BEYOND THE COOKIE:
THE FUTURE OF ADVERTISING FOR MARKETERS & PUBLISHERS

Lotame Global Survey Report | February 2021

LOTAME®

BEYOND THE COOKIE:
THE FUTURE OF ADVERTISING FOR MARKETERS & PUBLISHERS

Lotame Global Survey Report | February 2021

TABLE OF CONTENTS

INTRODUCTION

"Change" may not have made Merriam-Webster's 2020 Word of the Year, but it was tops for digital advertising. In addition to the upheaval of a global pandemic, digital advertising faced a series of serious challenges. From Google Chrome's third-party cookie phaseout announcement to mounting privacy regulations to rapidly changing consumer habits, confusion reigned.

Though digital advertising is no stranger to innovation and agility, we were curious how marketers and publishers were faring amidst so much uncertainty. What exactly did the future of advertising, beyond the cookie, mean and how were its primary stakeholders preparing?

Lotame set out to answer these questions and more with our global survey of over 1,000 marketers and publishers. We asked **what keeps them up at night; how they will pivot investments; and what the future of digital advertising should look like**. Results showed similar trends region to region, indicating marketers and publishers the world over are grappling with the same issues. Not surprisingly, marketers and publishers overwhelmingly agreed the future depends on a connected ecosystem that supports diverse, ad-supported content across the open web. But when asked how to get there, they diverged.

As we've seen in digital advertising's past, ingenuity has transformed seemingly insurmountable challenges into a wellspring of opportunities. Communication and collaboration across and within the industry can create a future of advertising that drives growth and value for all while doing the right thing by consumers. In that spirit, we present our global survey findings to inform, inspire, and educate both sides of the table on what each needs, wants, and hopes for the future of our industry.

> The future of digital advertising relies on a connected ecosystem that supports the open web and diverse, ad-supported content.
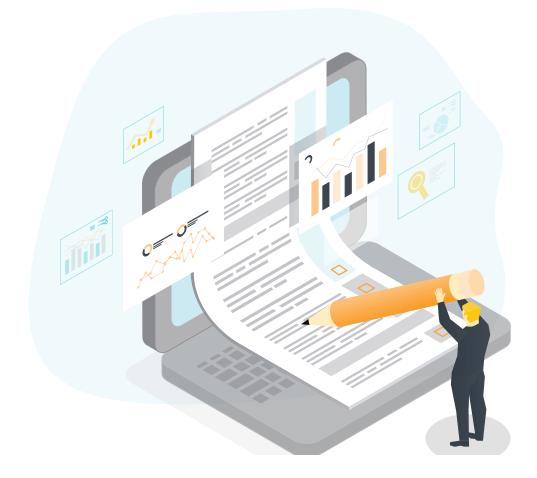
METHODOLOGY

Lotame commissioned industry research into the challenges being faced by marketers and publishings in addressing the post-cookie digital advertising landscape.

The global online survey was conducted by Upwave, the brand intelligence platform based in San Francisco. Upwave surveyed 1,000 online respondents in the U.S., UK, Australia, India, and Singapore between December 2020 and January 2021. Respondents work as senior marketers and publishers.

Marketers and publishers were asked individual and joint questions to understand their:
- Preparations for the loss of third-party cookies
- Strategies around adoption of identity solutions
- Data enrichment efforts to build consumer insights, enhance targeting, and aid analysis

KEY RESULTS

PART 1
WHAT KEEPS MARKETERS & PUBLISHERS UP AT NIGHT

Marketers and publishers are hyper focused on "customers." They are the protagonists of their dreams and waking hours, so it seems. The past year, with a global pandemic raging, proved difficult to get a clear and consistent handle on the consumer — and, for good reason. Personally and professionally, people changed. Their habits, routines, commutes, work/life balance, spending, and time spent were turned topsy-turvy. For example, while brick-and-mortar retail suffered, ecommerce thrived globally (+27.6% to more than $4 Trillion, per eMarketer[1]), with many first-time digital consumers.
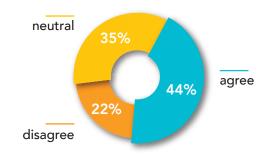
With the changing and changeable consumer in mind, marketers and publishers reassessed their first-party data assets.

> Data in disparate systems is a notable pain point in the U.S., Australia, and India.

MARKETER CONCERNS ABOUT THEIR OWN FIRST-PARTY DATA

1. Unsure if data profile is accurate after COVID-19

2. Hard to collect data because not privy to POS

3. Can't find new audiences without supplemental data

CAN PUBLISHER FIRST-PARTY DATA FILL THE VOID?

For marketers, the jury is out as to whether publisher first-party data is a good solution to the loss of third-party cookies and mounting privacy regulations

neutral 35%
agree 44%
disagree 22%

---

1. eMarketer "Worldwide ecommerce will approach $5 trillion this year," Jan 2021

PUBLISHERS WORKING HARD ON SOLUTIONS

Like marketers, publishers stand to lose a great deal with the death of the third-party cookie. In addition to not being able to address a sizable chunk of their audience, publishers are taxed with proving ROI and accuracy to marketers.

THREE-LEGGED STOOL

Publishers have been actively brainstorming how to drive and grow business. From our survey results, they're concentrating in three main areas to stand up their unique selling proposition to a fickle market.

1. **Publishers, similar to marketers, are working hard to build up their first-party data assets.** When asked what the biggest source of revenue will be for Q1'21, publishers ranked the following tactics:
   1. Ecommerce
   2. Subscriptions & memberships
   3. Leveraging first-party data to sell inventory
   4. Monetizing first-party data inventory in a second-party marketplace
   5. Using third-party data to expand addressable audiences
   6. Using identity solutions to stitch together IDs
   7. Affiliate advertising

   India, Singapore, and the UK rated affiliate advertising in their Top 3 revenue drivers.

   Ecommerce sales and subscriptions would help publishers build up their banks of first-party data. Not only can those data assets enable publishers to understand their customers better, but they also provide richer insights to prospective marketing partners. Those first-party data assets produce revenue both on an incoming basis (through new memberships) and on an outgoing basis (via monetization through data exchanges and direct to marketers).

2. **Publishers believe contextual targeting can replace audience targeting and a marketer's need for measurement and analysis.**
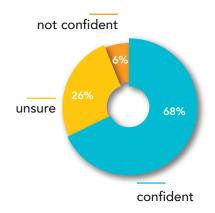
   Marketers disagree.

   When we asked marketers how confident they are in the ability of contextual targeting to reach their audience, the divide with publishers was clear:

   • **65% of marketers are not confident** that contextual targeting alone is a sufficient replacement for audience targeting.
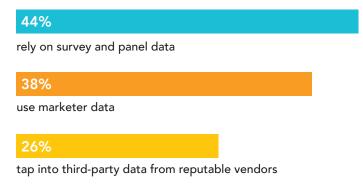
68% of publishers believe contextual targeting will replace audience targeting:

not confident

6%

unsure
26%

68%

confident

While contextual targeting is one solution for the future of cookieless advertising, many feel it only solves for the very top of the funnel of the buyers' journey and doesn't work as a standalone tactic. The other challenge marketers face with contextual targeting is measurement; the loss of third-party cookies means it will be impossible to measure the impact of contextual advertising on conversions.

3. **Almost all publishers are using some form of data enrichment, if not many.**

44%

rely on survey and panel data

38%

use marketer data

26%

tap into third-party data from reputable vendors

19%

leverage second-party data from other publishers

More than a quarter of publishers need help finding quality data partners.

Data enrichment is one method marketers and publishers use to expand their knowledge of changing behaviors, passions, and interests of consumers. As 2020 demonstrated, "business as usual" in messaging fell flat and hard. To resonate with the changing consumer, digital advertising's players need an accurate, reliable, and up-to-date pulse on those shifting habits. Even if publishers were able to collect rich customer profiles in the beginning of the year, that first-party data can't account for the changes in the consumer's life halfway and through the end of the year. Context too, while useful and informative, presents a slim picture and may exacerbate blindspots and lead to more — not less — guesswork to answer what worked and why.

PART 2
HOW INVESTMENTS WILL PIVOT

Global advertising spend was hard hit in 2020 due in large part to the global pandemic. Marketers paused campaigns indefinitely, slashed spend to zero in some channels, and lost staff due to layoffs and furloughs. Although ad budgets showed some signs of activity in October 2020, overall sharp cuts were seen across all regions, according to Warc Data's "Global Ad Trends: State of the Industry 2020/2021[2]." Ad investment is estimated to rise 6.7% in 2021, but that will account for only 59% of 2020's losses. Digital channels will command the largest chunk of media budgets, but with the many challenges the ecosystem is undergoing, how will marketers and publishers redirect resources and investments?

WHAT IS IDENTITY?

Winterberry Group defines identity as, "the effort to recognise and understand individual audience members across channels and devices such that brands can interact with those individuals in ways that are relevant, meaningful and supportive of overarching business objectives."

2. Warc Data, "Global Ad Trends: State of the Industry 2020/2021," December 2020.

IDENTITY TOPS MARKETER MUST-HAVE INVESTMENTS

Marketers would like to see more money, time, and resources invested in a post-cookie world in the following areas (multiple selections were possible):

- 58% People-based marketing / identity solutions
- 51% Improving analysis
- 45% Data science and modelling
- 40% Defining more relevant audience segments
- 37% Advancing data-driven storytelling
- 36% Expanding prospecting

REGIONAL COMPARISON

	US	UK	SG	IN	AU
People-based / identity solutions	60%	58%	47%	64%	58%
Improving analysis	52%	51%	47%	57%	44%
Expanding prospecting	46%	26%	45%	39%	27%
Defining more relevant audience segments	39%	39%	36%	40%	44%
Increasing data science & modelling	42%	38%	43%	61%	41%
Advanced data-driven storytelling	37%	32%	34%	45%	41%

We can infer the need for quality data underlies marketer's wish lists as it would assist in analysis, modelling, and finding more customers and prospects. Overall marketers are looking for more ways to improve their top and middle funnel audience-based strategies with people-based connections despite the loss of third-party tracking tools.

GOOD NEWS FOR PUBLISHERS WITH MORE DOLLARS EXPECTED

The tumult between walled gardens and more anti-trust suits on the horizon seem to have dampened marketer appetites for investment as they look for options to diversify spend.

How will your relationships with publishers and media companies change in a post-cookie world?

42%
will buy more direct from publishers / media companies

23%
will buy less direct from publishers / media companies

18%
will invest more in walled gardens

17%
no change

2 in 5 marketers will buy more direct from publishers / media companies but needs must be met. To buy more confidently either direct or programmatic, marketers want:
1. Transparency in measurement
2. (Tie between) Confidence in consent management / privacy policies AND More accuracy across open web, mobile, and OTT
3. More scale across open web, mobile & OTT
4. Openness to second- and third-party data attributes and behaviors
5. Ability to bring own data

PUBLISHERS ARE RESPONDING TO MARKETERS' NEED FOR IDENTITY

For their part, publishers are making efforts to appease their marketing partners and seize more of the dollars up for grabs. The loss of third-party tracking will impact every marketer's toolkit, including the ability to target, optimize, frequency cap, and report accurately. Identity can solve marketer challenges, which is why publishers are paying close attention.

- **53% of publishers are looking for a solution** to address the loss of third-party tracking while one-quarter already have an identity solution in place.

25% of publishers have an identity solution in place.

PART 3
WHAT THE FUTURE SHOULD LOOK LIKE

If we learned anything from 2020, our world can change dramatically despite the best-laid plans. Browsers have attempted to shift control of the brand-to-consumer relationship in their favor but under the guise of "consumer privacy." Apple's decision to suspend its device identifier (IDFA) not only has billion-dollar effects on other walled gardens like Facebook but will crush downstream app developers. Despite a tumultuous news cycle, marketers, publishers, platforms, and other ecosystem participants are communicating and collaborating more to build a future that promises growth and value for all. Identity has resonated as a path forward to save the open web and preserve the value exchange between consumers and the diverse ad-supported content they've come to depend on.

AN UPTICK IN IDENTITY GRAPHS IS ON THE HORIZON

Identity is on everyone's mind, marketers and publishers alike. Google has it. So do Facebook, Apple and Amazon. Should these four have a total lock on identity? Marketers and publishers don't think so as their plans reveal:

- **75% have or plan to use an identity graph solution** in the next 6 mos.–1 year
- 25% don't have plans, lack budget, or see no need

IDENTITY GRAPH PENETRATION TODAY (MARKETERS & PUBLISHERS)

1. India (35%)
2. U.S. (27%)
3. Australia (18%)
4. UK (19%)
5. Singapore (12%)

Nearly half of U.S. publishers currently use an identity graph solution.

MARKETERS SEE MULTIPLE IDENTITY SOLUTIONS IN THE FUTURE

No one identity solution will solve all marketer and publisher needs.

- **3 in 5 marketers agree multiple identity solutions will be needed** — and they must be interoperable.

Marketers need options, especially when it comes to identity. Some solutions are best matched to upper funnel activities such as broad awareness and name recognition. Other IDs will help find and engage prospects, and move those consumers through consideration. And yes, still others are best suited to closing the deal. Because the consumer journey isn't always linear, having the flexibility to deploy the right solution at the right time to engage the right consumer means a portfolio of identity solutions provides the best coverage and effectiveness. Marketers recognize that interoperability across channels, platforms, and other IDs is table stakes to ensure advertising is relevant, resilient, and responsible.

Marketers and publishers (95%) agree the future of the industry relies on a connected ecosystem that supports the open web and diverse, ad-supported content.

CONSUMER PRIVACY IS PARAMOUNT

Privacy-friendly and legally compliant identity management are non-negotiables for marketers and publishers. With GDPR, CCPA, CPRA, LGPD, and many other privacy regulations, consumer transparency and control of privacy are foundational to the future of digital advertising.

OPT-OUTS ARE THE PRIVACY CONTROLS OF CHOICE

The majority of marketers and publishers agree that some form of consumer opt-out is the best method for protecting consumer privacy.

46%
favor opt-out on each individual device

26%
prefer universal opt-out

17%
universal consumer log-in to the Internet

11%
no consumer opt-out in first-party environments

Consumer opt-out should work the way people think it does. If you opt-out on your phone, is the expectation that you've opted out on your desktop computer as well? It's clear the industry is committed to doing the right thing by consumers but education will be key to making privacy elections easy, transparent, and auditable.

Nearly three-quarters of marketers and publishers are confident in their company's privacy strategy and protection of consumer choices.

CONCLUSION

Despite a challenging prior year, the future is bright for digital advertising. Marketers, relatively quiet publicly on the third-party cookie sunset, have been planning and preparing behind the scenes. Publishers, too, are exploring their options and investing time and resources into making their inventory and audiences more attractive and easier to buy. With increased communication and collaboration, marketers and publishers can build a connected ecosystem that supports the open web's value exchange with consumers and creates opportunities for all players.

10 KEY TAKEAWAYS

1. Marketers plan to spend more direct with publishers / media companies.

2. Measurement, privacy, and targeting accuracy are marketer priorities.

3. First-party data is clutch, but it's not the end-all, be-all for understanding consumers.

4. Many forms of data enrichment can fill in the gaps of the changing consumer.

5. Context is a useful tactic but not in isolation and not as a replacement for audience targeting.

6. Identity is a team sport; interoperability is essential.

7. More time, money, and resources should go toward identity solutions.

8. Identity graph adoption will grow this year for both marketers and publishers.

9. Marketers and publishers are confident their companies are on top of privacy.

10. Some form of consumer opt-out is required to preserve privacy choices.

ABOUT LOTAME

Lotame is the leading provider of data enrichment solutions for global enterprises. Our connected and patented data technologies, curated second- and third-party data exchanges, and high-touch customer service make us the trusted choice for marketers, agencies and media companies that want to build a panoramic view of their customers and activate across the cookieless web, mobile app and OTT environments. Lotame serves its global clients with offices in New York City, Columbia MD, Argentina, London, Mumbai, Singapore and Sydney.

Lotame Panorama is a suite of data enrichment solutions that expands the customer view to drive insights and scale cookieless activation everywhere. The solution set helps marketers, agencies, publishers, and media companies enrich their view of the customer beyond first-party data to inform insights and execute audience planning, activation, and analysis. Panorama consists of three products: Panorama Insights, Panorama Buyer and Panorama Seller. Their applications span the entire marketing funnel, from persona development to data monetization, acquisition to engagement, data science and analysis.

Lotame Panorama ID is a global, people-based identity solution for the anonymous web. Built from web data, customer IDs, and hashed email, Lotame Panorama ID is freely accessible to and interoperable across the cookie-challenged web, all domains, devices, and platforms globally. It's the first and only global identity solution to protect consumer privacy, deliver relevant omnichannel digital advertising, and power the cookieless open web. Lotame Panorama ID is people-based, privacy-first, and open-to-all.

LOTAME®