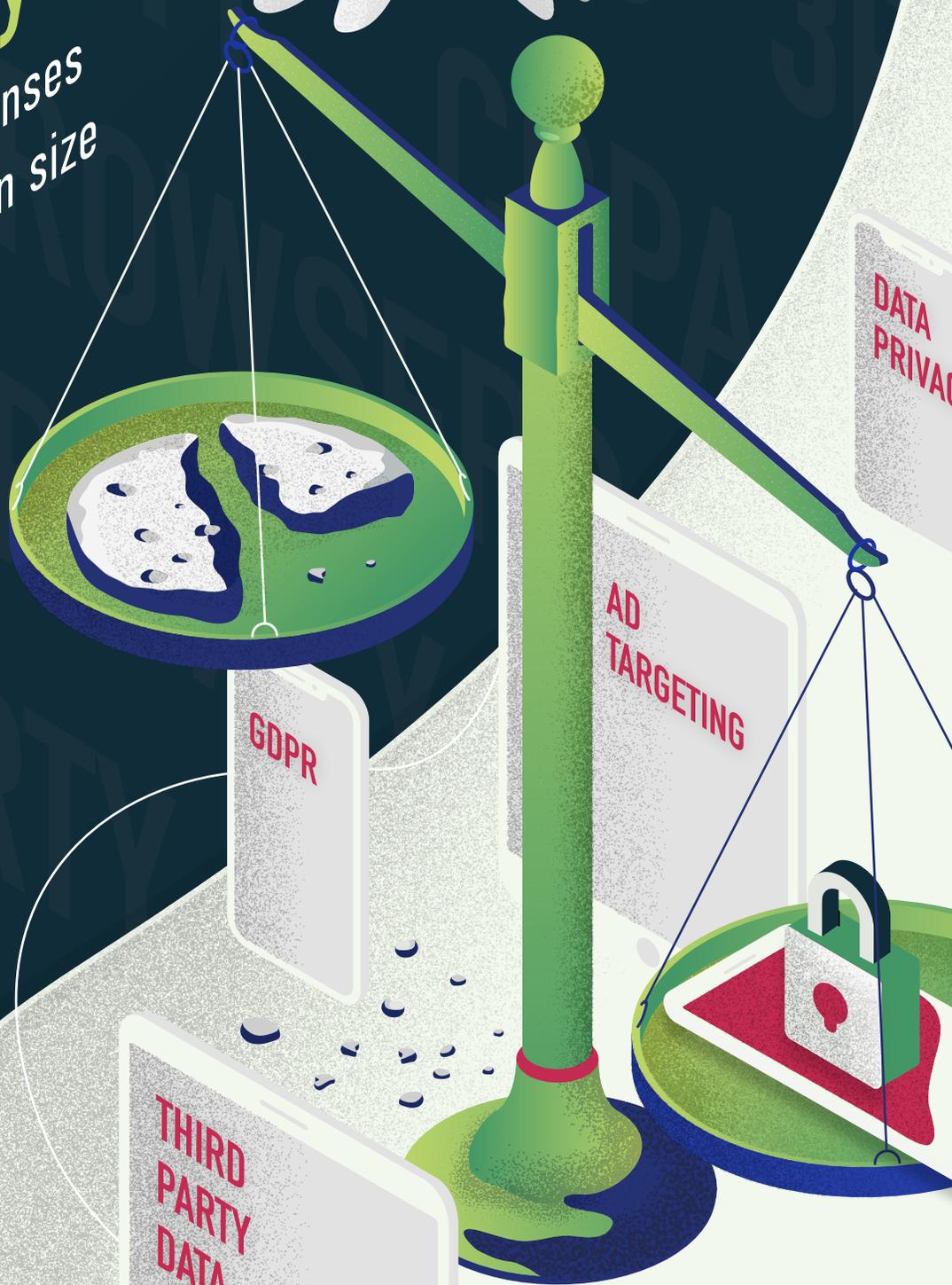


# The State of Cookies and Data Privacy Laws

How publisher responses will diverge based on size

cafe  
media

DIGIDAY



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# Introduction

Since the advent of programmatic, brands, agencies and publishers have collected user data to drive ad targeting. It is a dynamic that has, more than once, raised concern among consumers and regulators, and it has been the continued focus of reporters and analysts in the data privacy and consumer protection space.

Most recently, complaints and trepidation have given way to policies and penalties in the form of laws and changes to how technology tracks consumers online.

From Europe to California, from Apple to Google, powerful entities are reframing user privacy in a variety of ways. In response, many of the organizations trying to generate revenue from the publisher ecosystem are grappling with anxiety. In some cases — especially when it comes to small and medium-sized publishers, which may not have the resources or diversified business models of, say, a BuzzFeed or Vox Media — the threat seems existential.

To better understand the changes underway, from January to February 2020, Digiday surveyed publishers about their shifting strategies and tactics in light of the evolving privacy landscape. Topline findings show that publishers are indeed concerned about tightening regulations and the death of the third-party cookie:

What negative impacts do you foresee as a result of cookie restrictions from browsers?



Decreased ability to collect user data



Revenue loss

To what extent will data privacy regulations have the following impacts on your business?



Reduced revenue (moderate effect or larger)



Decrease in user data (moderate effect or larger)

“What publishers need is predictable revenue at a predictable margin, and that is not easy to find right now,” said Michael Horn, Chief Data Officer at Huge. “The only good news is that advertisers are also looking for creative solutions, so if you build relationships with relevant brands, without eroding the integrity of the publisher, both sides will be interested in hearing the idea.”

Predictions about first moves by publishers have included the alteration of their entire revenue approach and a new reliance on subscriptions or other offerings. However, that’s not precisely what our survey shows. Instead, our respondents said they are intent on using new technologies and forging new partnerships to help them maintain their advertising-based business models. And their responses forecast something else:

Strategies and tactics, going forward, will differ along the lines of organization size and resources. Our respondents tell us there will be structural changes, of that there’s no doubt, but the perils of a highly regulated and cookie-less publishing ecosystem will affect stakeholders of different sizes and resource levels in dramatically different ways.

# Small to large, publisher size will make a (big) difference

The BuzzFeeds and Vox Medias of the world have the cash and resources to experiment with new models — and potentially shed advertisers, at least in the short term — while they fine-tune their new revenue streams. They also have more properties, verticals and content, making subscription packages more appealing. And when we look at how that will play out in the pursuit of alternate revenue streams such as subscriptions, the immediate future becomes clear.

## 33 percent

Overall, when we asked publishers how they were adapting their strategy in response to cookie restrictions, 33 percent said they were increasing their emphasis on non-advertising revenue streams such as subscriptions.

## 24 percent

Among our respondents representing smaller organizations, only 24 percent of publishers with 1,000 or fewer employees plan to increase their emphasis on non-advertising revenue streams in response to cookie restrictions.

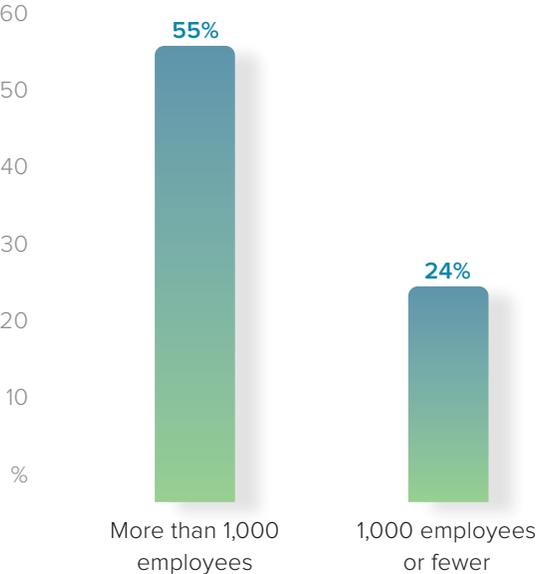
## 55 percent

It is, in fact, larger companies that are far more likely to shift emphasis — to the tune of 55 percent will seek alternate revenue to compensate for the death of the cookie.

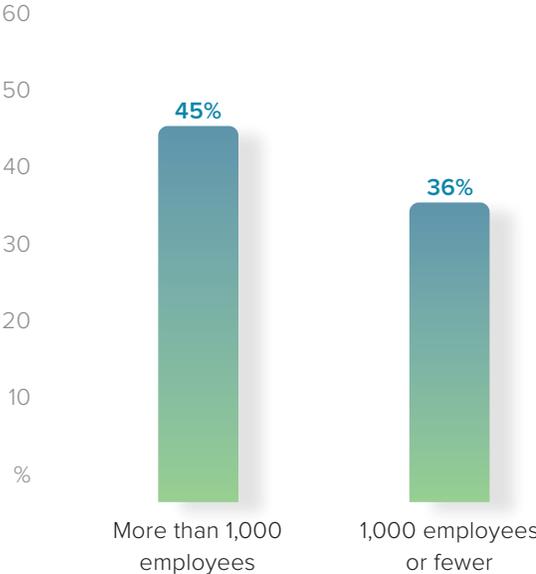
## 45 percent

Meanwhile, 45 percent of larger companies will grow their subscription offerings in response to privacy regulations, while only 36 percent of smaller publishers will do so.

Increasing non-advertising revenue in response to cookie restrictions



Growing subscription offerings in response to privacy regulations

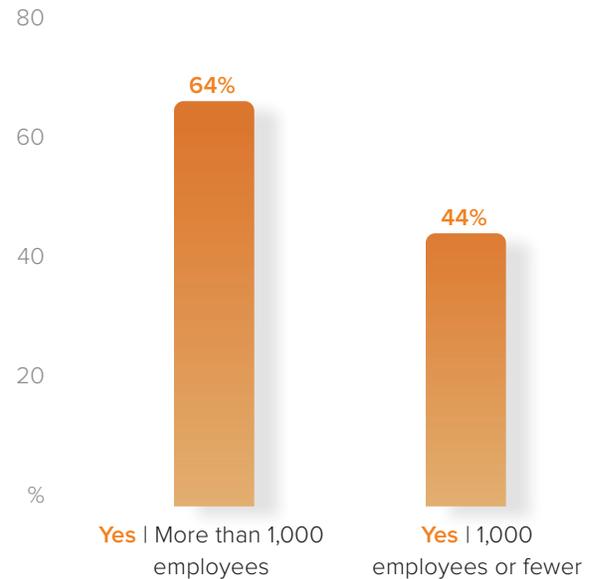
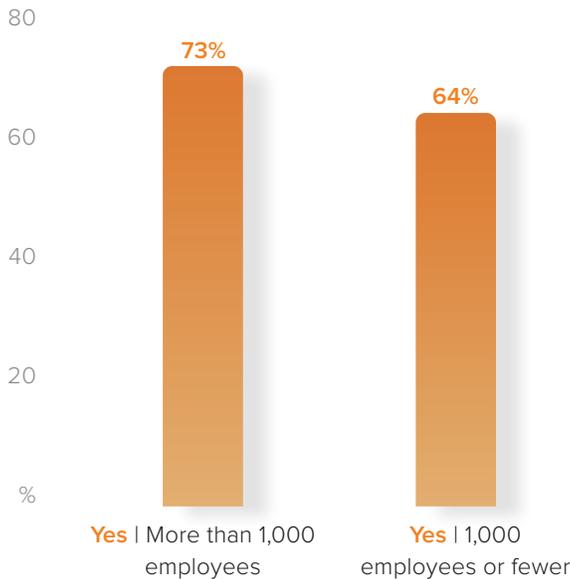


Just as importantly, larger organizations possess the resources to invest in new ad technologies and tactics while rearranging other elements of their revenue models. Indeed, one notable fact is that even as large publishers dive into alternative

revenue streams, they're also investing in tools and technology to prop up their ad revenue. They're holding up more easily than their smaller competitors in response to both browser changes and regulations.

As a response to privacy regulations, will you increase the use of technology in the coming years?

In response to cookie restrictions, do you plan to work with new technology partners?



Yet while the numbers reflect larger companies' greater investments in technology, they also indicate that smaller businesses need new tech too — not just platforms like CDPs and DMPs, but also privacy management solutions designed to help them comply with regulations. They're just not as deeply resourced as they may need to be to effect wide-scale change.

"Compliance requires significant technical infrastructure, which introduces both costs and a mission-critical external dependency — both of which are problems for publishers while revenue is squeezed," said Horn, at Huge.

The way Horn sees it, smaller publishers find themselves between a rock and a hard place, forced to turn to technology but sometimes struggling to manage it. "They can't afford to give up the revenue that comes in from the programmatic buy-side systems," he said. "So really what they have to do is bring in a partner to help them manage this new landscape, which introduces both a new third party cost and also a significant technological dependency."

While not all small-to-medium-sized businesses are investing in significant overhauls to their businesses (technological or otherwise), the ones

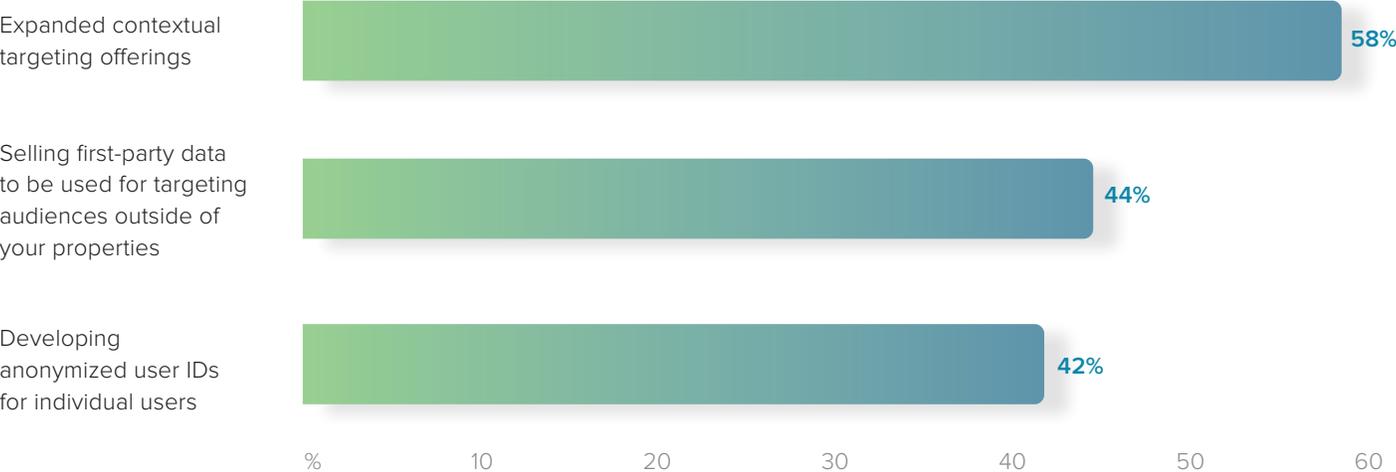
that tend to prioritize advertising over alternate revenues face a significant imperative to shore up their ad-related income, and their reliance on technology and partnerships will be outsized in comparison to the growth of other areas of their business models. The result is that many smaller publishers are now beginning to mine the mountains of user data they've long been sitting on — but they're realizing they need to seek out the right technological infrastructure and partnerships to manage it effectively.

# Capable larger publishers will embrace anonymized IDs

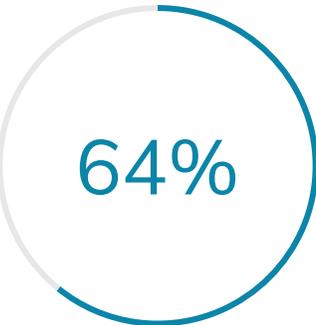
In response to the changing cookie and data-regulation landscape, publishers also plan to use their data for targeting audiences outside of their properties and developing anonymized IDs for individual users. Nearly half, as the following chart shows, intend to do so.

In what ways is your business using first-party data to compensate for the decline of third-party cookies?

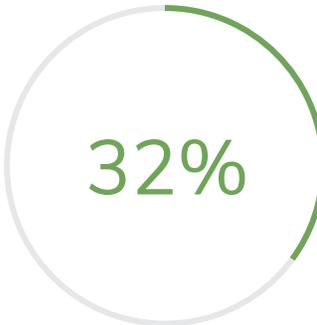
However, at the moment, the organizations most likely to create ID databases are large publisher groups, such as News Corp.



Publishers: employee count and anonymized IDs



Publishers with more than 1000 using anonymized IDs



Publishers with less than 1000 using anonymized IDs

Meanwhile, smaller publishers may well lack the required resources and technological capabilities to develop databases of individual IDs. Moreover, such databases may simply be more appealing and useful to advertisers when they're attached to large publisher groups, which are more likely to provide advertisers with unique IDs that can be targeted across multiple properties.

"Publishers need to diversify for sure," said Horn. "But for many second-tier publishers, there are limited options. Larger publishers have content studios, member-only content offerings, podcasts and even live events."

This element of the transforming publisher ecosystem is critical to keep in mind. In fact, it may well be the most important takeaway in this report: As cookies vanish

and new laws come into play, the delta appears to be widening between what the more prominent players will get to do and how the small and mid-size players can respond to change. In many cases, new partnerships will help close the size-difference gap. In order to compete in a cookie-less, highly regulated space, it's almost certain that small and mid-sized players are going to seek out additional expertise.



““

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# Contextual targeting returns

When we asked publishers to get specific about other plans for data, a majority — 58 percent — said they plan to expand contextual offerings that target based on audience behavior and intent.

Contextual targeting is a long-familiar technique, but it's returned to the fore now that other forms of programmatic targeting have become more difficult due to privacy restrictions, and now that programmatic technologies have become more efficient at serving contextual ads accurately and in real-time.

"First-party data is absolutely critical to establishing loyalty across channels like site, CRM and podcast," said Horn, further pointing out that technological infrastructure will be needed to make contextual solutions truly scalable and appealing to advertisers.

"Many new privacy management solutions will require consent through the collection of an e-mail address," he said, "which is then hashed and linked to the other data on the server-side, rather than via cookies. Contextual targeting is good for intent, but it makes reach and frequency increasingly difficult to track and cap without infrastructure."

From the perspective of some advertisers and agencies, there are considerable advantages to the approach.

"We see this as a welcome improvement to the way brands can reach customers and prospects," said Liane Nadeau, svp and head of precision media at Digitas North America. "It ensures you are not only reaching someone with a propensity to buy but also at the moment when they are most receptive."

As we've just addressed, publishers are ratcheting up their use of first-party data and the tools that help them surface and analyze it, and that's going to continue in the months to come. Our survey also shows an uptick in the urgency of using technology tools to master internal data:

- 
- In the coming year alone, the number of publishers using a DMP will increase from **50 percent to 63 percent.**
  - The percentage using a CDP will increase from **50 percent to 61 percent.**
  - Somewhat less significantly, the number using natural language processing will increase from **33 percent to 38 percent.**
- 

These moves will undoubtedly help publishers gain a better understanding of their data, facilitate targeting and help them to partner more effectively with advertisers and agencies. On the other hand, the increased reliance on technology introduces a significant new cost — one that will be easier for larger publishers to bear.

Overall, the numbers tell us that publishers plan to rely on more than one type of tool, strongly indicating that they seek a multi-faceted approach to the data they'll now depend on in the cookie-less, increasingly regulated world of the digital consumer. Smaller publishers, which are more ad reliant, are facing more urgency to build up their tech stacks. But their resources are finite, and they'll likely face pressure to use tech platforms more sparingly.

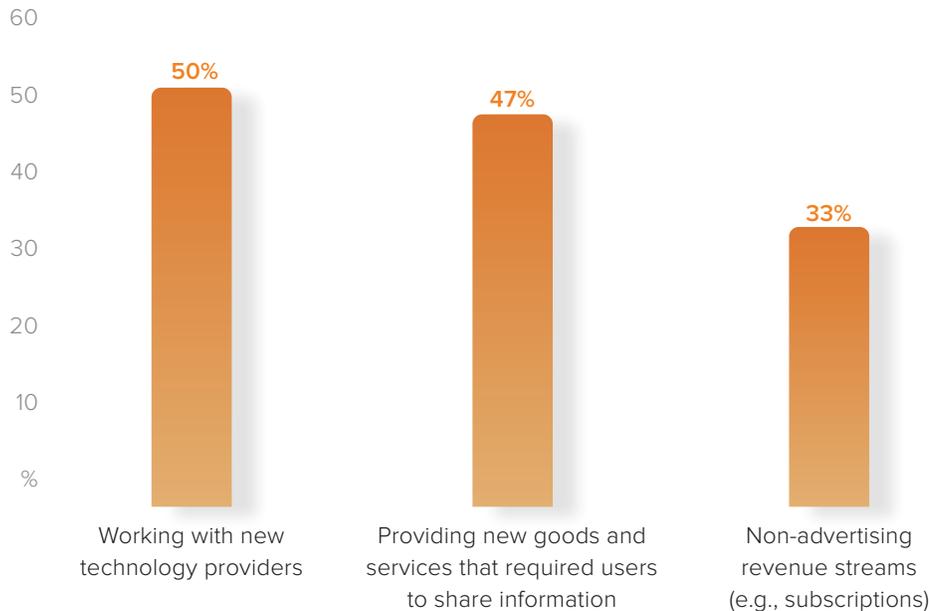


# For revenue development, tech partnerships will outrank subscriptions

Another thing our respondents tell us is that the near future will be a diversified environment, with revenue streams relying on data rather than subscriptions, for example, and with that data pointed at the familiar goal of augmenting ad sales and contextual targeting.

Their most widely used tactics will involve working with new technology providers — 50 percent said so — coupled with a push to provide new goods and services that can engage users willing to share information (47 percent). Both of these tactics center on shoring up data and capabilities.

What are your most widely used strategies in response to cookie restrictions? Select all that apply



Similarly, 67 percent of publishers told us that they plan to turn to technology tools to shore up data and revenue threatened by emerging privacy regulations like GDPR and the Consumer Privacy Act.

Only 39 percent said they would rely on increased subscription offerings to compensate for the threats that regulations pose to their businesses.



## Second-party data, walled gardens and new advertiser relationships

Second-party data deals initially became less popular as a direct result of GDPR, but that's changing now that alternatives to third-party data are more of a necessity. Forty-four percent of publishers say they're already selling their data to be used on other publisher sites.

As they attract a new, post-cookie degree of attention, these tactics will require sophistication and robust data-gathering techniques, and that's one of the factors driving the growing use of CDPs and DMPs that we considered earlier in this report. But such sales can be expensive and complicated undertakings, often necessitating partnerships with ad tech vendors. As a result, smaller businesses may have a harder time pursuing them.

The changes underway will also prompt new relationships and result in even less daylight between publishers and

advertisers, if the publishers have their way — 56 percent want to tighten ties with advertisers — and advertisers see value there as well.

"Many publishers have logged-in user data that can be tapped into by advertisers to reach the right person without relying on cookies," explained Nadeau. "Additionally, publishers have the best insight into context and can help brands identify the right moments, articles and content to serve their ads."

Finally, publishers will have to contend with the reality that advertisers are likely to shift some spend to walled gardens. "Even activation of first-party data will be more difficult in the changing cookie landscape, as most means of activation

still rely on third-party cookies to identify users in the bid request," said Nadeau. "To maximize first-party data, brands are going to be more reliant on walled gardens like Facebook and Google, where they can upload their user lists and Facebook and Google can reach them based on known, logged-in data." However, given their superior ability to create anonymized IDs, larger businesses will often have an easier time convincing advertisers to stay within the publisher's walls.

# Conclusion

In the face of the strengthening privacy regulations, it's incumbent upon publishers — especially smaller ones — to ask some clarifying questions and identify resources that can help them navigate the changes underway.

First, they'll need to assess the strength and sustainability of their historical ad model, and anticipate the extent to which they'll need to supplement it with new efforts tied to data and technology. Even if their businesses are pulling in enough revenue through traditional streams at the moment, they'll need to build out projections of how their landscape will look in the future. The status quo won't carry the load. Experts and practitioners tell us that ad sales alone soon won't be enough to keep businesses afloat.

Specifically, smaller and mid-sized publishers need to assess internal expertise and capabilities critically. If they already have a CDP, DMP or a hybrid version, are they running it effectively — and if not, then which external partners do they need to turn to for help? If they don't have any of these tools, which tech partners can they identify as best-equipped to walk them through the process of onboarding those assets and putting them into play?

Selling data to second parties is also growing in popularity. Still, publishers must ask themselves if they possess the expertise to make sure it's used ethically and in a manner that doesn't damage their reputations. Again, partners can help them navigate this process.

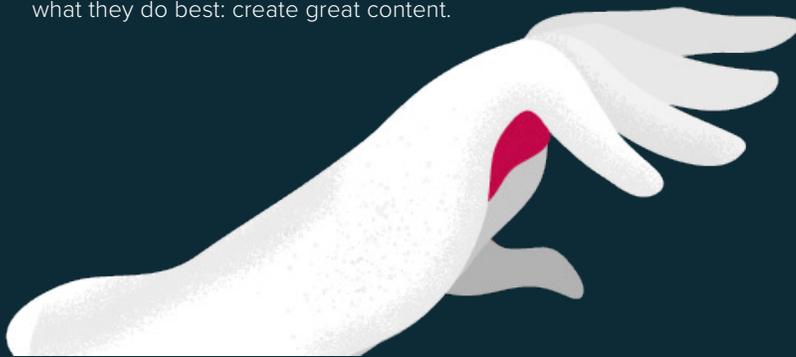
The takeaway is about opportunities. While small-to-medium-sized publishers don't often boast the readership or breadth of properties of behemoths like The New York Times or News Corp, and while they're consequently reluctant to invest as heavily in new revenue strategies like subscriptions, as our research reveals, they're still drafting plans to forge new technology-forward relationships. With an innovative mindset and new partnerships, these publishers will build up their tech stacks, embrace robust in-house data operations and form closer bonds with their advertiser partners.

Advertising is still the publisher's lifeblood, and our respondents say they plan to keep it pumping.

## About CafeMedia

### CafeMedia Ad Management (CAM)

combines exclusive demand with proven optimization tactics to **increase revenue, reduce costs, and eliminate the complexity** so publishers can focus on what they do best: create great content.



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DATA

