

WTF is Contextual Advertising?

A Guide for Marketers in 2021

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Google Chrome's delay of third-party cookie deprecation until 2023 gives the ad ecosystem more time – and even more reason – to focus on alternative approaches to digital ad targeting. For many marketing teams, contextual advertising is at the top of the solutions list, and with a little more distance to the edge of the cookie cliff, there's a new opportunity for marketers to develop their understanding of the approach – and their plan for taking action.

While contextual advertising is not a new strategy, the tactic is making a comeback as a privacy-compliant solution for marketers to reach target consumers. In fact, a recent [Digiday survey](#) of 146 buy-side professionals found that more than half will be spending more money on ad campaigns that use contextual targeting. This finding further supports the notion that contextual approaches will play a significant role in companies'

marketing mixes once third-party cookies are no longer viable.

But why, exactly, is contextual advertising important for the industry in 2021 and beyond? In this guide, we'll explore the ins and outs of contextual advertising – as a concept and a strategy – and why it will be a necessary tool for marketers in the future.

What's in this WTF guide?

1. [The origins of contextual advertising and why it's top of mind in the industry right now](#)
2. [Challenges to successful contextual targeting and how it compares to third-party cookies](#)
3. [How tech such as AI and machine learning have advanced contextual advertising](#)
4. [How contextual advertising works for video and social media campaigns](#)
5. [Essential practices for marketers to successfully deploy contextual targeting in the future](#)

Contextual advertising: The basics

What is contextual advertising?

Contextual advertising is a form of targeted advertising that involves displaying ads based on a website's content. For example, if a person is browsing a website dedicated to news and stats about competitive swimming,

they may encounter ads for goggles, training suits and swim caps.

"At its core, contextual is about understanding what the context is of a user and what they're interested in

here and now, without knowing their history or their profile of interests," said Yaron Galai, co-CEO and co-founder of Outbrain.

How exactly does contextual advertising work?

The practice, which originated more than 20 years ago and doesn't rely on third-party cookies, involves a crawler that scans the web and categorizes pages based on context and metadata. When a user visits a site, the page's content information goes to an ad

server, which then matches it with ads that are relevant to keywords and content.

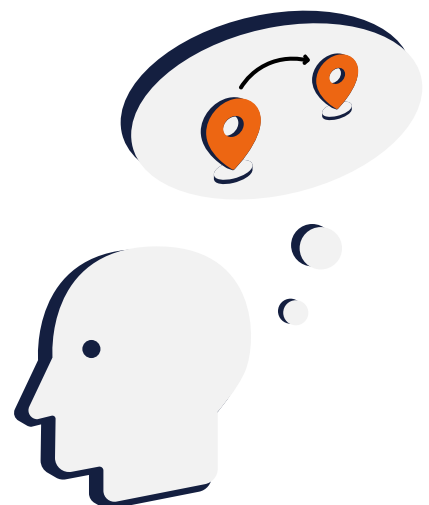
Over the past two decades, however, contextual targeting has become more advanced thanks to technology such

as artificial intelligence and machine learning. Marketers are using machine learning to better understand the meaning of content pages or understand a person's physical environment, rather than identifying matching or relevant keywords on a page.

So, technology has made contextual advertising smarter?

Yes. Tech has helped contextual targeting evolve to the point where it can understand that users tend to make different purchases depending on their location and the weather, or based on whether they use an Android or iOS

device. For example, New Yorkers in the winter are more inclined to book vacations to somewhere warmer, and hence may receive targeted ads from travel brands.



Why is contextual advertising making a resurgence in the ad ecosystem due to third-party cookie deprecation?

Simply put, contextual advertising doesn't rely on third-party cookies at all and is a digital targeting practice that will always exist. "Understanding where ad requests are being made from and how to best tailor the ads to be interesting and valuable to consumers is an important muscle to have," said Galai.

Galai explained once third-party cookies are completely phased out, the most efficient form of targeting will be a mix of contextual targeting and using first-party data for behavioral targeting, which is based on user interests and online actions.



What will be the challenge for marketers in taking a dual contextual-behavioral targeting approach?

Data deprecation will eventually lead to a much smaller amount of user data for marketers. Marketers will only be able to collect the data from users who are registered and logged into websites, or those who have subscriptions. As Galai puts it: "The fidelity of the data is going to be much higher, just for a smaller group."

From there, advertisers will have to determine what that small group of users finds most appealing — monitoring when they convert or find value in ads — so they can apply those insights by purchasing ads contextually, to see if those ads bring value to the rest of their users for which they don't have the same data.

"Marketers have been used to a single jump, painting all their users with the third-party cookie and seeing if those users convert or not. [Post-third-party cookies,] marketers will have to understand what converts to return on ad spend for a small cohort and then make a second jump from context," said Galai. "The dual jump is one that will take building a different muscle of marketing analytics and sophistication."

What other challenges will marketers need to consider when deploying contextual targeting in a post-cookies web?

With third-party cookies, brands have been easily able to reach people around the world to see if they respond to their targeted ads or not.

Third-party cookies have also allowed marketers to target consumers regardless of whether they wanted to receive a particular ad or found that ad valuable.

For marketers, a main challenge will be figuring out where areas of context are and how to put value in front of consumers. It's going to take more effort and research to determine how to deliver value to consumers through context.

How does contextual targeting present an opportunity for marketers to deliver real value to consumers?

Galai puts it this way: When walking around New York City on a sunny, hot summer day, there will be zero people selling umbrellas on the street. However, the second it starts raining that same day, vendors will pop up selling umbrellas to folks who forgot to bring

theirs, because the context has changed thanks to the weather.

The people who forgot umbrellas didn't initially express interest in having one when it was sunny, and didn't have a history with those umbrella sellers

— but when it began raining, buying an umbrella became relevant.

"This is a perfect example of contextual advertising," said Galai. "It's providing value to the consumer when the context is right."

Is there a way to provide contextual value to consumers without advertising on publisher sites?

Yes. Brand marketers could invest in in-house content hubs that are ideal for contextual targeting without cookies — and without needing to know where visitors to the site are coming from. For

example, a travel brand could create its own hub with listicles focused on the top spots to visit in the Caribbean such as the top 10 restaurants or the the top 10 beaches. This hub would be a

perfect contextual opportunity to target consumers, as site visitors are likely interested in traveling to the Caribbean soon.

The impact of contextual technology advancements

How will technology continue to impact consumers and the content they see online?

There's a balancing act for marketers in terms of reaching and engaging consumers through targeted ads. On the one hand, a common complaint from consumers is that ads targeted to them aren't relevant and don't provide any value. On the other, relevant ads can be too personalized and come with a creepy factor for some consumers.

"I think a majority of people will understand that the ads aren't trying to hunt them, but rather trying to be more valuable and personalized," said Galai. "In the short term, we are going to see the switch to more contextual, which is probably going to feel less personalized and less targeted because there will be less accurate data points."

Galai also said that there will likely be a surge in publisher paywalls and registrations as a reaction to third-party cookie deprecation. Because it will take time to reach scale with this strategy, there will likely be a dip in personalized and relevant targeted ads but, over time, personalization will improve.



Case study: How Meredith and Campbell's Soup used context to reach consumers in quarantine

Advancements in technology for contextual targeting mean marketers don't have to employ personal data or necessarily rely on a particular content adjacency. This helps to provide the best experience to the consumer by matching the most relevant advertisements to their individual interests.

The pandemic caused a surge in sales for pantry items at grocery stores and an increase in e-commerce for groceries. In response, Campbell's Soup worked with its publisher partner Meredith to create ads that provided comfort, utility and relief from pandemic challenges for a wide range of consumers. The campaign's target demographic had to include those who were more comfortable shopping for groceries in store, those who solely relied on delivery or curbside pickup and those with different food preferences based on factors like weather and region.

"This is a tricky job for humans," said Corbin de Rubertis, svp of innovation at Meredith, at the ANA Masters of Marketing Conference in 2020. "Analysts computing all of the possible combinations of these variables and signals is largely impossible."

Meredith created a solution using AI and hyper-contextual data to regularly optimize a series of display ads featuring Campbell's branding. The contextual data provided information about Meredith's readers' interest in different recipes and foods in order to keep Campbell's ads relevant.

The technology used Meredith's taxonomy database of contextual data, which provided insights about the intentions of users who arrive on any given page. This meant that the campaign didn't require data about the users outside of their broad location.

The three-month campaign in 2020 consisted of digital display ads that either showed popular recipes targeting people in specific areas or product carousels for ingredients necessary to make a meal using Campbell's products, with an e-commerce tie-in. The ads were consistently updated to offer new recipes and products based on AI tracking of behavioral variables, which garnered successful performance: The campaign's average click-through rate was four times higher than the Meredith benchmark for display ads, and at one point hit a CTR high of 17.2 times higher than that benchmark.

Campaign analytics also found that suburban areas had click-through rates on e-commerce ads that were nearly three times higher compared to urban areas, while the majority of impressions were from consumers living in urban areas.

Case study takeaway:

- Publishers are investing in contextual targeting solutions, which curate audience data based on how users interact with content on their sites.
- These solutions can be useful for brands looking for a privacy-forward way to deliver relevant ads to consumers without third-party cookies.

Contextual advertising for video and social

Traditionally, contextual has focused on text-based pages on the open web. In 2021, teams are also working to effectively apply contextual approaches

to video and social as they have become primary marketing channels for brands.

How does contextual advertising work for video?

The key challenge to applying contextual targeting to video is that because video is an encapsulated format, it can be difficult to know the exact content of the video. To overcome this challenge, marketers are using emerging technologies to

help decipher contextual metadata and translate it into context. For example, marketers can use technology to transcribe the text from a video or determine its visuals.

What's the state of contextual targeting for video right now?

It's steadily increasing. This year, companies including Tastemade, Xandr

and Crackle had [integrated contextual targeting](#) for their CTV and OTT inventory.



Is it more challenging for brands to scale contextual targeting for video than on the open web?

Yes. In addition to the differences between analyzing video and text, the libraries of content offered in CTV or OTT apps are stored in places that contextual

targeting services cannot access. They are stored on apps or publishers' content management systems — sometimes hidden away in closed platforms such

as Roku — which makes it more difficult to figure out what is available. The only information available is what the publishers are willing to share.

What needs to happen for contextual targeting for video to advance?

"It's going to be on the publishers. Publishers need to make sure that when they publish a video, they also have a rich

set of metadata with it," said Galai. "The publishers that do it better are going to

benefit from contextual advertising for video as well."

What about contextual advertising for social? Does it involve a similar approach to video?

Contextual advertising for social is a completely different ballgame for marketers, because most social media networks are walled gardens. Marketers

cannot determine what the context of a user's social post is unless the social platform decides to give them that information. So, the future of contextual

targeting for social will depend on what user data the walled gardens offer, as well as the contextual advertising tools those walled gardens offer.

Preparing for the future of contextual

As marketers continue reintegrating contextual ads into their targeting strategy, they will have to keep in mind that the process of effectively scaling the tactic with behavioral targeting will be gradual.

"You have to jump into the water and start swimming," said Galai.

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You don't go from being a non-swimmer to an Olympian by jumping into the pool once. You need to build those muscles.”

— Yaron Galai, co-CEO, co-founder, Outbrain

How should marketers go about building those contextual muscles?

- A first step marketers could take, said Galai, is shifting 10% of budget away from third-party cookies to solutions focused on analyzing the behaviors of what will be small groups of registered users. Daily testing of those solutions to inform contextual approaches will be crucial to scaling a post-cookies targeting strategy.
- Marketers can look into creating a media environment that they own, and of which they can control the context. Investing in in-house branded content hubs can be a useful alternative that doesn't require third-party cookies. Anonymous users visiting a hub with a certain theme, such as travel destinations, are likely interested in booking a hotel or airline to that destination.
- Partnering with publishers that have their own contextual targeting solutions to cultivate audience data can also be a valuable tool for brands to reach the right audiences with their display ads.

Marketers that begin to take these approaches will be better positioned to bring audiences relevant content. It is evident that in a web where

third-party cookies are no longer an option, brands will have to rely on a mix of contextual and behavioral targeting — with help from tech partners and

publishers — to create efficiency and scale in reaching the right audiences.

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