed the Web from a place of discontinuous visits into a rich environment in which to shop, to play — even, for some people, to live. Cookies fundamentally altered the nature of surfing the Web from being a relatively anonymous activity, like wandering the streets of a large city, to the kind of environment where records of one's transactions, movements and even desires could be stored, sorted, mined and sold.

Since then, cookies have become nearly ubiquitous — and that has many people upset. A recent survey by Public Opinion Strategies, a Republican polling organization, found that 67 percent of Americans identify online privacy as a big concern — far more than those who identify fighting crime (55 percent) or building an antimissile shield (22 percent).

Yet while public anger has grown over invasions of privacy both real and imagined, momentum in Washington to restrict the use of cookies and other high-technology tools for monitoring Internet users' activities has slowed.

In Washington, at least 50 privacy-related bills are awaiting consideration, though the current leadership in the House has focused its attention on privacy invasions by government, not by private business. President Bush's recently appointed chairman of the Federal Trade Commission,

Today: evolving privacy regulation

TODAY

Regulation overview

2010

DAA launches AdChoices in the US; EDAA in Europe, DAAC in Canada, and APDA in Argentina soon follow

The first programs around privacy in advertising were largely self-regulatory. In 2010, the Digital Advertising Alliance (DAA) launched AdChoices, a program in which participating companies included the AdChoices icon on ads that used behavioral targeting and allowed consumers to opt out.

Other self-regulatory associations emerged across the world to oversee the AdChoices program: the European Interactive Digital Advertising Alliance (EDAA) was founded in 2012, the Digital Advertising Alliance of Canada (DAAC) in 2013, and the Alianza para la Publicidad Digital de Argentina (APDA) in 2018.

2018

GDPR begins in Europe

By this time, governments and regulatory bodies across the globe also began to act. Europe implemented GDPR in 2018 to give consumers more control over their data and hold businesses accountable for not complying with the new standard. The US, taking a state-by-state approach, implemented the California Consumer Privacy Act (CCPA) in 2020 with similar results.

2020

CCPA begins in the US

Several other countries, including Brazil, China, Egypt, Japan, and New Zealand, among others, followed suit and enacted or updated similar national legislation. And, regulations continue to evolve—as is the case with the Belgian Data Protection Agency's (DPA) recent ruling against the Transparency and Consent Framework (TCF)—which means companies must also adapt their approaches to keep pace with current laws.

2021

Bill 64 passed in Quebec, Canada

In order to help companies streamline compliance with the various privacy laws, the IAB Tech Lab developed the Global Privacy Platform (GPP), a standardized framework for both regional and global regulation. Currently, GPP integrates with existing privacy signals from TCF in Europe and CCPA in the US.

2022

Belgian DPA TCF decision announced

Now that we're a few years into GDPR and CCPA, with more regional legislation in development, it's important to take a step back to examine the ways in which these laws impacted the industry. The good news is that regulations have catalyzed positive change throughout our industry, as publishers, marketers, and ad tech providers all implemented new practices to comply with privacy standards.

Future

Possible introduction of new regulatory bills

These laws have successfully provided consumers with greater transparency into and control over their privacy, without levying significant impacts to brands' and publishers' businesses. However, privacy regulation hasn't changed the fundamentals of how we reach and measure audiences on the open web.

By the numbers: what is the impact of GDPR opt-in?

GDPR has given European consumers more control over how sites use their data. Even with these regulations, we've seen that opt-in consent rates remain high across the traffic coming into our exchange.

Index Exchange consent rates in EMEA

92%

in May 2022

Source: Index Exchange platform data, EMEA web requests, May 2022

Publishers and ad tech platforms have also gained more clarity into how consumers want their data to be used. For instance, at Index, we now have a consent signal for nearly all of EMEA traffic coming into our exchange and can respect consumers' privacy preferences accordingly. That's a strong data point for how regulation benefits both the ad industry and consumers alike.

Index Exchange consent signal rates in EMEA

75%

in June 2021

97%

in June 2022

Source: Index Exchange platform data, EMEA web requests, June 2022

Today:
new platform restrictions

TODAY

Platform restrictions overview

2018

Apple:
Safari
ITP 2.0

Firefox ETP

While regulation has driven a big shift in how the internet works—businesses implemented drastic changes in how they collect, store, and use data in order to meet the new regulatory requirements—it hasn't really changed the fundamentals of how we target and measure audiences on the open web.

2019

Apple:
Safari ITP
2.1 - 2.3

However, tech platforms can move with greater speed than governments and can have a more decisive impact in innovating to solve the root issues in privacy and advertising. Building in significance over the last several years, updates from platforms like Google and Apple that restrict the use of cookies, device IDs, or other identifiers will ultimately prove transformative in our industry.

2020

Google:
Chrome
third-party
cookie
deprecation
announcement

Platforms are incentivized to enact change quickly because enabling privacy protection isn't only the right thing to do, but it's also smart business. Consider Google's market position, where search comprises 71% of its ad revenue, in its decision to deprecate third-party cookies. Chrome is a major gateway to search, so protecting Chrome's market share, which accounts for almost 65% of global browsing activity, is essential. Google risks a diminished revenue stream if consumers leave Chrome for other privacy-centric browsers like Safari, Firefox, or Edge where cookies are already restricted.

2021

Apple: iOS
IDFA opt-in

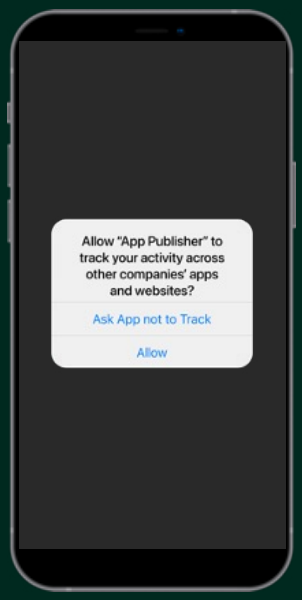
Apple has made privacy a key pillar of its market position. Its April 2021 iOS update introduced App Tracking Transparency (ATT), a privacy-focused framework that requires app developers to gain consumer consent for tracking and accessing its advertising identifier, the IDFA. Momentum is building throughout the industry, as Google is following suit with plans to limit its mobile advertising identifier (MAID), the Android Advertising ID, and launch a Privacy Sandbox initiative for Android.

2022

Google: Chrome
third-party
cookie
deprecation
delayed until
2024

Big tech has responded directly to consumer demand to improve privacy rather than waiting for governments and regulators. This, in turn, fosters innovation as independent ad tech providers create solutions that allow publisher monetization, relevant messaging, and accurate measurement while respecting consumers' desire for privacy and control over their data.

By the numbers: what is the impact of IDFA opt-in?



Index Exchange IDFA opt-in rates

34%

of iOS bid requests contain an IDFA

As 34% of iOS bid requests to Index still contain an IDFA, we can see that a sizable number of consumers are willing to exchange targeted and measurable messaging in return for free content.

Source: Index Exchange platform data, global iOS requests, May 2022

Not surprisingly, the value of impressions with IDFA increased significantly as marketers are willing to pay a premium for the now scarce inventory that enables device-level addressability, frequency capping, and measurement.

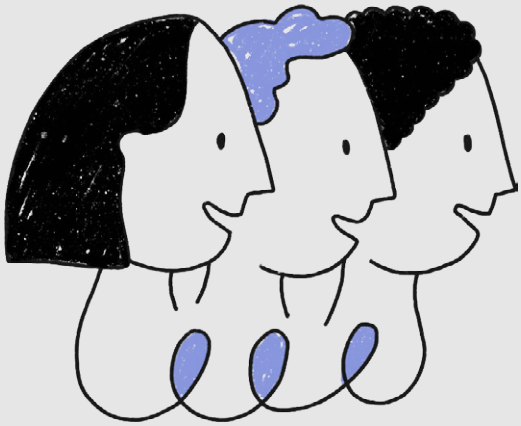
Since IDFA opt-in began, we've seen that bid requests with the identifier have an average CPM of $2.18, compared to $0.84 for those without it. CPMs when the identifier was present increased by $0.45 compared to the time period before IDFA opt-in began.

Source: Index Exchange platform data, global iOS requests, May 2022

The future: replacing third-party identifiers

TOMORROW

The future: replacing third-party identifier



As third-party cookies fade away and device manufacturers continue to limit the use of mobile advertising identifiers, a variety of ID-based and non-ID-based solutions are emerging to allow for addressability.

Replicating the benefits of third-party cookies and device identifiers won't be easy. Innovation will be required to help perfect alternative solutions and ensure the ecosystem can continue to monetize and reach audiences in a privacy-safe way.

The time to act is now.

While there are many alternative solutions now available to marketers and publishers, each solution comes with its own drawbacks. Publishers and marketers should consider a flexible portfolio approach to addressability solutions in order to reach both authenticated and non-authenticated audiences.

The future of addressability is about maximizing context for authenticated and non-authenticated audiences

Determining the right approach to addressability comes down to a series of simple questions:

Does your audience log in or not?

Is this impression opted-in or consented?

Is this impression authenticated or not?

Some consumers will feel that authenticating and allowing their log-in data to be used for targeting and measurement is a fair and equitable value exchange for the content that they enjoy across their favorite media brands, sites, and apps. Some consumers will not accept the value exchange, and choose not to log in, consent, or authenticate, instead remaining anonymous on the sites and apps they visit.

Each audience calls for its own unique strategy, so optimizing for both authenticated and non-authenticated audiences will require a portfolio of addressability solutions. Here's a look at the key solutions and considerations for each type.

AUTHENTICATED AUDIENCES

NON-AUTHENTICATED AUDIENCES

01 Authenticated universal IDs

02 Inferred universal IDs

03 Google Privacy Sandbox

04 Publisher first-party data

Optimizing for authenticated audiences

Authenticated universal IDs: With these IDs, consumers consent for their log-in data, email address, or phone number to be used to create an anonymous online identifier. Authenticated universal IDs offer many advantages over third-party cookies. They're based on an individual, allowing marketers to reach people on all their devices: computers, smartphones, and connected TVs (depending on the ID provider).

Authenticated universal IDs allow marketers to realize all of the benefits of people-based marketing, without dramatically changing the current approaches to reaching audiences and measuring performance. This includes reaching a consumer across multiple devices, person-level frequency capping, and cross-device measurement.

Optimizing for non-authenticated audiences

There are a variety of approaches to optimizing for non-authenticated audiences, which we can break into three categories.

Inferred universal IDs:

These IDs allow for targeting and measurement without requiring authentication. They will either use probabilistic inferences to associate a consumer to all the sites they visit in a browser (device-level) or use first-party cookies to associate consumers to a single publisher's sites (site-level).

Google Privacy Sandbox:

To support the industry's transition away from its reliance on cookies, Google launched Privacy Sandbox—a collaborative effort including nearly a dozen technical proposals for privacy-first alternatives to cookie-based advertising. These solutions promise scaled addressability across Chrome's massive audience and offer publishers a way to monetize audiences when authentication isn't possible.

Solutions include:

- The Topics API is a proposal that allows marketers to reach third-party audiences in interest-based groups.
- FLEDGE and other proposals allow for site visitor retargeting using trusted servers.

Publisher first-party data:

Publisher first-party data is becoming increasingly valuable in today's privacy-centric landscape. Whether activating first-party data for custom taxonomies or advanced contextual solutions, these approaches will help marketers reach the right audiences across the web.

Solutions include:

- Seller-Defined Audiences from the IAB Tech Lab and Prebid promise a standardized taxonomy that allows scaled cross-site targeting based on a publisher's first-party data.
- Advanced contextual targeting allows marketers to reach audiences based on relevant content signals sent within the bid stream.

Comparing addressability solutions

	Targeting brand offline CRM data	Remarketing to site visitors	Reaching new customers*	Frequency capping	Cross-device attribution
Universal IDs					
Authenticated	✓	✓	✓	Person-level	✓
Inferred probabilistic	x	✓	✓	Device-level	x
Inferred site-level	x	x	✓	Publisher-level	x
Privacy Sandbox					
Topics API	x	x	✓	X	x
FLEDGE	x	✓	TBD	TBD	x
Publisher first-party data					
Advanced contextual targeting	x	x	✓	x	x
Seller-Defined Audiences	x	x	✓	X	x

*Defined as not in CRM and not a site visitor

What's required to thrive in this privacy-first addressability landscape?

The world of tomorrow is all about using the right tool in the right context to maximize the outcome in the moment. Rather than placing one bet, we advocate placing at least one bet in each bucket to maximize both contexts—in effect, a portfolio of addressability solutions.

Implementing an addressability portfolio provides options for engaging both authenticated and non-authenticated audiences. You'll have flexibility to choose solutions based on your business objectives and regional privacy policies.

With identifier-based approaches—including both authenticated and inferred universal IDs—the general approach and workflow that we use to target, retarget, and measure audiences doesn't change much from existing practices in the third-party cookie ecosystem. You'll still use identifiers in audience segments. For attribution, you'll be able to link an ID for an impression on the publisher site to an ID in a conversion event on the brand site. The mechanics of retargeting will be similar to what they are now.

Non-identifier-based approaches to addressability will require significant changes to how you reach and measure audiences. Some of the most promising solutions, such as the Topics API and Seller-Defined Audiences, will offer scale and high-quality audiences, but don't solve for all use cases, such as activating marketers' CRM data or remarketing to site visitors. Without identifiers, measurement and attribution will likely be less precise. The industry as a whole will need to develop less granular approaches, including panel-based measurement.

The addressable opportunity today

Consumers need better privacy protections across the open web and both regulatory and platform changes will continue to transform the addressability ecosystem. Google's decision to delay third-party cookie deprecation in Chrome into 2024 affords the ecosystem more time to prepare. But, don't count on further delays to defer instituting progressive solutions.

Though preparing for the eventual demise of third-party cookies and device identifiers is important, there's already a significant opportunity in the cookie-restricted web today. Browsers such as Safari, Firefox, and Edge account for 35% of browsing on the open web and already limit the use of third-party cookies. And as shared earlier, the majority of activity across iOS devices no longer carry IDFAs.

Testing new addressability solutions in these environments will not only help prepare for the future, but may also provide an immediate boost to publisher revenue and marketer campaign performance.

How to act: publishers

There's an immediate opportunity to improve monetization in cookie- and device-restricted environments today. Marketers bid less for impressions in browsers such as Safari, Firefox, and Edge where the lack of third-party cookies limits audience targeting, efficiency controls such as frequency capping, and accurate attribution.

Investing in addressability in these environments can help preserve premium CPM rates and increase monetization as marketers can efficiently reach their desired audiences. You'll not only have an opportunity to increase your inventory value today, but also to set your business up for success after the demise of third-party cookies.

Here's how to get started:

Prepare

- ☐ Size the opportunity. How much of your scale today is cookie-available on the web, or device-available in mobile environments?
- ☐ Assess the upside. What is the CPM delta between those two cohorts? The bigger the gap, the bigger the opportunity.
- ☐ Consider your business strategy holistically. Does your audience authenticate in any way to your site, app, or services? If not, is there a path to add or grow this share?

Test

- ☐ Ensure that you pass universal IDs to brands, DSPs, and SSPs who are transacting on them or running test campaigns.
- ☐ Engage brands to demonstrate the addressable campaign opportunity in Safari, Firefox, and Edge to attract campaign budgets.

Analyze

- ☐ Analyze the scale of integrated universal IDs in cookie-restricted browsers.
- ☐ Analyze the CPMs of impressions that use universal IDs in cookie-restricted browsers. (Note: if unable to conduct such an analysis directly, you can work with your SSP partners to gather the data.)

Case study

Index Exchange | /LiveRamp | MEDIAVINE

+142%

CPM lift in cookie-restricted browsers

Mediavine, which monetizes over 8,500 publisher partner websites worldwide, sees 150 million unique monthly web visitors and serves 20 billion monthly ad impressions. Approximately 40% of its filled impressions are in cookie-restricted browsers.

Mediavine leveraged Index's integration with LiveRamp's Authenticated Traffic Solution (ATS) to connect its authenticated inventory with RampID™, LiveRamp's privacy-first, people-based identifier.

In doing so, Mediavine increased its global monetization, achieving a 142% CPM lift in browsers without third-party cookies when the RampID was present in a bid request.

Read the full case study

Source: Index Exchange global platform data, May 2022

How to act: marketers

With numerous alternative identity solutions available, the industry has faced a chicken-and-egg situation. Marketers are waiting for publishers to create scale with solutions such as universal IDs before investing in these new approaches. Meanwhile, publishers are waiting to see increased demand from these new approaches before implementing new solutions. Which, of course, has only resulted in delayed action.

The fact is that demand can drive supply. Marketers have the opportunity to shape the ecosystem by investing in the approaches that are right for them.

+41% higher CPMs in Chrome compared to cookie-restricted browsers

Source: Index Exchange platform data, global CPMs across all web formats, January-May 2022

To be clear, it's not only about preparing for the future. There's an immediate opportunity today to use universal IDs to reach audiences in cookie-restricted browsers.

In Chrome, CPMs are 41% higher globally than in Safari, Firefox, and Edge. With universal IDs, marketers can stretch their budgets further, and reach their audience while looking for improved performance or more efficient reach.

Doing so will not only position your business for success today, but help move the industry toward broadly adopting the solutions of tomorrow.

To get started, begin validating universal IDs to choose the right fit for your business. Here's how:

Work with your strategic publishers

- ☐ Ensure that test campaigns include your brand's top publishers.

Validate people-based marketing

- ☐ Test the performance of people-based marketing against cookie- or device-based marketing. Using cookie-based audience segments and frequency capping on third-party cookies, compare the cost per acquisition (CPA) to audience segments based on person-level universal IDs.

Target audiences in cookie-restricted environments

- ☐ Test universal ID performance in cookie-restricted browsers, which offer lower CPMs than Chrome.
- ☐ Test the performance of campaigns without third-party identifiers, at more efficient CPMs, targeted to publisher first-party audiences.

Preparing today for a successful tomorrow

A variety of new solutions allow for addressability now and for when the third-party cookie is deprecated. The task ahead for publishers and marketers is to determine how to best leverage these solutions to monetize and reach audiences in a way that respects consumer privacy.

Our advice? Be proactive.

Consider the present-day possibilities of reaching untapped audiences, both authenticated and non-authenticated. Take advantage of the opportunities to boost ROI and improve campaign effectiveness today with addressability approaches that don't require third-party cookies or device identifiers.

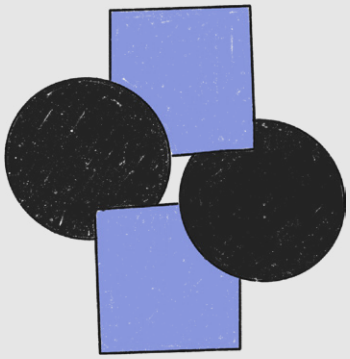
Proactively taking action now means a better digital advertising ecosystem in the future. Marketers will be better positioned to reach their desired audiences, publishers will be able to effectively monetize their content, and consumers will be increasingly able to retain control over their privacy.

Implement an addressability portfolio with Index Exchange

Still unsure where to start? Index Exchange's addressability portfolio ensures that you have the flexibility to choose the solutions that are the best fit for your business.

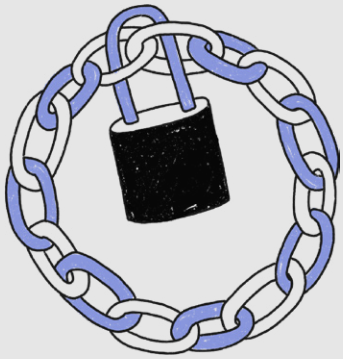
Universal IDs

Partnerships with universal ID providers allow for privacy-centric, people-based messaging and measurement



Privacy Sandbox solutions

Support for Google's Privacy Sandbox proposals to ensure scaled addressability and monetization for non-authenticated audiences



Publisher first-party data

Publisher first-party data activations to help buyers reach the right audiences across the web

To learn more about our solutions and how you can get started, contact our team at

indexexchange.com/contact

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