

Industry Review



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Privacy

→ The Future of Ad Tech Lies in Privacy-Enhancing Technologies (PETs)

A brief history of privacy in ad tech

In the early days of programmatic advertising, ad targeting was limited to the context of the webpage and information about the user from the user-agent string (e.g. an IP address for location).

Then, companies started utilising web cookies to identify individuals across different websites.

These cookies, known as third-party cookies, grew in numbers and were soon being used to identify and track millions of users across the Internet. This ability to identify individuals across the web gave rise to behavioural ad targeting, as well as audience and campaign measurement, frequency capping, and attribution.

News outlets started to get wind of this data-collection activity and started publishing stories about how companies that people had never heard of have been tracking web users from website to website.

It wasn't long before governments started to take notice. The European Union was one of the first governments to act and put into force its Privacy and Electronic Communications Directive (aka ePrivacy Directive) and General Data Protection Regulation (GDPR) in 2002 and 2018 respectively to protect user privacy and data.

But the biggest privacy changes were yet to come.

In 2017, Apple released the first version of its Intelligent Tracking Prevention (ITP) feature to prevent cross-site identification — the very process underpinned by third-party cookies.

In the years that followed, Mozilla introduced a similar feature to its Firefox web browser and Google announced that it too would be shutting off support for third-party cookies in Chrome, which is expected to happen in 2024.

On top of that, Apple has introduced changes to how its Identifier for Advertisers (IDFA) can be accessed on iOS devices, with Google set to implement similar changes to its Google Advertising ID (GAID) in its Android mobile operating system in the near future.

Fast forward to 2023 and the ad tech and programmatic advertising industries are in a situation where approximately 50% of global traffic is already unaddressable with traditional identifiers, according to ID5's 2022 State of Digital Identity Report.

The privacy landscape in 2023

The privacy landscape in 2023 has been shaped by two main forces: government regulations designed to protect user data; and changes by tech companies like Apple, Mozilla, and Google to how their devices, operating systems, and software collect personal data.

As a result, these developments have negatively impacted the effectiveness of programmatic advertising by limiting companies' abilities to identify individuals.

From these two central changes, many new solutions have emerged and we now find ourselves with a handful of alternatives to power the key programmatic advertising processes that we've been relying on for over a decade.

The key alternatives to third-party cookies and mobile IDs include



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universal IDs and ID graphs, Google's Privacy Sandbox, contextual targeting, and the IAB Tech Lab's Seller Defined Audiences (SDA).

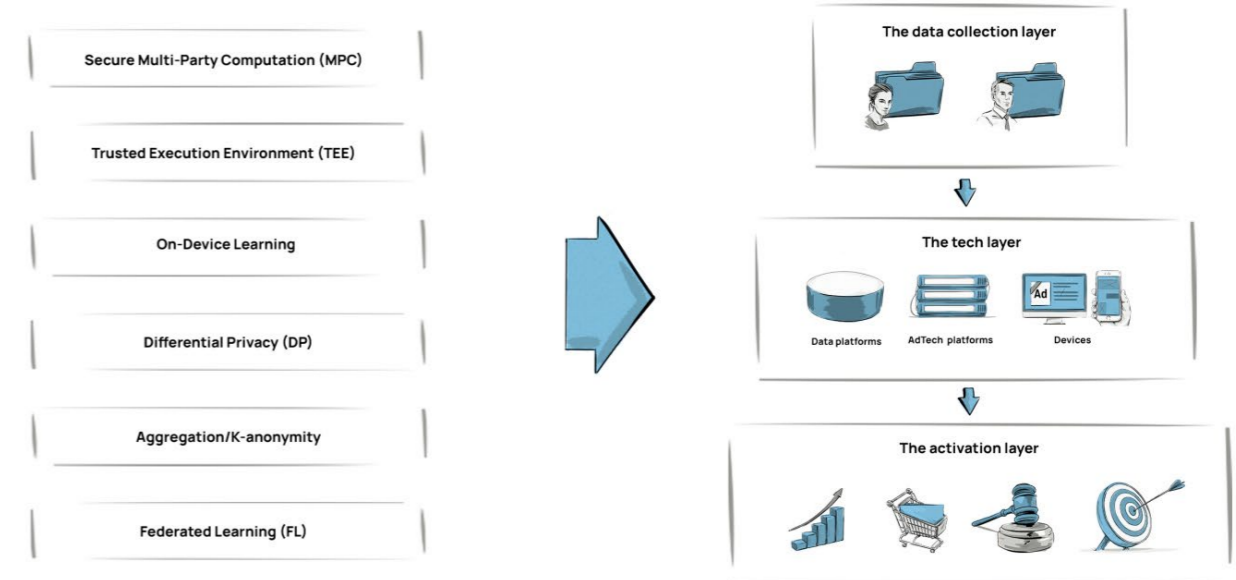
On top of that, new solutions like data clean rooms have emerged to allow two parties (e.g. an advertiser and a publisher) to match their data sets together and run key programmatic advertising processes without either party receiving access to the other party's data.

There are also self-serve ad platforms that allow publishers to provide advertisers with direct access to their ad inventory and audiences, enabling them to avoid sharing their data outside of their organisation and saving money on fees and commissions paid to third-party ad tech companies.

Some of these alternatives and solutions are focused on running key programmatic advertising processes in a more privacy friendly way, while others aim to identify individuals in a similar, but more limited way to third-party cookies and mobile IDs.

Even though most of these alternatives are an improvement on third-party cookies and mobile IDs from a privacy standpoint, there is still a lot more companies can do to adapt to a privacy-first world.

Privacy-Enhancing Technologies (PETs) in AdTech



Privacy-enhancing technologies and techniques can be applied to and utilised in all layers in programmatic advertising and AdTech.

Adapting to a privacy-first world

If the previous three decades of programmatic advertising have focused on mass data collection, then the following decade should be focused on adopting privacy-enhancing technologies and techniques to reduce the amount of data that's collected and protect the data that is collected.

While alternatives like universal IDs seem to be the clear winner at the moment, I agree with Ciarán O'Kane's point that "the obsession with finding a replacement for IDs and third-party cookies shows we have not moved with the times," as stated in a recent article on ExchangeWire.

The future of ad tech will revolve around privacy, with innovation being a key driver of new growth and opportunities.

We've already seen companies incorporate innovative solutions like privacy enhancing technologies (PETs) into their platforms and

processes, and I believe we'll see more companies follow suit.

Privacy-enhancing technologies are focused on reducing the amount of data that is collected, maximising data security to protect a user's privacy, and minimising the amount of data that needs to be processed. All of these three areas can go a long way in helping companies adapt to a privacy-first world.

There is a massive opportunity right now for all parties in the ad tech and programmatic advertising industries to build new solutions or update existing ones to incorporate these innovative and privacy-focused technologies and techniques into their businesses to prepare for and, more importantly, survive the new era of ad tech.

As an industry, we failed to take privacy into consideration when creating new technologies and processes in the early days of ad tech, which has put us in the position we're in now.

As we move forward into this ever-changing privacy-first world, we need to learn from the mistakes of the past and avoid repeating them.

Adapting to this new privacy-first world will take some getting used to and we all know that when it comes to adopting something new, ad tech moves at a snail's pace, with companies not willing to move until there's a strong reason to or until scale can be achieved. However, this mindset must change.

The motto "evolve or die" has never been more relevant than it is now ■

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