

Whitepaper

Data matters: Why publishers are missing out on data- driven revenue

Building new revenue channels, personalizing the on-site experience, and increasing advertising revenue are high priorities for publishers. For many, this has resulted in more mature data strategies — but this focus comes at a time when industry-revolutionising trends are changing the way media is bought and sold.

Table of Contents

3	Introduction
4	Browsers and anti-tracking Publisher impact Wider implications It's a publisher positive
7	The third-party data status quo
8	Open to private marketplaces Open conversations
10	Communicating data capabilities Agency asks Trust and transparency Rules and regulations Tools and go-to-market
13	Advice for publishers
15	Closing thoughts

Introduction

Earlier this year, in partnership with Digiday, we surveyed over 200 publishers in the US and the UK to find out their challenges when selling with data, and how they planned to optimize advertising in 2019. The top three insights were:

1. **Growing advertiser demand:** One of the biggest priorities for publishers — but many feel unable to respond to RFPs.
2. **Increasing scale & insights:** Publishers are reducing their reliance on third-party data and increasing first-party data usage for ad targeting.
3. **Single customer view:** Although of high importance to publishers, many don't have the technology in place to achieve it.

Once publishers overcome these challenges there's another hurdle; the survey found that 27 percent of publishers believe their business's ability to sell with data is not effective. To find out why, we interviewed experts on both the buy and sell side on browser changes, the move to private marketplaces, the steps publishers need to take to sell better with data, and what agencies are looking for from publishers.

Here's what we discovered.

Browsers and anti-tracking

“Big disruptive changes like this cause a lot of initial panic but in the end they always tend to force people to get more inventive, more creative, build better tech, better solutions.”

Josh Peters, director, data partnerships at BuzzFeed

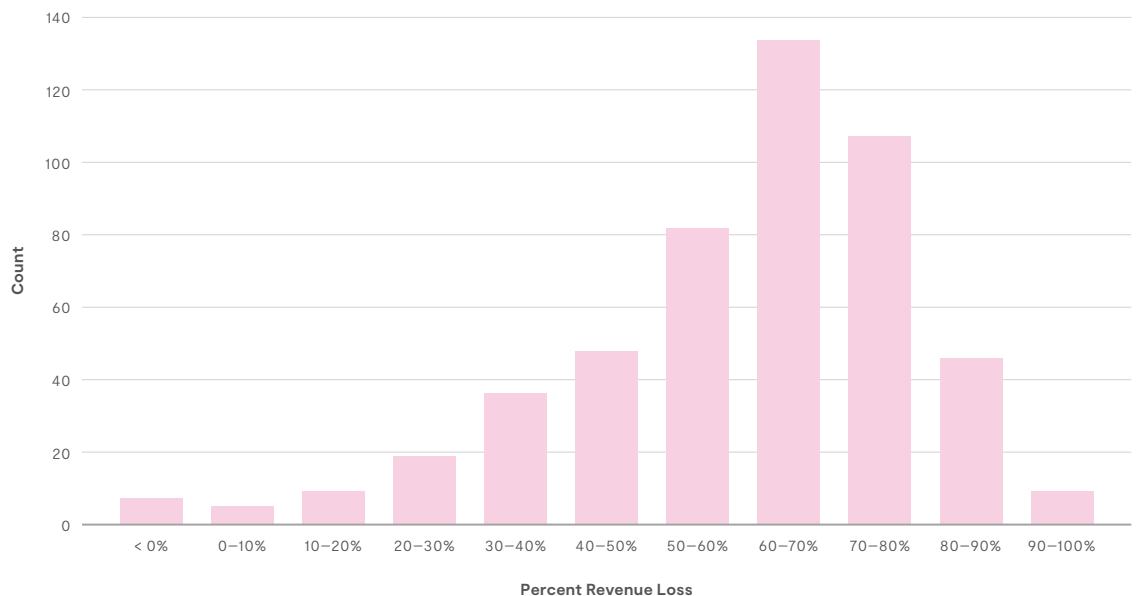
2019 has seen dramatic browser changes to the advertising ecosystem that have wiped out a large proportion of third-party cookies which were used for insights, targeting and a vast array of interest and behavioral-led advertising.

In June, Mozilla launched enhanced default anti-tracking browser updates. In August, Google announced its own anti-tracking policy. In September, Apple escalated its anti-tracking efforts to crack down further on loopholes found by ad tech vendors in its previous Intelligent Tracking Prevention (ITP) updates. Browsers are now blocking 40 percent of publisher traffic*, and the privacy-driven anti-tracking movement isn't showing signs of slowing.

Publisher impact

Publishers have seen an immediate effect on revenue. Google recently presented research indicating that the average publisher stands to lose 52 percent of programmatic ad revenue without third-party targeting**.

Revenue Loss Distribution (Top 500 publishers)



*Data is taken from an average of unique users seen by Permutive

**Effect of disabling third-party cookies on publisher revenue, Google, August 2019

However, publishers are finding ways to combat the change, with some starting to adapt and others actioning existing efforts around the reliability of cookies and possible alternatives.

Dominic Perkins, digital advertising strategy director at Immediate Media, says: “When [Apple’s ITP version one] was first launched, we lost around about 30 to 40 percent of our eCPMs across Safari. That leveled out a little bit. It’s had a knock on effect to some of the attribution work that we might be doing in the background and doesn’t make that as strong, and it’s made us take a look at different ways that we can work without the use of cookies themselves.”

As a result, Immediate Media has seen an uptake in the use of contextual advertising and is now looking into people-based targeting. Perkins says: “There are other channels that we’ve been looking at that give us access to other forms of data. For example, market research tools and email tools that allow us to access our audiences in slightly different ways. This has meant we’ve had to adapt the way in which we target and buy.”

For BuzzFeed, it already knew a “massive chunk” of its traffic was coming through areas where cookies couldn’t collect, such as Facebook Instant Articles, Google-accelerated mobile pages, and Safari. Josh Peters, director, data partnerships at BuzzFeed says Apple’s ITP updates haven’t affected the publisher much because it was already “a heavy concern”.

He says: “We started this journey a year and a half ago, really looking at what was happening in the marketplace, what our needs were. I saw the writing on the wall three years ago when I did a presentation about how unreliable cookies are and how first-party data is the core.”

Publishers are finding ways to adapt, or actioning existing efforts around cookie reliability and possible alternatives

Wider implications

For GroupM, browser updates are organically changing the way it buys. Max Jaffe, managing partner, programmatic practice lead at GroupM, believes that measurement and targeting go hand in hand when considering solutions to the anti-tracking problem. He explains: “If that’s a very important aspect to a client and we need that measurement capability, that’s naturally going to shift where we buy media. We need strong measurement solutions to continue to capitalize on what devices and browsers our audiences are utilizing.”

Jaffe says Group M are **“collaborating with publishers and brands on how we see the best way to approach and tackle alternate solutions — ideally bringing them into the fold of conversations.”**

BuzzFeed have also identified wider implications of browser changes, having talked to third-party data providers such as Nielsen and Experian. Peters explains that a lot of their data is modeled off a seed set that is collected from cookies. When those cookies disappear the seed size gets smaller, the modelings get larger, and “trust is going to diminish”.

Peters says: “If you have something that’s modeled out at a hundred times the seed, there’s no real trust in that modeling and that data. Maybe that is where publishers start being the source of some of these seeds and their own first-party data is what helps creates these bigger pools.”

It’s a publisher positive

Despite the impact of anti-tracking changes, many on the buy- and sell-side are seeing this as an overdue evolution, and even an opportunity.

“It’s going to mean a massive change to the whole of our ecosystem,” says Duane Thompson, executive director, global programmatic lead, AMQ at OMD EMEA.

“But that is the evolution of programmatic and this is what we’ve seen year in, year out — something evolves and we change to ensure that we carry on. I don’t see these things as blockers, I see them as enhancements that we’re making, trying to police a better internet overall.”

Publishers can be a key component of this evolution. By activating their first-party data in a privacy-safe way to fill the data gap left by the crumbling third-party cookie, publishers can protect themselves from future anti-tracking efforts, and provide similar benefits for media buyers who can continue to reach audiences in those environments. Rather than being a negative, the anti-tracking trend actually gives publishers a huge opportunity to boost data-driven revenues and regain deserved prominence in the advertising ecosystem.

Many are seeing anti-tracking changes as an overdue evolution, and even an opportunity

The third-party data status quo

The market for third-party data hasn't historically set up publishers for success. In fact, it's left publishers at a significant disadvantage, unable to drive real revenue from their own data as third parties make it widely available across the web.

Many publishers utilizing third-party data for their own offerings to media buyers find it hard to differentiate themselves from the numerous other providers utilizing the same data.

Peters at BuzzFeed believes that third-party targeting has never made sense, and explained that if an individual were to view the third-party interest segments attached to their profile

“it never actually describes you as a person.” He adds: “You’re in every gender, you’re in every age demo, you’re in every income bracket. You are included in every single third-party bucket possible.”

Peters explained that this raised questions for him about the reliability of third-party data.

Perkins at Immediate Media also highlighted the buy-side problem with third-party data, explaining that segments bought from a third party “can be made up of anything and it’s not transparent”.

Despite these factors, some on both the buy and sell-side are still forging ahead with a focus on third-party data.

Perkins believes that “buyers would much rather go down the agreed contract route they have with third-party data suppliers than pay more for better first-party data”. He believes the solution is to have more people out in market discussing the issues with third-party data and feeling more confident in selling better quality offerings, and that this would make a much bigger impact into agencies.

Many publishers utilizing third-party data for their own offerings find it hard to differentiate themselves

Open to private marketplaces

“There’s been this trend to do programmatic guaranteed. However there’s still a lot of discussion about the “tech tax” that sits within that, and why they wouldn’t just do a direct IO because they’re not getting huge amounts more efficiencies and there are more costs involved with it.”

Dominic Perkins, Digital Advertising Strategy Director at Immediate Media

Sixty-six percent of publishers moved at least some inventory from open marketplaces (OMPs) to private marketplaces (PMPs) in 2018, according to our research.

“There’s a movement toward guaranteed quality and you can really only get that through private,” says Peters at BuzzFeed. “We’ve seen a big move in requests for those types of deals.” He believes that there’s more communication with the advertiser themselves in private marketplaces, whether this means the agency or client directors. He says:

“It just creates an environment that is better for both the publisher and the advertiser, from KPIs through to quality assurance.”

Immediate Media have moved a number of “substantial advertisers” out of its open exchange and provided an opportunity to “buy better inventory using data.” But the driver for buyers is not always better data and there are barriers, according to Perkins. He says: “For me, that would be more of a financial gain and an efficiency gain for the agency, but that is driven by an agreement rather than by them wanting to use first-party data. **The thing that restricts us, because we know we’ve got really rich data, is the fact that buyers don’t want to pay for it.**”

There’s a movement towards private marketplace deals, but the driver for buyers isn’t always better data

Open conversations

“It goes back to that conversation with a publisher and what is truly the purpose behind the PMP to ensure we have strong rationale of moving away from the open exchange,” says Max Jaffe at GroupM. His view is that buying in PMPs needs to be for a specific reason — there needs to be data-driven value. “Otherwise, we’re completely open to the open exchange side,” he says.

The open marketplace is a key part of strategy for OMD too, and the media buyer is putting considerable efforts into ensuring standards are met. Duane Thompson explains that they have “tactics on our side where we ensure that the inventory that we’re buying on the OMP is curated”.

These messages from the buy-side clearly illustrate exactly why publishers must double down on articulating the quality, value and potential applications of their data in order to justify PMP offerings to those with firm preferences for buying on the open exchange.

Publishers can also optimize inventory still offered on the OMP. For example, Immediate Media is looking at how it can create better efficiencies and is gradually starting to better understand why people are buying, and what their price points are. Dominic Perkins says: “We can see all the different prices that are being taken through the supply chain, whether that be an SSP and a DSP having higher rates than others.”

As a result, Immediate has been able to adapt its own strategy in the open exchange to get higher pricing.

Publishers must double down on articulating the quality, value and potential applications of their data

Communicating data capabilities

“It’s a dual responsibility, in terms of the agency understanding the data capabilities of each and every individual publisher, as to what sits within their data stack, and for the publisher themselves being forthcoming with any new developments with their data.”

Duane Thompson, Executive Director, Global Programmatic Lead, AMQ at OMD EMEA

Agency asks

It’s no easy task for publishers to articulate the amount of value they can deliver. On top of that, it can be hard for publishers to find the right stakeholders (often multiple) within complex agency or holding company organisations in order to drive success.

Jaffe at GroupM believes publishers should start by building a foundation with the buyer around the media properties that they own. He says a key part is “finding the right alignment with the brands they are representing, because **typically a lot of publisher data sets are so unique and really bring different levels of value to certain verticals or clients**”.

Publishers should start by building a foundation with the buyer around the media properties that they own

For example, Jaffe says: “[Publishers are] very honed in to a lot of the demographics that our CPG brands align with well and when they’re looking to really change brand loyalty, or brand association, or just general targeting around strong age demo alignment, we’ve seen good success with those deeper relationships within that category.”

Thompson at OMD says that having publisher demographic data would be beneficial because it’s “the strongest form of data” the agency sees. He continues: “Sometimes there are hidden walls in terms of interests or

intent data that make that data quite vague for us in terms of uptake, how it has been segmented and grouped together, and the recency and frequency of those collection methods. Which gives it some ambiguity and makes it a little bit harder for us to trust.”

Trust and transparency

“It’s about giving publishers more transparency into how we’re buying them today and finding ways to give them more insight around KPIs and what set-ups look like, so that they are not making recommendations blindly — which I think they have to a lot of the time — which is more a gap between how we engage with one another versus anyone’s fault.”

Max Jaffe, Managing Partner, Programmatic Practice Lead at GroupM

Agencies are looking for openness and clarity on the makeup and source of datasets, wanting to build strategic partnerships with publishers to open the flow of communication and gain more detailed insights.

Jaffe at GroupM says we have gotten to a time of sophistication where people are “really keen to dig under the hood a little bit more” to understand the makeup and the source of the audience. He says: **“Truly understanding how a publisher’s data set fits into that larger picture — whether it’s complementary or not — is an important factor for really growing more of a strategic partnership with them.”**

Vetting the validity of third-party and publisher data is part of the onboarding process at OMD, using its own proprietary tools. Duane Thompson believes publishers can help by providing better assurances that their data is clean, coherent, and trustworthy, adding: “if we can get a much deeper level of detail into the data itself and how it’s put together, that would probably promote us to spend more.”

Perkins at Immediate Media agrees with the need for proactive transparency from publishers. **“I think buyers should understand very clearly how their segments are created, that’s a really big part of what we should be putting out in the market.”**

However he believes that “buyers need to be demanding to see how something has been created.”

According to Peters at BuzzFeed, more advanced agencies are asking probing questions about the actual “what’s” and “how’s” of the data itself, including, “What does your tech stack look like? What partners are you using? What third parties are you leveraging? What percentage is modeled, what percentage is first party?” Without the ability to quickly respond to deeper questions, publishers could find it difficult to sell to advanced buyers.

Agencies are looking to build strategic partnerships with publishers to open the flow of communication

Rules and regulations

GDPR and similar legislations further a requirement for education around compliance, and also exploration of existing agreements. Perkins at Immediate Media says: “As the ICO come out and threaten fines across the programmatic landscape*, I think buyers are becoming a lot more aware whether they have a third-party data agreement or not. **Having fully consented data from a partner with transparent segment builds is a better position to be in than buying third-party data and risking a fine with one of their clients — that needs to be communicated better in market.**”

Thompson at OMD believes legislation like the GDPR can provide positive impetus for publishers. He explains that it gives publishers

“a reason to go out there and shout about the quality of their data and how it complies with all laws and regulations that we have currently.”

Tools and go-to-market

Having the right tools to develop and provide visibility into a first-party data strategy is impactful, especially when paired with a high level of proactivity and confidence in sales conversations with buyers. BuzzFeed is an example of a publisher that is maturing its data capabilities to reduce the reasons for agencies to say no, having initially come up against issues with its old data management platform (DMP) when filling in RFP responses (specifically, in relation to scale and being able to execute on certain types of data).

Peters explains that after tooling up and evolving their data strategy, BuzzFeed “can now write ‘yes’ in just about every [RFP] box, which really helps us keep hot, keep ourselves higher up in the consideration set”.

The publisher is actively communicating these positive changes, with sales teams talking through their new first-party data capabilities and discussing ways they can use advertisers’ first-party data. Together with a clear proposition around their audience, this approach is allowing for more open conversations and more interest from media buyers.

Immediate Media is also charging its sales team with the ability to discuss first-party data strategy and reinforce buyer confidence with transparency, which is making sales conversations easier.

The positive results BuzzFeed and Immediate Media are seeing from their proactive efforts align with sentiment from the buy-side; Duane Thompson at OMD states

“it’s very much down to the publishers themselves to come to us with all of this information, so that we can make informed decisions about the data that we then go on to use.”

**Reference in 2019 to fines from the ICO under GDPR in July 2019 onwards*

Advice for publishers

Our research highlights multiple reasons why publishers miss out on data-driven revenue from agencies, as well as ways to overcome these challenges.

- 1. Anti-tracking browsers** are impacting revenue and attribution and forcing industry change. Agencies are changing their buying habits. Moving spend away from anti-tracking environments might just be shifting the problem.

Suggestion: The 'death' of the third-party cookie is a driver for evolution that works to the publisher's advantage. If advertisers can't buy audiences with data on anti-tracking browsers, a potential solution is a direct relationship with publishers to access audiences. First-party data is the new currency; publishers can benefit by focusing on this advantage and seeking out collaboration with buyers wherever possible.

- 2. Regulations like GDPR and CCPA** mean consented data is important to buyers, who are worried about fines from the likes of the ICO.

Suggestion: publishers are the source of quality consented data. They should take advantage of legislation by shouting about the quality and privacy compliance benefits of their consented first-party data, compared to third-party data which isn't necessarily so clear.

- 3. Third-party data** was never especially good. It puts publishers at a disadvantage and diminishes differentiation. Established buyer relationships with third-party data providers make direct relationships and first-party data harder for publishers to sell.

Suggestion: Publishers must prepare sales teams to feel confident in educating buyers on the issues with third-party data, and the benefits of first-party data. Publishers who have built a great first-party data offering need confidence and an understanding of the data in order to articulate differentiators.

- 4. Moving from open to private marketplaces** is becoming a common practice to ensure better quality data and targeting. However there's a cost and trust issue that means buyers may be reluctant to do this and many buyers are also very tied to open.

Suggestion: Publishers must justify each direct relationship with a narrative relevant to the buyer strategy, and show a benefit above and beyond curated data on OMP. Publishers need visibility of potential revenue streams, bid pricing and buying patterns in order to encourage better pricing for open inventory — or identify and prioritize communication with buyers who might benefit more from a direct or private partnership.

- 5. Communicating the value on offer** to buyers is hard, especially when there's so much potential in your data and it's not clear what agencies want.

Suggestion: Publishers should focus on building a foundation with the right stakeholders within buyer organizations by communicating differentiating nuances in data. Transparency into how buyers are buying, insight into KPIs, and learnings about buyer strategies help publishers work out how to align — a good niche fit can bring amazing value. Publishers can only achieve this alignment by also understanding their own audiences in rich detail, so that they can then communicate clear, transparent descriptions of each audience to buyers through confident sales teams.

- 6. Buyers want more clarity** about data quality. They want to know what publishers are selling, in detail.

Suggestion: Publishers should prepare for questions about how datasets have been created and provide as much transparency as possible to help buyers understand choices and offerings. Buyers can hold preferences for demographic data, finding it more objective. To encourage trust in interest and intent data, publishers must be open about the composition of these segments and reassure buyers of quality and relevance.

To get ahead of questions and uncertainty, publishers should start building out first-party data segments that can scale and are transparent in terms of composition.

- 7. Data management platforms and tools** can make it harder for publishers to target users and harness their first-party data, and hard to respond to RFPs.

Suggestion: Publishers need the technological means to activate and analyse their own first-party data effectively. They should seek out tools that will guarantee audience scale, allow activation of all types of data, and allow quick, easy extraction of the insights buyers want to see — without reliance on cookies. Such tools should provide clarity on the source and quality of data in your datasets, and visibility of performance and revenues to allow optimization.

Closing thoughts

Agencies and publishers are both adapting their data strategies to overcome industry changes in different ways. For publishers, a timely focus on enhancing a first-party data strategy with the right tooling and go-to-market approach will help publishers show agencies and media buyers what they want to see — quality, differentiated data. In this way publishers can take advantage of the opportunity in front of them, and become central to the data conversation by filling the void left by the rapidly crumbling third-party cookie.

Both buyers and publishers have the intention and desire to close the communications gap between them which is exacerbated by a fast-changing industry landscape. Done properly, this could lead to greater collaboration, data-driven revenue, and long-lasting valuable partnerships in turn.

A focus on first-party data strategy, with the right tooling and go-to-market approach, will help publishers sell more effectively

About Permutive

Permutive's publisher DMP is built on edge computing, which gives publishers, for the first time, visibility of their entire audience, eliminating reliance on third party cookies. This enables them to create and activate audience segments in real-time.