collective wisdom®

SZABO ASSOCIATES, INC. VOLUME 36, ISSUE 1, MARCH 31, 2021

MORE is better than less.

Dear Friends:

With 2020 blessedly in the tail lights, we can now turn our attention to making the best of this COVID-recovery year. Our focus this issue is on data, the quantity and quality of which will be key to ongoing growth and success for media. The post-cookie world is presenting new challenges and opportunities, as legislation and advances in technology accelerate the transformation of our industry.

On February 11, I was honored to speak with veteran radio industry journalist and advertising industry analyst Adam Jacobson about the history, mission, and methodology of Szabo Associates for an InFOCUS Podcast. Many thanks to Adam and sponsor DOT.FM for the opportunity to talk about what sets our company apart in media collections.

Media Finance Focus 2021 will take place virtually May 11 through July 29. MFM and BCCA will deliver dozens of informative sessions, expert speakers, interactive roundtables, and networking events during the conference, which offers a terrific opportunity to stay abreast of changes and connect with industry peers.

Finally, if you haven't recently visited szabo.com, please take a look at our redesigned and updated website. We hope you like it!

Best wishes for a healthy and happy spring,

Robin Szabo, President
Szabo Associates, Inc.

As the Cookies Crumble . . . Data Reigns

A seismic shift is happening in the world. We cannot feel it, but it will touch each of us. The web is perched on the starting blocks of a revolution, which can potentially reshape the power dynamics of the internet and the $330 billion digital advertising industry on which it relies.

Something has to pay for the exquisite machine that has become integral to life as we know it, and that something is advertising. But … if the advertising fails to reach consumers most likely to buy what advertisers are selling, it is obviously a useless expenditure.

Up to now, companies have known whether you are a good prospect for lipstick or barbells or both because of tiny text files called "cookies." Every "click" on your keyboard resulted in a cookie, which lurked inside your computer, waiting for your return. Ads were sent based on sites you visited and items you clicked on. If you bought something online, transactions were reverse-engineered to hopefully identify the impact of each digital ad impression on your purchase decision. Woefully, for the advertising industry, the formula often failed to reflect your wants and needs in real life.

It was not always this way. Remember Netscape? Back in the mid-90s, engineers for the popular web browser developed cookies as a way for websites to "remember" your preferences or what you put in your online shopping basket. That way, if you left and returned to the site, your Sony Discman and your Beanie Baby would still be waiting for you in the cart. Over time, advertisers realized that they could also use cookies to track user behavior, so, with the permission of the website (the first party—the one that captured the data), they would use their third-party cookies to track the second party (you).

After years of grudging acceptance, consumers adopted weapons to protect themselves from these annoying intrusions. Ad blockers, cookie blockers, and some browsers promised to stop the barrage of cookies. Apple, for example, built privacy technology into its devices and services. Not to be dissuaded, however, the industry fought back with technology that could block access to content, track apps, and more. The result? Nobody really got exactly what they wanted.

The Death of the Cookie.

Apple, back in 2017, having identified user privacy as a key selling point for its devices, introduced tools for its Safari web browser that made it easier to block third-party cookies. In 2019, Mozilla did the same with its Firefox browser. The final death blow was dealt by the big magilla, Google, in January 2020, when it announced that it would phase out third-party cookies on its Chrome browser in the following 18 months.

Before anyone begins to think the decision was a gracious nod to consumers' right to privacy, it should be noted that the European Union's General Data Protection Regulation (GDPR), introduced in 2018, was already taking bites out of the cookie by giving its citizens more control over its data and

—continued on page 2

Cookies Crumble —

—continued from page 1

allowing them to opt out of ad-tracking efforts. Additionally, the California Consumer Privacy Act (CCPA), which went into effect in January 2020, has spurred similar legislation here and around the world. Last month, the Virginia Senate passed its own version of the California Act. The bill is expected to pass in the House and be signed into law by the governor as early as April. Other states considering similar legislation this year include New York, Oklahoma, Vermont, Washington, Nebraska, and Connecticut. By making the decision it did, Google was simply acknowledging the inevitable.

Privacy tools. Speaking of the CCPA, on January 23 the California Attorney General tweeted about a new privacy opt-out tool called "Global Privacy Control." This successor to the ill-fated "Do Not Track" has some in the media and advertising industries hustling to figure out its implications with regard to compliance with the California law. The proposed specification, developed by a group of privacy researchers and introduced last October, makes it easier for people to prevent companies from selling their personal information. The tool enables users' browsers to automatically send a signal requesting websites and ad tech intermediaries to opt-out from selling their data, rather than having to notify each individually.

The extent to which GPC, specifically, might affect advertising revenue is debatable. Any tangible and substantial impact of the browser tool is dependent on the level of adoption by publishers and ad tech firms, as well as by people who do not already use ad blockers or other privacy controls. Privacy-focused search engines such as DuckDuckGo continue to rise in popularity, with the 12-year-old company recording in January its first-ever day with more than 100 million user search inquiries. The search engine has expanded beyond its own site, now offering a dedicated Chrome extension as well as mobile apps for Android and iOS. In the same week, two other privacy-centric apps, Signal and Telegram, also announced major spikes in growth.

DuckDuckGo Privacy Browser users also now have the Global Privacy Control setting turned on by default; however, site publishers and ad tech firms must recognize the opt-out signal for it to work. Some companies have publicly agreed to do so, including newspaper publishers *The Financial Times, The New York Times, and The Washington Post,* and ad management tech firms CafeMedia and Meredith Digital. It remains to be seen if and/or when the California Attorney General's office will enforce GPC adoption; however, it bears watching in the months ahead.

Apple's newest play. Last year, Apple announced the launch of iOS 14, a new operating system for iPhones and iPads. The new system has had several updates. The latest, iOS 14.5, was released last month for beta testing and should be available to the general public later this spring. Apple delayed the crackdown on companies tracking people who use its mobile devices in order to give marketers and developers more time to plan, but the window for adjusting to the new mandate is quickly closing.

The iOS 14 operating system brings, along with some cool new features, a change that drained the blood from marketers' faces: the virtual death of the IDFA, the Identifier for Advertisers that allows advertisers to track user behavior on a specific device. Actually, the IDFA will not be dead, but it may as well be as far as advertisers are concerned. Apple has taken the identifier out of the Settings app and made it an opt-in for every app. Users are presented with a dialog box asking basically if they would allow the app or brand to "track you across apps and websites owned by other companies." The answer to that question is pretty predictable.

Apple has developed and recently updated its own privacy-safe framework for "mobile attribution," the science of identifying which ads drive what results. SKAdNetwork promises to allow advertisers to know which ads resulted in the hoped-for outcome without revealing which specific devices or people took action. If, for example, you kick off an ad campaign with Google, it shows your ad to potential mobile customers, who may click on it and download your app from the App Store, and Apple sends a cryptographically signed notification, or postback, to Google. The postback validates the conversion for marketing purposes, but does not include any personal user or device-specific information.

The ability to track user behavior is critically important given the growth of mobile data traffic. Marketers expecting to reap the benefits of more targeted advertising campaigns must rethink attribution models in order to make forecasts and decide what changes should be made to their campaigns. One distinct disadvantage to Apple's SKAdNetwork is that advertisers will not get postbacks in real time, but the next day at best. Additionally, they will also not gain access to user-specific data, which would help them gain deeper insights into consumers and thus make their campaigns more effective in the future.

Facebook's face-off. Not one to turn tail without a fight, Facebook on February 1 announced its own prompt, to be shown on its mobile app for the iPhone and iPad prior to Apple's spring iOS 14 update. Designed to convince users to allow ad tracking, the prompt will present information detailing why users should give Facebook permission to track them on iOS (to support businesses and keep apps free). Facebook does not use the word "tracking"; rather, it asks "to use your apps and website activity."

Google throws its weight. Every week, members of the W3C, the World Wide Web Consortium, an international standards organization founded by a creator of the web, Tim Berners-Lee, join in a video call to work out options in the post-cookie world. The sumo wrestler in the group is Google, which has the biggest ad exchange, the biggest ad network, Android (the most widely used mobile operating system), and the most valuable web properties for serving ads (Google Search, Maps, YouTube, and Gmail). Most significant is Google's Chrome, the biggest web browser, which has a 64% market share, according to the web traffic analysis firm StatCounter. Without third-party

cookies, Google will still be able to track your user activity if you are on Chrome. Even a giant such as Facebook, let alone smaller players, may suffer under whatever Google chooses to implement if Google severs Facebook's ability to measure the effectiveness of its ads.

First-party is King.
Online privacy is here to stay. The browser wars will certainly continue for awhile. The importance of first-party data is greater than ever as advertisers strive to understand their target audiences without the use of cookies.

Establishing and growing a proprietary data set has become a priority among publishers (anyone who produces online content) and brands. Forward-thinking companies are building their own demographic, behavioral, location-based, interest, and response data sets that can be independently maintained in-house. An important benefit to publishers is the direct relationship to readers that is established when building first-party data. Getting to know their opted-in audience enables publishers to personalize content or make content recommendations based on their data.

Advertisers are more frequently asking for deal options that involve publishers' first-party data, and publishers are discovering that deals using those options are likely to be more attractive to advertisers. Of equal importance to ad buyers, however, is the integrity with which the data is collected and managed, and how consistent it is with other publishers. Some media companies plan to conduct more audience research on advertisers' behalf, such as running polls and surveys on its sites, and connecting those results to their first-party audience segments.

In any case, there needs to be a tight match between advertisers' needs and publishers' data. Only those publishers with the ability to generate rich, proprietary, authenticated, and current data deemed valuable to marketers will prosper.

Many publishers choose to enrich their first-party data with third-party providers in order to better meet the targeting goals of their advertisers. This is especially important in B2B situations, where valuable account information may not be available with first-party-only data.

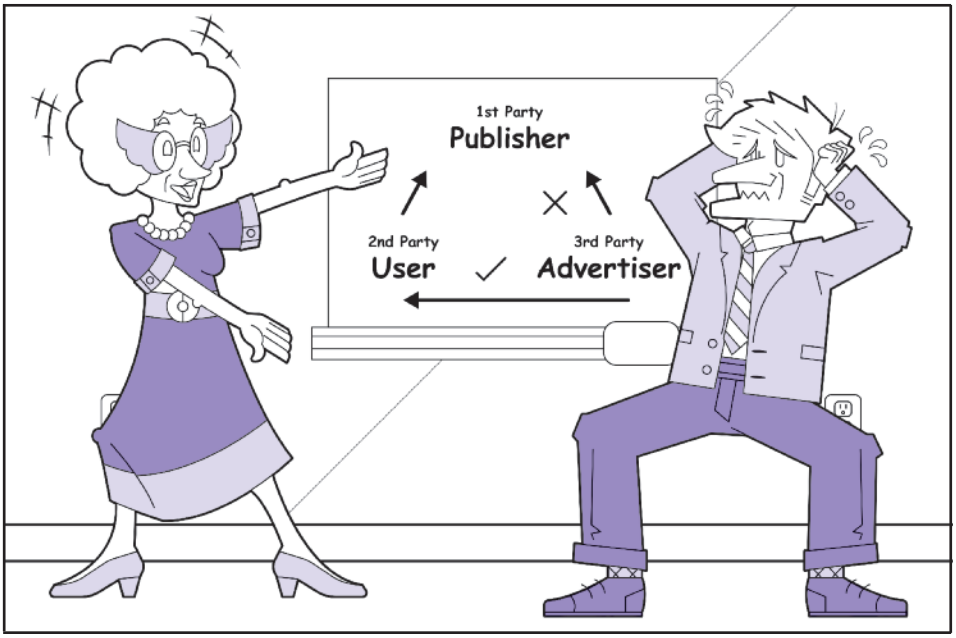
Targeting Old and New.
While users will see benefits in new privacy-driven technology, they may also be deprived of seeing ads that are personalized and relevant. For the benefit of both advertisers and customers, we can expect to see a new wave of solutions to target audiences and measure results within privacy-compliant standards. Strategies for mobile engagement going forward may include tools such as email, push notifications, in-app messaging, SMS, and/or chatbots.

"Click" behavior, once regarded as a good indicator of consumer interest, has been found to be lacking as an accurate form of measurement. A click does not necessarily result in conversion (transaction) and, even if it does, what about the other contributors to the sale? Brand awareness, promotions, traditional media exposure, etc. may have led to a sale that otherwise may not have taken place. Here is where old-school approaches might fill in the gap in a privacy-compliant way. As cookies crumble, marketers need to discover—and perhaps rediscover—methods of targeting their audiences in a specific, economical way.

Guaranteed deals. Remember programmatic guaranteed deals? It seems they are on the comeback, according to several media agency executives interviewed by Seb Joseph for his article last month for *Digiday,* "With cookies on the way out, advertisers turn to old-school measurement methods." Recently on the decline because of their steep costs, guaranteed deals—private agreements between an advertiser and a publisher of online content for pre-negotiated inventory—are garnering more interest now because they provide a way to gain access to first-party publishers' proprietary data. Such agreements confer more power to publishers, who act as gatekeepers of audiences.

Into the garden. Another solution might be to advertise within the walled gardens of platforms such as Google or Facebook, where data abounds. Yet, Joseph stated, the platform companies may not share all the data. These companies in recent years have erected "data-clean rooms," safe spaces for advertisers to access aggregated rather than customer-level data in a privacy-compliant way.

Marketing mix modeling. "Marketing Mix" is a term that has been around since the 60s and often refers to E. Jerome McCarthy's



It's like this: When I shop online on my lunch break, I'm the second party. The third party, which has an ad on the first party site, wants to know more about me. Before, the third party had to ask the first party for permission, but now, it has to ask the second party. That would be me. Get it?

—continued on page 4

SZABO ASSOCIATES INC.

PRESORTED
STANDARD
U.S. Postage
PAID
Atlanta, GA
Permit No. 747

Collective Wisdom® is a publication of
Media Collection Professionals,
3355 Lenox Rd. NE, Suite 945, Atlanta, Georgia 30326
Tel: 404/266-2464, Fax: 404/266-2165
Website: www.szabo.com
e-mail: info@szabo.com

Cookies Crumble —

—continued from page 3

four Ps: product, price, placement, and promotion, each of which is dependent on the others. Marketing Mix Modeling (MMM) typically analyzes two to three years' worth of historical data to identify patterns in campaign effectiveness. Importantly, MMM accounts for non-marketing factors (seasonality, etc.) that might drive business.

A consumer-centric marketing mix includes these several areas of focus (four Ps) as part of a comprehensive marketing plan. While traditional marketing begins with identifying consumers' needs and ends with the delivery and promotion of a final product or service, consumer-centric marketing is more cyclical. Goals are expanded to include reassessing customers' needs, communicating frequently, and developing strategies to build customer loyalty.

Contextual targeting. Most consumers are more likely to engage with ads that are relevant to the content they are reading or viewing. Beauty product ads in women's magazines and supermarket ads in cooking shows are examples of this tried-and-true method of reaching appropriate audiences, against which targeting based on a simple website visit pales in comparison.

Contextual targeting was, for a time, one of the most prevalent forms of online advertising. Its performance, however, failed to reach the high level of performance of targeting based on cookies. Additionally, "behavioral targeting" became increasingly popular as the large social media platforms gathered more and more data about users, and a proliferation of ad tech tools and platforms were developed to target users with ads.

Now, with privacy issues and the elimination of cookies, contextual advertising is not only coming back, but also is itself undergoing an important evolution. The use of machine learning and artificial intelligence (AI) powered technologies provide a more accurate understanding of context. Sophisticated systems are now able to analyze sentiment, associated imagery, audio, video, and even geography-based information to further enhance relevancy.

Industry Transformation. The ascendancy of privacy will not lead to the collapse of the digital marketplace. Rather, all players—consumers, marketers, and government—need to understand how good data can lead to better experiences for all. With technological gains in artificial intelligence, machine learning, and high-scale computing, some traditional approaches are becoming more agile and valuable. This is the time for the industry to further embrace its obligations to deliver trust, transparency, privacy, and respect for the consumers on whom it depends. ♦