Targeting User Identities

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In the Wake Of Third-Party Cookies

Third Party Cookies

User IDs

WTF is the future of identity and addressability?

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The third-party cookie isn't long for this world. Apple's Safari browser has already phased it out, and Google Chrome is following suit in 2022.

This isn't exactly news. But for advertisers and publishers, the scope of the problem hardly ends at the death of cookies. Other ad-targeting tools — most notably mobile advertising IDs, or MAIDs — may also be destined for the scrap heap, or at least a state of diminished utility.

And just as platforms and browsers are taking privacy matters into their own hands, regulators are throwing additional challenges at targeted advertising. Europe's GDPR is well into the implementation stage,

and California's CCPA is now in effect as well. The mandate to protect user privacy is directed at advertisers and publishers from all sides.

Now, as brands and publishers alike work quickly to reach users within an increasingly restrictive targeting paradigm, they're urgently searching for new ways to address individual audience members in accurate — yet privacy-compliant — ways. And increasingly, they're turning to new technologies and management tools.

In the following guide, we'll explore how buyers and publishers are approaching ad targeting in a rapidly evolving era — and what the future holds for identity and addressability.

Cookies and MAIDs are disappearing

The death of the third-party cookie doesn't come close to covering the full extent of the industry's challenges.

In June of this year, Apple confirmed another privacy measure that many had long anticipated — new changes to its Identifier for Advertisers, or IDFA, a tool that had become crucial for advertiser tracking attribution. Previously, users had to seek out the IDFA setting within the settings app in order to turn it off. Now, starting with iOS 14, it'll be explicitly opt-in for every app — and the overwhelming majority of consumers are expected to leave it turned it off.

If the history of the cookie is any guide, Google may follow suit by restricting its own mobile advertising ID (GAID) in the not-too-distant future.

"With cookies disappearing and MAIDs under threat, advertisers and publishers now have to find new ways to reach unique users," said Andrew Baron, vice president of machine learning and marketplace at Pubmatic. "Addressable targeting is as necessary as ever, and there are increasingly sophisticated ways to go about it — but it's going to look very different in the future than it has in the past."

On top of the restrictions that tech giants are implementing of their own initiative, government regulations are causing their own seismic impacts. GDPR is well underway in Europe, and California's Consumer Privacy Act has yielded much the same effect in the U.S.'s largest state. Now, many industry professionals are speaking in favor of a federal privacy law, one that would prevent a mish-mash of disparate state regulations.

These regulations impose significant restrictions around acquiring user consent, making it much harder for publishers to collect user data — and therefore, for advertisers to effectively target those users. The burgeoning regulatory state is just another factor making it significantly more difficult for advertisers and publishers to reach unique individuals with any sort of accuracy or specificity.

"I think ultimately, fundamentally, GDPR is a good thing for advertising," said Liting Spalding, head of audience planning and programmatic at Havas." "But now the challenges for advertisers are that they need to take a step back and say, yes, these are the addressable audiences which can be sought out by technology, and what are the partners that can help you do it?"

The unique addressable ID challenge is now the industry focus

Advertisers will never stop striving for addressability — but now they'll have to arrive at addressable IDs in new ways. The entire digital advertising industry faces a stark and unavoidable reality: They have to target users without the benefit of the tools they've been relying on for years, and without running afoul of regulations.

Addressability, at the root level, refers to the ability to associate a unique identifier with a given user, and then build audience segments on top of those efforts. Audience addressability is about being able to identify each consumer as an individual with a full grasp of how they use their different devices and how they engage across channels and domains. It's this granular level of understanding that enables advertisers to achieve superior measurement and more targeted ad experiences.

Programmatic and addressability can go hand in hand

While some programmatic advertising remains relatively low-tech, the increasingly sophisticated technologies and data sets available to advertisers has enabled many buyers to incorporate addressable techniques into programmatic buys.

"You don't necessarily need programmatic automation for addressable advertising," explained Matt Bayer, head of integrated media sourcing at the agency Crossmedia. But, said Bayer, addressable advertising can be accomplished programmatically if the right targeting abilities are in place: "Programmatic is the combination of data technology and inventory, and underpinned by a technology-driven optimized approach."

In other words, addressability can be automated — and indeed, in a modern advertising environment demanding a great deal of reach, it should be. This remains a challenge for many advertisers and publishers, however, and both must work to find automated tools that are capable of combining the mountains of disparate information needed to address unique audiences.

"We can't do anything online without finding addressable audiences," said Spalding, at Havas. "When we plan from a brand perspective, often they'll have their own audience persona for marketing research, and a different panel that they have in their database. And then they profile the users that might be most relevant for them. The question is, how do we turn that into an online addressable audience?"
In other words, advertisers tend to have a highly specific and well-thought-out idea of which segments they'd like to target. And without access to a sophisticated network of unique user IDs, this task becomes impossible — especially on a high-scale programmatic basis.

Ultimately, programmatic advertising will need to become addressable to survive — and addressable advertising will need to be programmatic to be scalable. As the industry moves forward, advertisers would be well advised to think of ID-based, addressable advertising as a fundamental component of programmatic — not an alternative to it.

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The future of identity is resolution
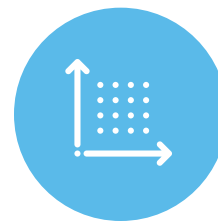
Addressability is increasingly paramount, yet accurate targeting is harder to achieve So how can advertisers and publishers still reach unique IDs available at scale?

It starts with arriving at a true user identity.

"Addressability depends on assigning a unique identifier to a given user on the web, with the ability to make that identity specific to a certain consumption environment, whether that be mobile app or desktop or anything else," said Baron, at Pubmatic. "In digital advertising terms, 'identity' is the act of generating that ID."

Some technology experts, he clarified, also refer to this process as "resolution."

A sizable industry has sprung up around identity and resolution, with multiple technology companies specializing in generating IDs at scale. But in many of these instances, there are shortcomings to the utility of these IDs. Most notably, it can be difficult for advertisers and publishers to keep track of each ID in a managed, coherent way and without any cross-device redundancy.

The roles of deterministic and probabilistic IDs

As they stand, some of these solutions are over-reliant on first-party data. While first-party publisher data — like email addresses or any other volunteered personal information — is the gold-standard currency for advertiser targeting, "a lot of the premium publishers have first-party data on their subscribers," said Bayer, at Crossmedia. "They have names, email, in some cases an address. So they have clear PII identifiers, and they've built up very robust data sets."

In the post-cookies (and potentially post-MAIDs) era, many industry professionals continue to develop strategies that heavily rely upon first-party data. Indeed, first-party data lies at the center of certain types of addressable advertising efforts.

For instance, advertisers can make use of a logged-in email address provided by a publisher (often hashed to enable pseudonymization). That piece of data, then, can be used as the basis for an identifier. When possible, advertisers would always prefer to target publisher audiences programmatically based on hard data. This type of first-party data-based identifier is known as a deterministic IDs.

Realistically, however, deterministic IDs — as effective as they are — won't do enough on their own to help advertisers reach rich, scaled audience segments anytime in the immediate future.

Instead, many practitioners are increasingly turning to probabilistic identifiers — IDs that use an extremely diverse array of cross-channel signals, such as browser version, device type, time zone, shared IP addresses and much more. With this approach, they'll work to build user profiles by matching anonymous data points with data from known users presenting very similar behaviors. Probabilistic IDs have the benefit of being widely and quickly scalable in a programmatic environment — provided that advertisers and publishers are partnering with the right tech providers.

An arsenal of unique IDs requires a managed interface

In building up an arsenal of unique IDs — whether deterministic or probabilistic — many publishers struggle with two major issues: Redundancy and technology costs. They often find themselves turning to numerous identity vendors at the same time, all with their own fees. And oftentimes, these providers will overlap, making it harder for publishers to provide advertisers with the singular IDs they're looking to offer.

In addition, this situation tends to result in a scenario in which publishers can't actually tell which IDs are providing them with the best revenue and yield — and can't convey to their advertiser partners which IDs have been the most effective at driving consumer behavior. When it comes to attribution and measurement, relying on too many different vendors and IDs leaves much to be desired.

The ability to maintain a centralized database consisting of non-redundant IDs may well prove central to the future of influential, cost-effective ad targeting. Buyers who look closely to determine which publishers are offering truly addressable and measurable solutions are likely to look for such databases. Similarly, alert brands and agencies are equally likely to inquire about such resources as they decide which publishers to invest in.

For those that turn to individual management interfaces for operating unique IDs, the benefits stand to be as follows. The reliance on a single platform dramatically cuts down on all redundancies, minimizes tech costs and makes measurement, attribution and reporting far more effective. Publishers gain a better sense of how each ID contributes to revenue, and they're better equipped to help advertiser partners with attribution.

Increasingly, working with a single management interface is becoming a selling point for publishers looking to convince advertisers that they're worthwhile partners for investment. It's a critical tool for the sales team, making it far easier to demonstrate to brands exactly how ads will perform on their platforms, and giving them ample evidence that their technology products can reach unique users and make up for the death of other targeting tools.

The advertiser–publisher revolution is coming

Whatever brands currently generate on their ad spend, on average, they need to start thinking about how they can begin to approximate similar amounts of ROAS through other methods. And that starts with testing.
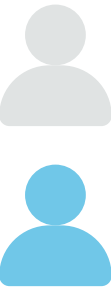
As advertisers begin testing cookie alternatives, they may rapidly begin to understand that some are more effective than others. If, for instance, they find that an alternate ID approach yields them 50 percent of the ROAS they'd previously been making, that may be unacceptable. But 80 percent? Closer to the mark.

Regardless, advertisers that fail to seek out publisher partners with effective identity solutions will not be able to match 80 percent, 50 percent or even 10 percent of what they're generating now. With cookies

and MAIDs going away, advertisers must find alternative means of building and effectively reaching audience segments — and an important way will be the route of publishers that rely on a non-redundant managed interface to offer unique IDs.

It's a first, crucial step to building a new paradigm that prizes accurate, privacy compliant and non-cookie-based addressability. And it will involve a joint effort — and close communication — between publishers and advertisers.

"I think there will, in some ways, be a revolution between advertiser and publisher, coming together in ways they never had before," said Bayer, at Crossmedia. "And they'll do it in a programmatic and addressable ecosystem that will drive better value for the advertiser."