ID5

The State of Digital Identity 2021

Executive Summary

The ability to identify users has become an increasingly vital point of interest for all industry players in ad tech as we move closer to the 2022 deadline when third-party cookies are to be blocked from Chrome. Identifying users is crucial for delivering targeted data-driven campaigns.

The announcement of the third-party cookie deprecation has supercharged the creation of solutions to enable identification whilst respecting users' privacy. As a consequence of their expected departure from all major browsers, an attention towards identity-related topics and challenges has increased over the past year and we have seen the rise of solutions designed to improve user identification.

Since the 2019 'The State of Digital Identity' survey, ID5 looked to the industry once again to understand how perspectives on identity in the digital advertising space have changed and to analyse what challenges are now most concerning for publishers, brands, agencies and ad tech platforms in 2021. On top of this, the report also aims to understand what industry players are doing to tackle these concerns, and whether they are, or soon will be, implementing strategies and supporting initiatives designed to solve the identity crisis.

In some instances, questions have been carried from the 2019 survey to the 2020 survey in order to analyse how behaviours and actions have changed over the year in response to industry developments. Thus, results are compared throughout the report.

Results confirm that user identification is a growing priority for programmatic players, with 82% of respondents ranking the ability to identify users as very important for their business. This level of importance is especially apparent for publishers, who reported an average of 4.56 out of 5 (with 5 being 'very important') when asked about identity in 2020; this illustrates a 10% increase from 2019's result of 4.13.

There is a clear correlation between the rise in importance of identity to publishers and the drop in CPMs. In 2020, 88% of publisher respondents reported a CPM reduction between 10-60% where third-party cookies aren't available. For 38% of these publishers with CPM reductions, the drop is between 30-60%. These results portray how vital identifiable users are to publishers, as opposed to anonymous users.

It's not only publishers that are feeling the negative effects of the identity crisis. Both brands and agency respondents reported that poor user identification has created issues with their advertising practices.

Some of the most notable of these include:

- "Reconciling data from different sources" and "retargeting users who visit their websites or client websites", both received a huge 81% of the votes each from brand/agency respondents, marking these two practices as the most disrupted
- 'Accessing third-party data' received 63% of the votes from brand/agency respondents, marking this practice as the third most disrupted

of publishers feel threatened by the Walled Gardens

of ad tech platforms feel no threat from Walled Gardens

Almost all of the respondents in both 2019 (95%) and 2020 (96%) agreed that the ability to efficiently identify users is a big advantage for the Walled Gardens, and one of the reasons behind their dominance in the digital advertising space. On top of this, **100% of publishers agreed** that they feel threatened by the Walled Gardens and **only 17% of ad tech platforms feel no threat at all.**

In the last year we have seen the proliferation of solutions designed to replace some of the capabilities of third-party cookies. Some of these solutions, such as the Google Privacy Sandbox, aim at grouping users into cohorts to avoid user-level data distribution to avoid privacy concerns and scrutiny from the regulators. Cohort-based solutions provide technology platforms with APIs to collect aggregated data about user profiles and campaign performance.

We asked respondents whether they believe cohort approaches offer the same level of efficiency and differentiation that we are used to with user-level identification. **72% of respondents say that cohort solutions won't match up in every capacity, and 22% believe that they won't offer the same level of efficiency and differentiation as user-level identification whatsoever.**

These findings explain the growth in support for universal identity initiatives over the past year. **In 2019, only 13% of respondents were already involved with one or more initiatives, and 37% were at the evaluation stage.**

On the other hand, in 2020, 43% reported already being involved with one or more solutions, and an additional 43% were at the evaluation stage.

One approach of linking IDs across domains is through the use of hard signals (i.e. hashed email addresses or phone numbers) which requires the user to be authenticated. This approach offers a high level of accuracy, but could be lacking in scale for publishers who don't have a large amount of authenticated users. **2020 results show that nearly 70% of publisher respondents only have between 10-30% logged-in users.**

Product strategies are being implemented by publishers to increase the number of logged-in users, putting them in a position where they are able to better understand their audience and provide them with greater services and content. 2020 results confirm that 69% of publisher respondents have indeed implemented such strategies.

Today, the industry is faced with a whole host of differing identity solutions, but what are the most important things to look out for? The 2020 survey respondents ranked incremental revenue or reach as the most important characteristic that an identity solution should have, followed by footprint and adoption.

The above summary is but a snippet of the current advertising landscape. To gain a more comprehensive and accurate understanding of the state of digital identity, we invite you to read the full report below, as we take a deeper look into the findings collected from the survey.

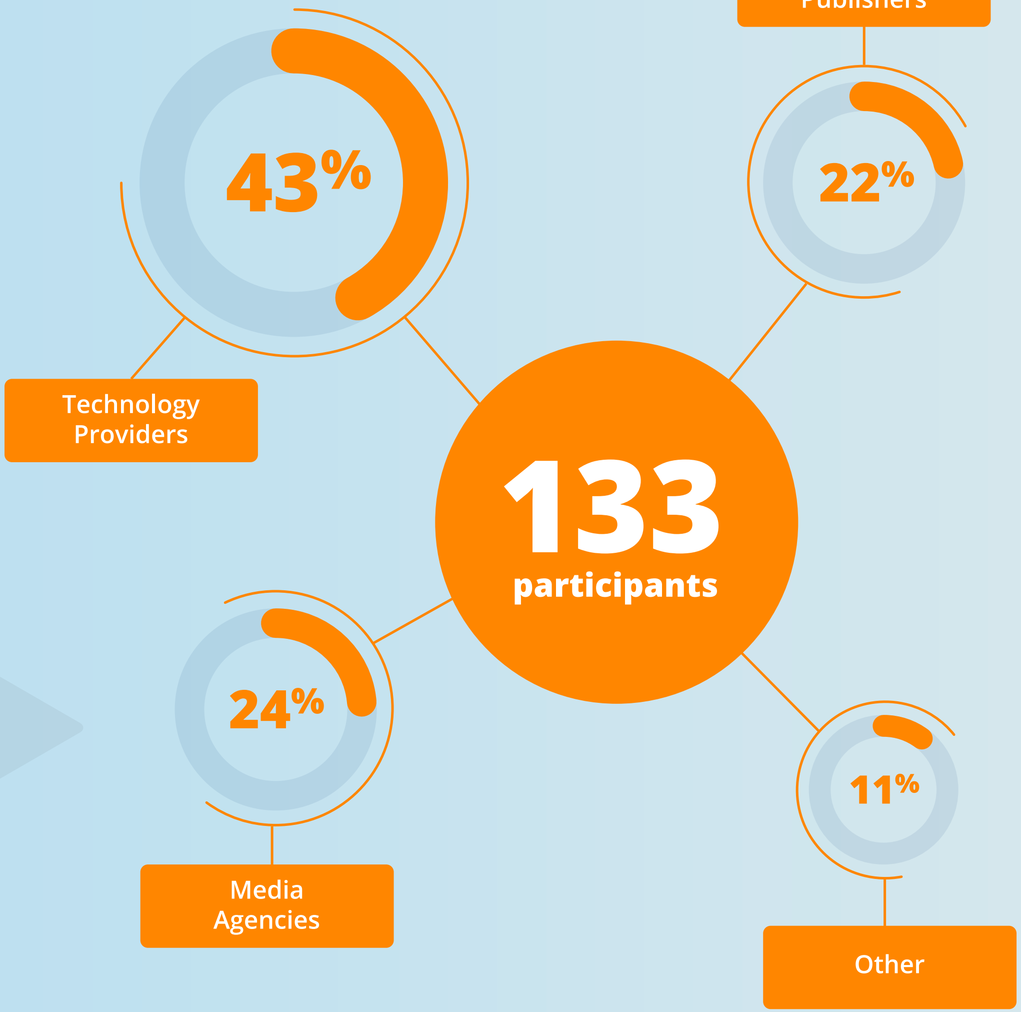
Methodology

ID5 analysed the answers of 133 participants who took part in the State of Digital Identity survey throughout November 2020.

The sample consisted of technology providers (43%), online publishers (22%), advertisers and media agencies (24%) and other (11%).

The survey was sent via email to ID5's database contacts and was further promoted through ID5's social media channels and a LinkedIn advertising campaign.

The aim of the survey was to measure the awareness of digital identity in the programmatic industry, to understand if increasing user identification capabilities is a priority for programmatic players and to gain insights on the adoption of unique ID solutions. To achieve these aims, the 2020 survey results are compared alongside the 2019 results in some instances, to analyse how industry-wide behaviours and actions had developed over time.

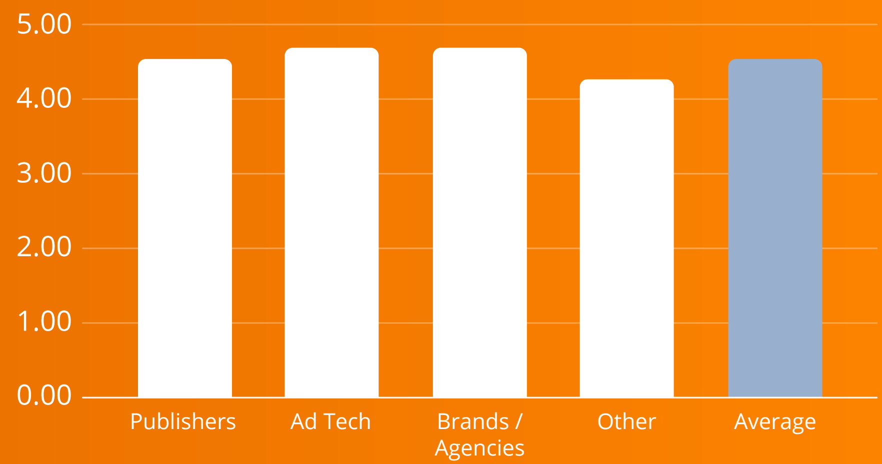


Digital Identity: Industry overview

Identity is continually growing as a priority across the digital advertising industry, especially over the past year. This growth is due to increased recognition around the need for a privacy-first infrastructure that continually complies with privacy regulations, allowing all industry players to thrive as we move towards the cookie-less future and beyond.

Taking immediate action on identity and assessing third-party cookie alternatives now is a vital step to take for all industry players operating in the Open Web. Publishers currently rely on third-party cookies to better monetise their inventory, while brands leverage them to control the distribution of their marketing messages and measure their results, to name just a few examples. The importance of identity is apparent across all respondent types: publisher, ad tech platforms, brands and agencies.

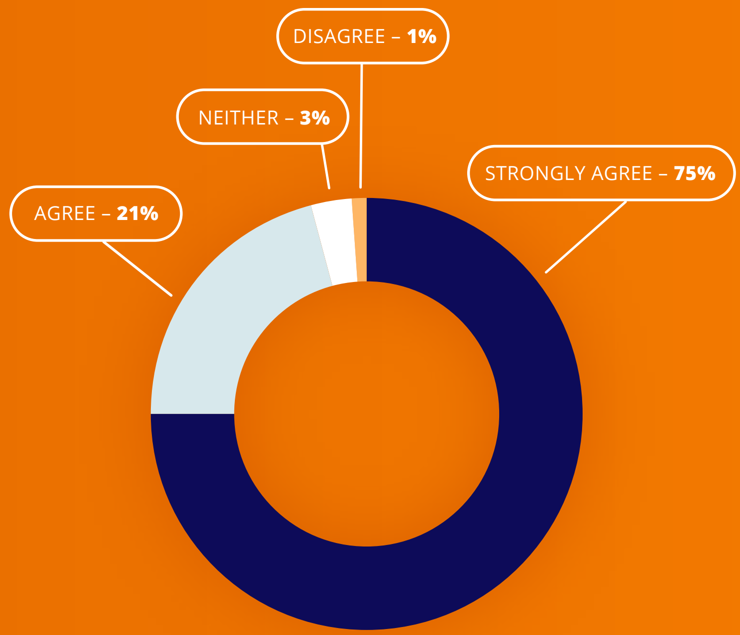
82% of respondents ranked identifying users as very important for their business. Publishers in particular reported an average of 4.56 out of 5 (with 5 being 'very important')



Importance of user identification

The ability to efficiently identify users is a big advantage for digital advertising players and is one of the reasons why the Walled Gardens attract the majority of media budgets and dominate the industry.

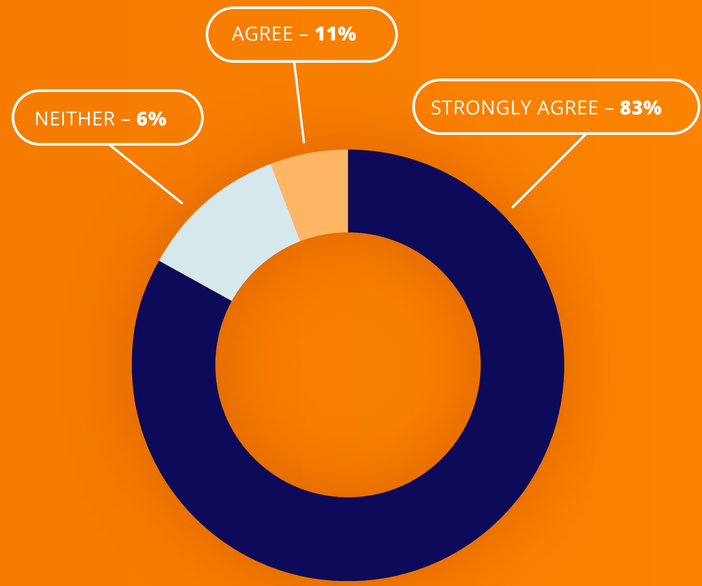
96% of respondents agreed that identifying users is a big advantage for the Walled Gardens



WALLED GARDENS USER IDENTIFICATION ADVANTAGE

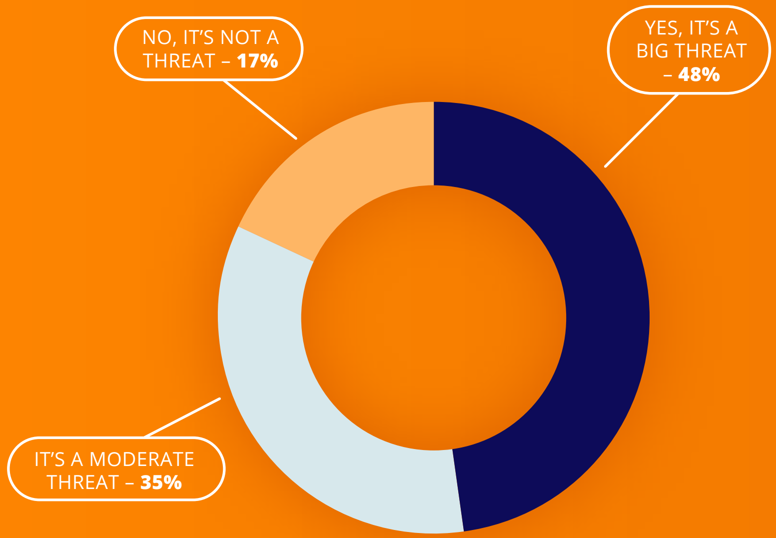
This dominance in identifying users makes the Walled Gardens threatening, most notably for publishers and ad tech platforms.

83% of publishers reported to 'strongly agree' that the ability to identify users is a big advantage for Walled Gardens, such as Facebook and Google



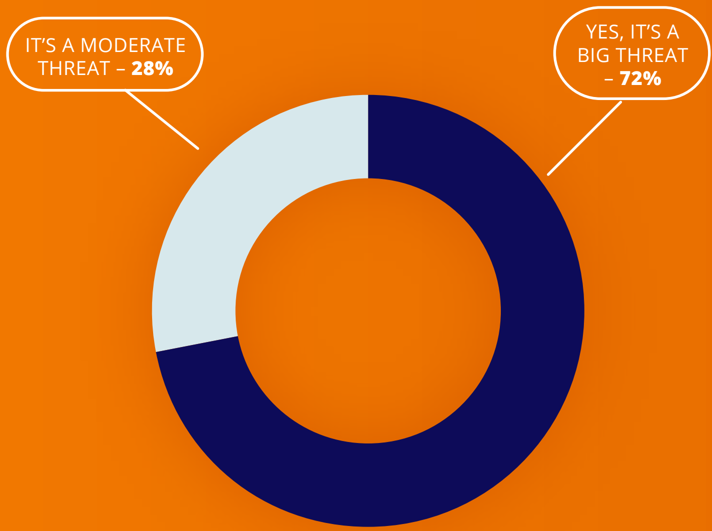
WALLED GARDENS USER IDENTIFICATION ADVANTAGE

83% of industry respondents feel threatened by the Walled Gardens in some way



THREAT FROM WALLED GARDENS

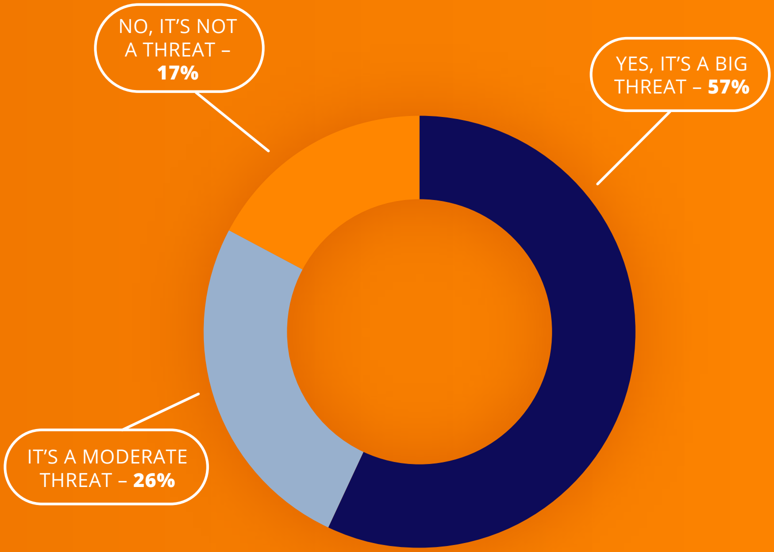
100% of publishers say they feel threatened by the Walled Gardens



THREAT FROM WALLED GARDENS

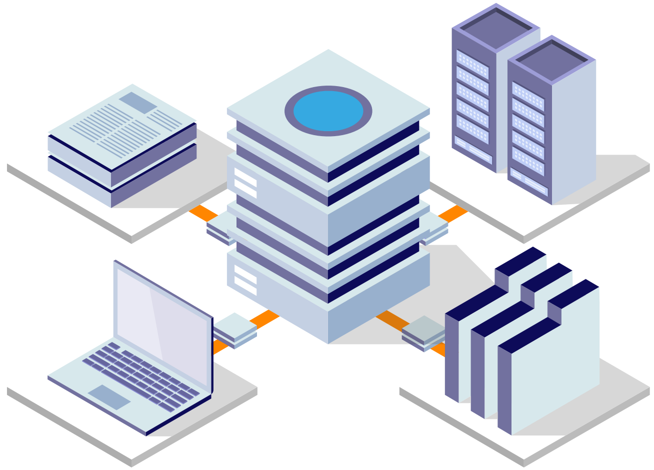
Some ad tech platforms felt no threat from the Walled Gardens whatsoever, but the vast majority reported either a big or moderate threat.

Only 17% of ad tech platforms feel no threat, meaning that 83% of them do



THREAT FROM WALLED GARDENS

To compete against tech giants and guarantee a future-proof transition into a cookie-less world, identity alternatives are paramount. Poor user identification is responsible for a variety of problems across the industry.

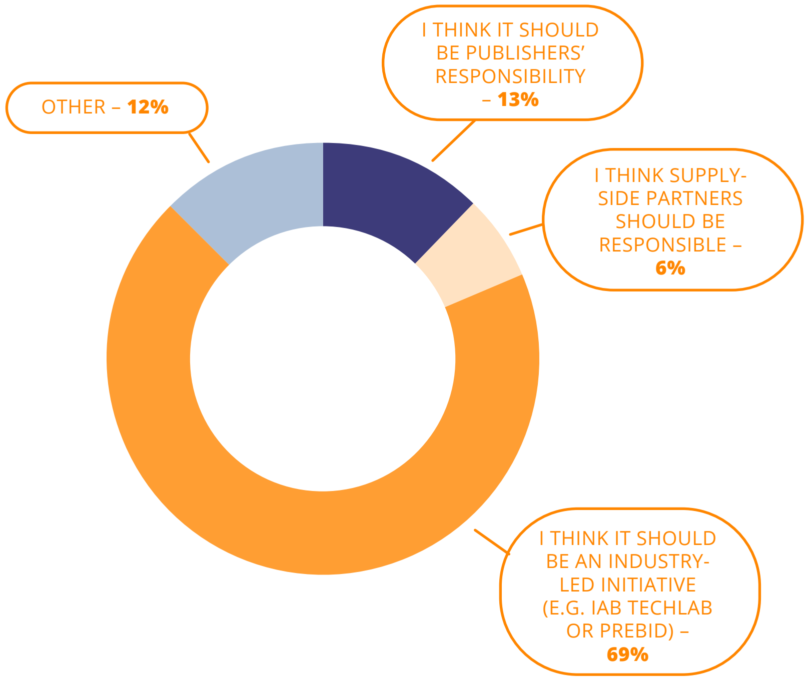


Brand and agency respondents reported 'reconciling data from different sources' and 'retargeting users who visit their websites or client websites' as the most disrupted practices both at 81%

BRANDS AND AGENCY DISRUPTED ADVERTISING PRACTICES

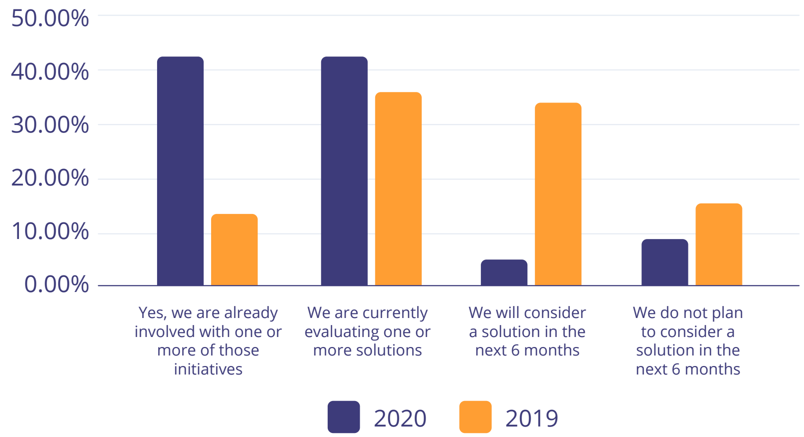
Both Safari and Firefox browsers have already blocked third-party cookies, the looming 2022 Chrome deadline is edging ever closer, and the reality of longstanding issues associated with third-party cookies (i.e. privacy, page latency, publisher control, consumer transparency) are becoming increasingly apparent. Who should, therefore, be responsible for solving this identity crisis?

69% of publisher respondents felt that it should be an industry-led initiative



RESPONSIBILITY FOR SOLVING THE IDENTITY CRISIS

Some companies have started building universal user IDs as alternative solutions. A large percentage of respondents are already involved with these solutions, or are assessing their options, which deviates considerably from results collected in 2019.

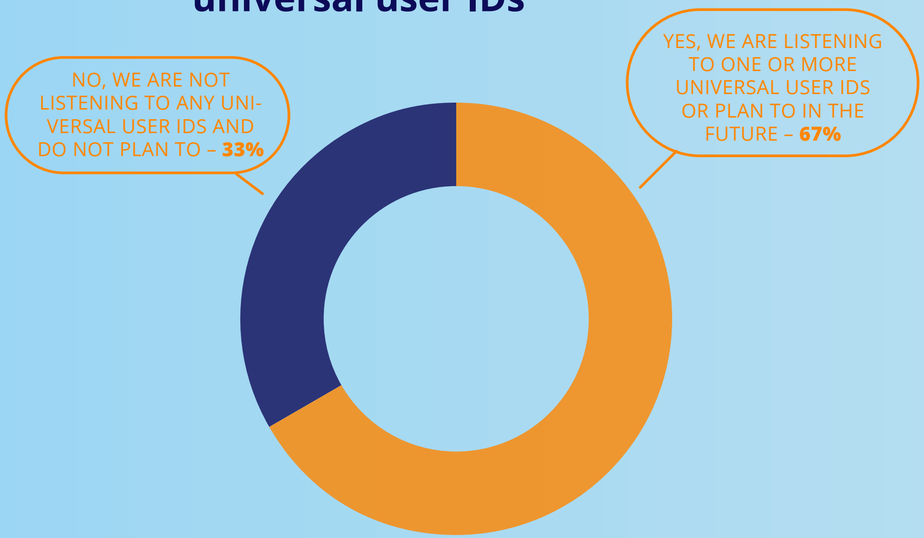


43% of respondents reported already being involved with one or more solutions, and 43% were at the evaluation stage

INDUSTRY PLAYERS INVOLVEMENT WITH SHARED IDENTITY SOLUTIONS

When looking specifically at DSP responses, it is suggested that they are taking the process of testing and adoption seriously. DSP respondents were asked whether they are currently listening, or planning on listening, to one or more universal user IDs.

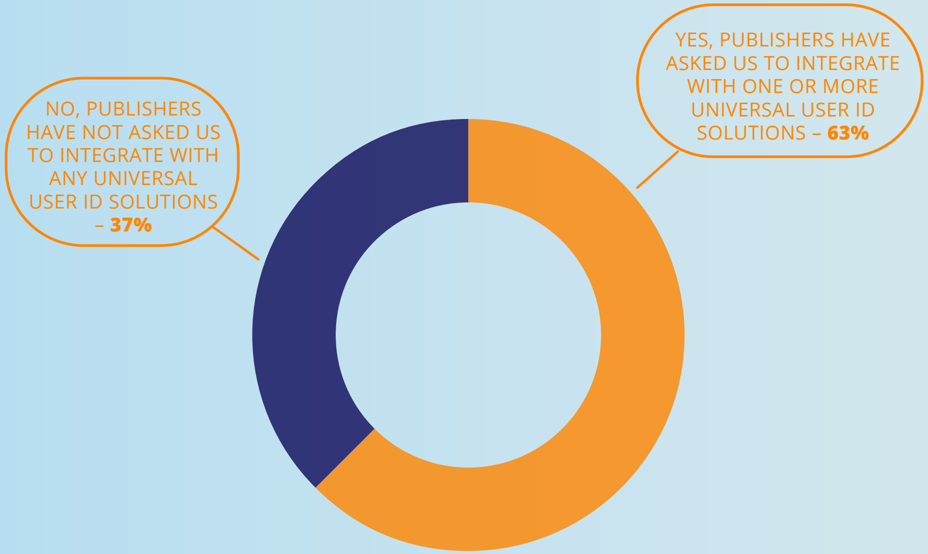
67% **of DSP respondents reported that they are either listening or planning on listening to one or more universal user IDs**



DSPS LISTENING TO UNIVERSAL USER ID SOLUTIONS

When looking specifically at the results provided by SSPs alone, the value proposition of universal ID solutions to the wider industry is becoming increasingly apparent. SSP respondents were questioned as to whether they had been asked by publishers to integrate with one or more universal ID solutions.

63% **of SSP respondents reported that they had been asked for this integration by publishers**

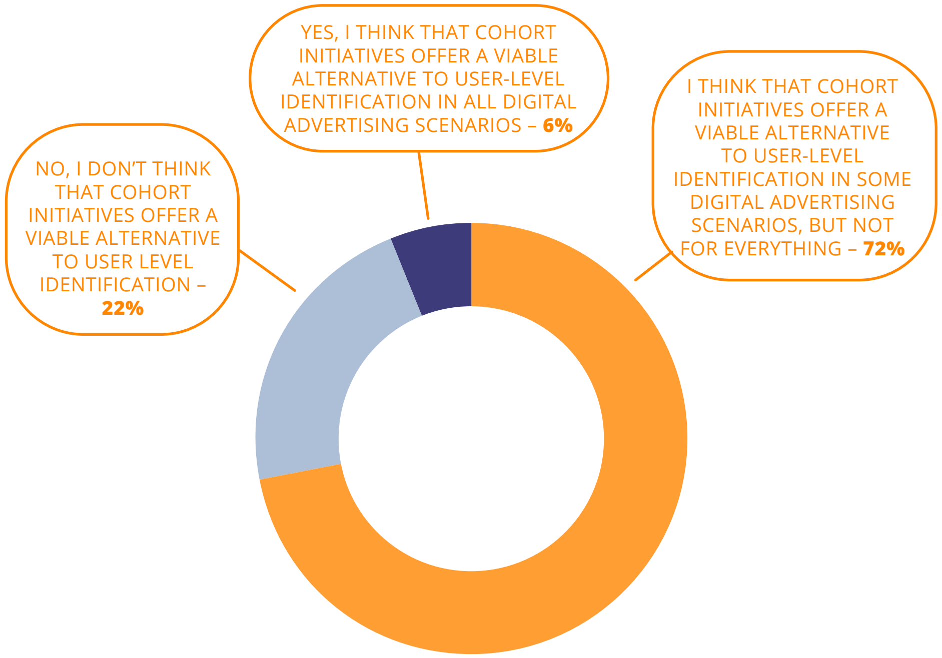


SSP UNIVERSAL ID INTEGRATION REQUESTS BY PUBLISHERS

As well as user-level identification solutions, a number of cohort-based initiatives are being brought to the table. Examples of cohort solutions include Google's Privacy Sandbox initiative. We asked respondents whether they believed cohorts offered the same level of efficiency and differentiation as user-level identification.

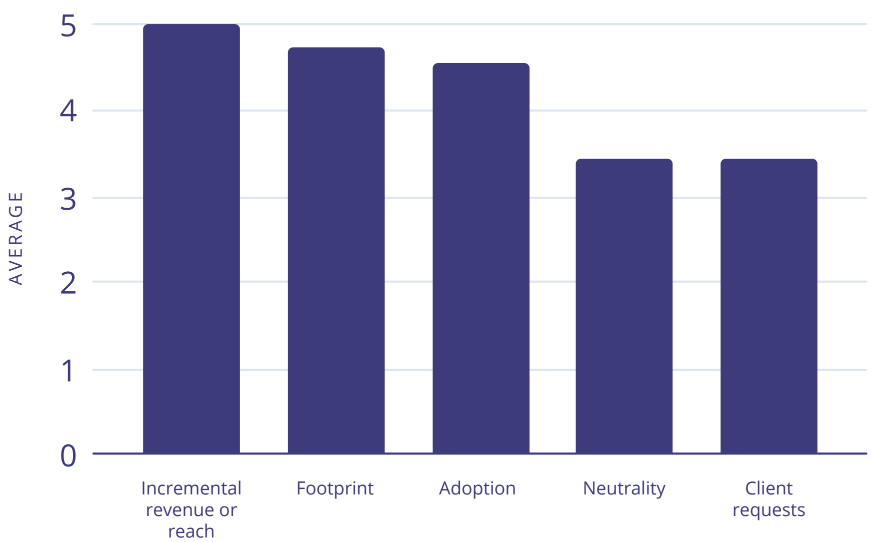
72% of respondents say that cohort initiatives won't allow for the same level of efficiency and differentiation as user-level identification in some instances, and

22% believe that they won't match up whatsoever



DO COHORT SOLUTIONS MATCH UP TO USER-LEVEL IDENTIFICATION?

With this overhaul of new identity solutions hitting the market, it's important to consider what industry players are looking for when choosing who to partner with. ID5 asked all participants what they consider to be the most important characteristics of potential identity solutions.



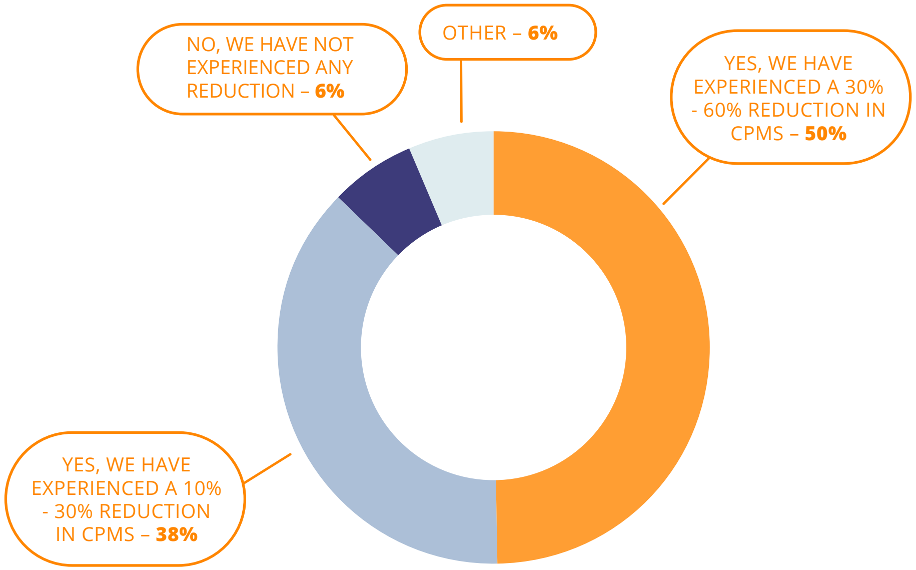
Respondents reported 'incremental revenue or reach' as the most important, closely followed by 'footprint' and 'adoption'

IDENTITY SOLUTION CHARACTERISTICS

When thinking specifically about publishers, it is clear that a drop in CPMs is a contributing factor to the ranking of identity as a top priority. Publisher respondents were asked to report the rate of CPM reduction they had experienced in browsers where third-party cookies aren't available.

88% of publisher respondents reported a CPM reduction between 10 – 60%

38% of these saw a reduction of 30 – 60%



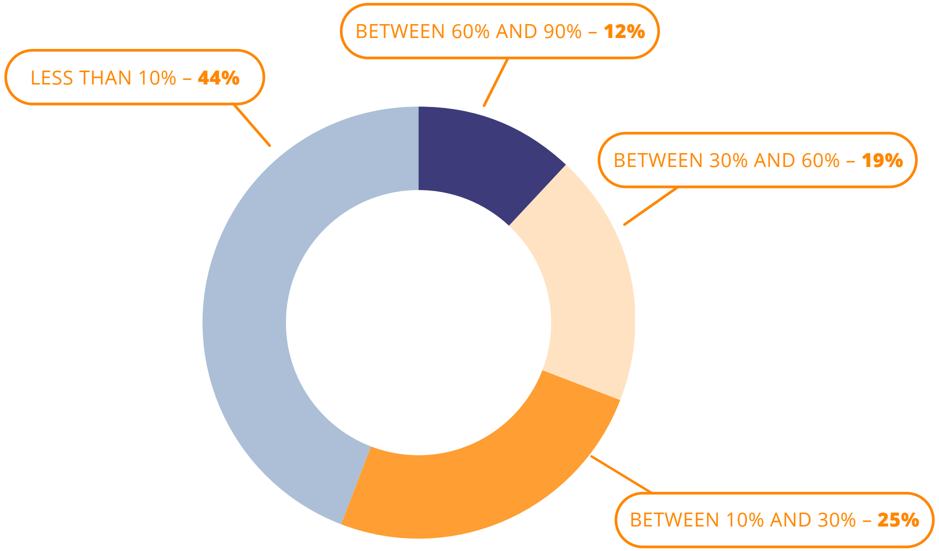
CPM REDUCTION FOR PUBLISHERS

One of the methods used to identify users and link their IDs across domains are based on the collections of signals such as hashed email addresses. Publishers collect those signals through authenticating users via a log-in.

However, not all publishers are able to command a log-in, meaning that even though this approach offers high accuracy, it doesn't seem to offer enough scale to benefit the publisher majority.

70% of publisher respondents reported having 30% or less logged in users

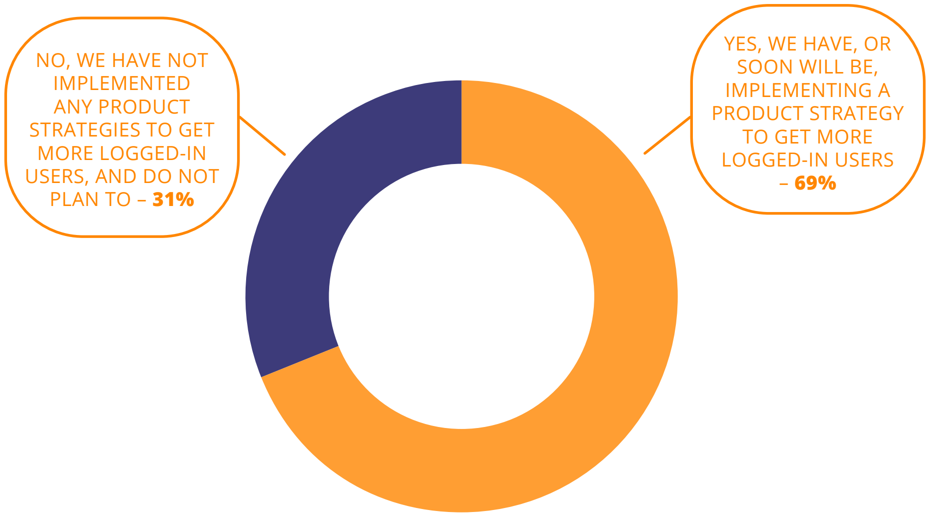
44% reporting less than 10%



PUBLISHER ACCESS TO LOGGED-IN USERS

Although publishers have been developing product strategies to increase the amount of authenticated users, the low amount of logged-in users highlights the need for a more comprehensive approach to identification that takes into account other signals to benefit all publishers.

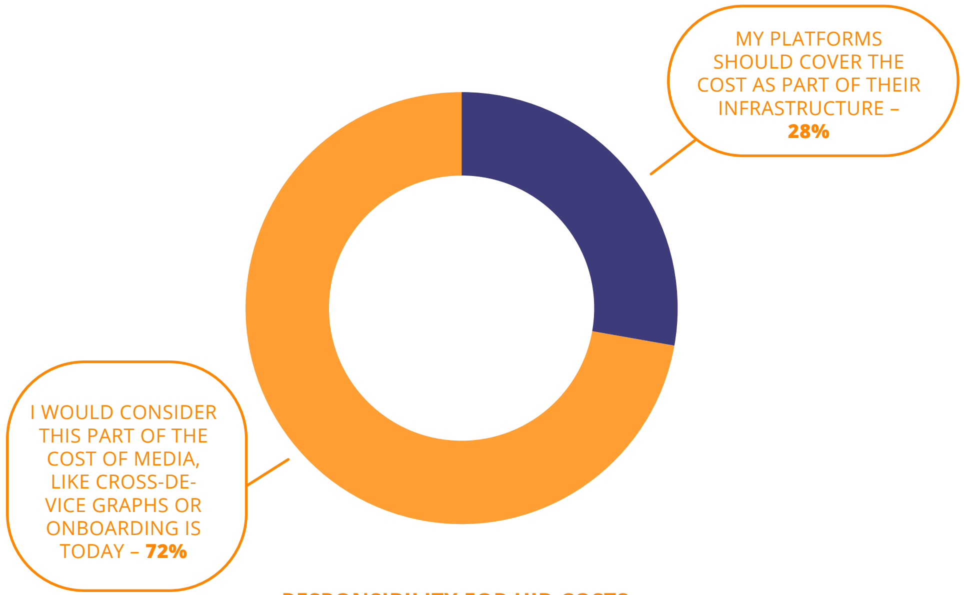
69% of publisher respondents reported having implemented product strategies to increase the amount of authenticated users



PUBLISHERS IMPLEMENTING PRODUCT STRATEGIES

As the entire industry moves forward towards a future where third-party cookies will be a thing of the past, there will undoubtedly be costs involved with the building and implementation of identification alternatives, but who should be accountable for these added costs?

72% of brand and agency respondents reported that they would consider this a cost of media, much like cross-device graphs or onboarding is today



RESPONSIBILITY FOR UID COSTS

Conclusion

> The adoption of universal ID solutions is on the rise, with 43% of industry respondents reporting that they are already involved with universal ID solutions, and with another 43% in the evaluation stage.

The State of Digital Identity 2020 survey results clearly illustrate the growing importance of identity across the entire digital advertising industry.

This statement is especially apparent for publisher respondents. 2020 results found a 10% increase in the number of publishers ranking identity as a top priority when compared with 2019 results. A catalyst for this increase can be assumed to lie with the large CPM drop in browsers where third-party cookies are not available. This increase is also apparent through the rate of SSP's being asked by publishers to integrate universal ID solutions in particular, with 63% reporting having received these very requests.

As the industry heads towards a future where third-party cookies are to be blocked in all major browsers, addressing issues such as these is vital for publishers over the coming months. 69% of publishers said that they believe solving the identity crisis should be an industry-led initiative. Thus, it is undoubtedly a time for all programmatic players to come together in tackling identity to create a more efficient and future-proof infrastructure for all.

Whilst identity grows in value, so do the qualities that industry players look for in potential solutions they want to work with. Currently, footprint and adoption rate are amongst the top characteristics of universal user ID solutions that are being sought out.

Despite the collection of hard signals through authenticated users being a highly accurate alternative approach to the departure of third-party cookies, results suggest that it does not offer enough scale. Almost 70% of publisher respondents reported having 30% or less logged-in users, and 44% have less than 10%. Therefore, it is crucial to offer publishers the ability to leverage other signals that they can collect.

The adoption of universal ID solutions is on the rise, with 43% of industry respondents reporting that they are already involved with universal ID solutions, and with another 43% in the evaluation stage. Results suggest that industry players are seeing value in universal alternatives that are accessible to everyone.

It is clear that considerable progress has been made in recent months, and that 2021 is going to be a pivotal year for adopting and testing. Establishing what solutions deliver the best results is crucial to the development of a successful identity strategy in preparation for the cookieless future

About ID5

ID5 was created to improve online advertising for consumers, media owners and advertisers, with the ultimate goal to help publishers grow sustainable revenue.

ID5 provides the advertising ecosystem with a transparent, scalable and privacy-compliant identity infrastructure. Its solutions improve user recognition and match rates and provide a stable, consented and encrypted user ID to replace third-party cookies and MAIDs. This enables publishers to better monetise their audiences, advertisers to run effective and measurable campaigns, and platforms to maximise the value of data and inventory for their customers.

Created in 2017 by seasoned ad tech professionals, ID5 services clients globally.

For more information about ID5 and its solutions, please visit: www.id5.io

Get in touch today to learn more about ID5's innovative solutions.

ID5 Technology Ltd.
199 Bishopsgate, London EC2M 3TY
contact@id5.io