Winterberry Group

OCTOBER 2021

THE OUTLOOK FOR CONTEXTUAL SOLUTIONS IN DATA DRIVEN ADVERTISING & MARKETING

CONTEXT, SEARCH AND INTENT SIGNALS DRIVING A NEW ERA

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Acknowledgements

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In the process of developing this paper on contextual targeting, Winterberry Group heard from 167 senior industry experts from both the U.S. and Europe, between in-depth interviews with 48 supply-side company leaders and a survey of 119 senior brand marketers, agency partners and media owners. Our supply-side experts represented companies involved in the development of contextual targeting and identity solutions, ranging from specialist providers and adtech platforms to publishers and media owners.

In this paper, we explore both the past and present of contextual targeting and what its resurgence will mean in an evolving advertising and media landscape. With three key stakeholder sets – brand marketers, media owners and solution providers – influencing the development of a new generation of contextual targeting solutions, our research aims to elucidate and reconcile the various points of view of each. As marketers and media owners reassess their media targeting toolkits in an era of cookie deprecation, evolving privacy expectations and proliferating media channels, contextual targeting is slated for a revival.

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TABLE OF CONTENTS

TABLES AND CHARTS

EXECUTIVE SUMMARY

The future landscape for planning, targeting and evaluation in advertising will rely on a mixed economy comprised of authenticated data, identity replacements, attributes derived from sharing and data built from the media itself. This last is the broad category of context, one of the web's first targeting approaches that has been thrust back into the limelight. There is a significant desire on behalf of the market to continue to create a viable alternative media economy beyond the major walled gardens.

We see three main flavors of context, each delivering different but complementary benefits: context, search intelligence and intent. All three are derived from signals arising from the media itself and not specific individual actions. They rely upon a mixture of keywords, semantics understanding, image recognition and machine learning. It is the increased availability of computing power in the last three areas that has enabled the rapid development and reappraisal of this sector.

Traditional views of contextual characterize the technology as underperforming and a poor substitute for individual behavioral targeting. The two-year window that Google Chrome has provided before removing third-party cookies has allowed technology vendors, media owners and advertisers to create structured testing programs to examine cookies and context back-to-back. Any participant not on that journey risks losing out.

Evaluation of media performance has always been flawed, either relying upon last-click methodologies or moving towards weighted multi-touch approaches, but at least the flaws were understood. Different methodologies will be needed to measure both in-flight and post campaign performance in the post-cookie era. The solutions that emerge may be less precise but more accurate at measuring the value of the marketing activity. Media efficiency may be impacted but media effectiveness will be enhanced.

The best solutions to emerge are likely to involve a combination of techniques, using modeling from authenticated data points and applying it to contextual solutions. They will also combine the approaches of contextual insights, search intelligence and intent to create hybrid solutions where the whole is greater than the sum of the parts. Technology providers and media owners, who can provide evaluation solutions based on a range of approaches from panels to media mix modeling, will find their solutions gaining greater traction.

Since context is built from content, the sell side of the media economy will inevitably take a significant role in the development, implementation and monetization of future solutions. This runs against the trend of buy-side power that has been the position over the past decade.

We see scale as a critical factor to be a serious contender in this sector. The smartest solutions may fail if they do not allow buyers access to scaled, real-time self-serve inventory.

Identity solutions utilizing PII modeled identity coverage are unlikely to deliver the scale that media buyers need. With the growth of contextual targeting, we believe that all market participants should understand the ability of data-driven targeting solutions to cover the addressable audience. For the market to develop, all parties need to understand how campaign objectives such as reach, brand awareness and specific performance can be balanced with media owner needs around effective monetization. We anticipate that that not only will there be a waterfall effect from email-based ID, modeled ID and context but a blending of contextual and other digital signals into each approach.

INTRODUCTION

BACK TO THE FUTURE: CONTEXTUAL ADVERTISING THEN AND NOW

The changes in the advertising market being forced by a combination of regulation, technology company policy and consumer attitudes to data are complex and interrelated. The media targeting world, like any complex system, exists in a state of balance until either a new capability emerges to upset that balance or a regulating force means that it has to accommodate changes to the way it works. Through the period of 2020 until early 2023, the most significant changes in the past 25 years are occurring, driven by external forces. The forces are both global and regional, meaning that some changes are already happening but at different speeds in different places.

A core component of this future landscape is how the content within media can be used to understand, segment and target advertising based upon the wants and needs of the person investing their time consuming the media. Understanding how that contextual data can be deciphered, categorized and aggregated to be used in planning, activation and measurement is a moving target. Those who repeatedly say that the use of contextual solutions is a move back a decade have clearly missed the advances in technology, the vast expansion in consumer choice across media and the ability of the advertising and media technology market to develop and invest in solutions to meet a need.

Our market view is based on interviews with nearly 50 leading practitioners across Europe and North America and is supported by research amongst brand marketers and media owners. Our conclusions point towards a strong future for the technology providers and media owners who can deliver a combination of precision, scale, activation ease and measurement capability. Some participants will provide these under one roof and others may assemble a "ministry of all the talents" approach to fulfill the market need. Either approach will work, but the next 24 months of parallel testing against existing third-party cookie solutions will be critical to providing the insight base from which the whole advertising and marketing industry can plot the next decade of evolution.

"Going back to a place we should not have left": Identity approaches compete, and contextual advertising reemerges

> "In terms of the entire digital marketing landscape, we are going back to the place where we should not have left. I think the identity solutions are giving insights into what the person is interested in, but not the environment they are engaging in. This has been left in the wayside and is the reason why we have irrelevant ads. We are now able to take advantage of what is available to create something more relevant."

– Senior Director,
Data, Digital Agency

In the age of identity-driven behavioral advertising, contextual advertising has been viewed as a distant third-rank player in the media targeting toolkit and one to be viewed with some disdain when compared to identity-driven solutions. However, the deprecation of third-party cookies that has been progressively enacted by all the major browser companies and will be completed by 2023 has forced the advertising market to reappraise the options available to both monetize inventory and find alternatives to the third-party cookie-based identity driven solutions. In the past decade, many areas of targeting, and the teams responsible for enacting them, have grown up without understanding the tools and capabilities around contextual solutions. The skills needed to create, manage and evaluate campaigns based around context are in a long-discarded recipe book for media.

It is clear that a wholesale reappraisal of campaign objectives, tools and technologies is needed to meet the needs of the fast-changing market. After the flurry of "similar to a cookie but not a cookie" solutions that came to the market in 2020, it is now widely accepted that no single solution will dominate, as evidenced by the drive towards the interoperability of many proposed solutions. It is now highly unlikely that anything like the widespread coverage delivered by the third-party cookie will be available outside of major walled gardens.

To take advantage of the power of contextual solutions, the advertising and media market needs to adapt its approach to planning, targeting, activation, measurement and optimization. These have been in place for more than a decade and a whole programmatic media targeting industry has grown up based upon the synchronization of data between cookies. As reported in our earlier paper on identity from June 2020, while the cookie was an imperfect tool, its universality offered scale and interoperability. It is the loss of these features that will be the hardest to replicate and impact the advertising industry the most.

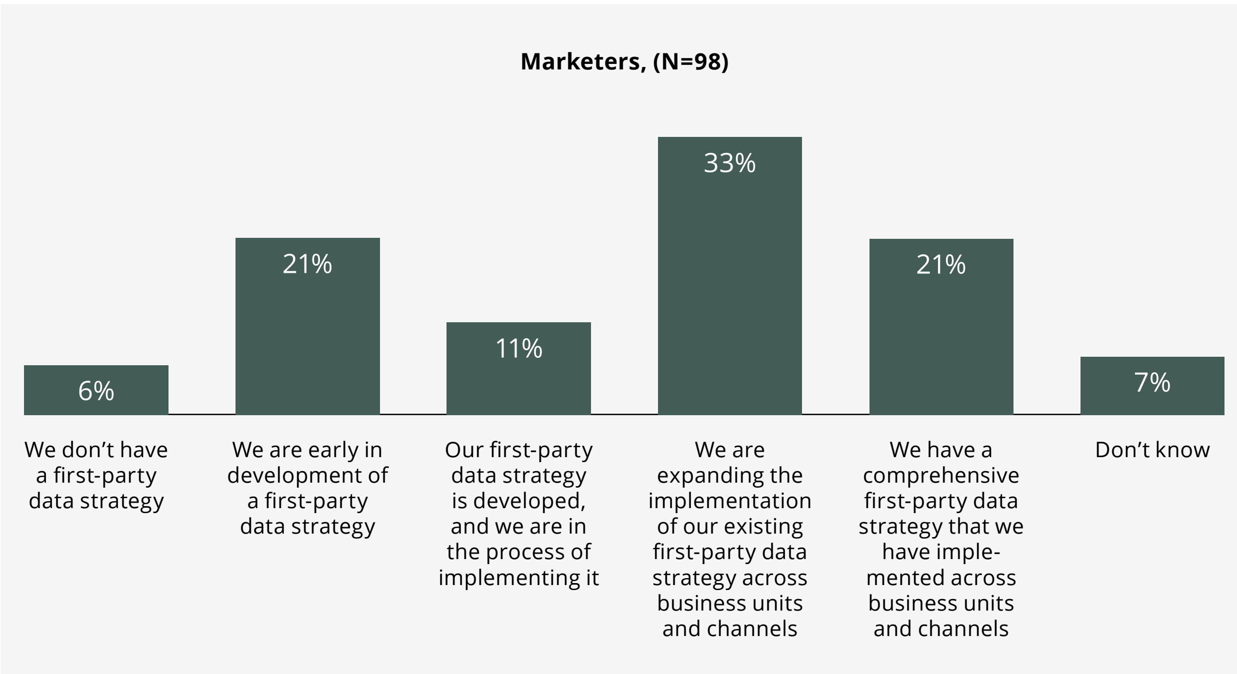
> When the announcement came about cancelling third party cookies, contextual – being cookieless – started to become a very viable solution. Contextual is a quick extension of targeting.

– VP, Global Business Strategy, Data Solutions Provider

We have clearly seen the third-party cookie being replaced by a suite of different solutions, meeting specific needs and use cases according to the media type, consumer relationship with their media and the relevant regulatory environment.

As part of the counter to many challenges that this brings up, both marketers and media owners have been investing in first-party data strategies to gain some insight and potential control in the future landscape. Our research suggested that the maturity of these initiatives is varied, with only 21% of respondents to our survey of brand marketers (and their agency partners) and media owners saying that they have a mature first-party strategy.

FIGURE 1 – COMPARED TO YOUR PEERS, HOW ADVANCED WOULD YOU ESTIMATE YOUR FIRST-PARTY DATA STRATEGY TO BE?



WG Contextual Targeting Survey Sept. 2021, n=119

The new landscape will include a range of identities beyond plain first-party data, and many of them take first-party data and pseudonymize it in a range of ways to increase its versatility and use.

Winterberry Group has characterized five categories of identity substitutes vying to replace third-party cookies:

- A proprietary ID based on first-party data where the brand or media owner has established a unique ID for use on their owned properties and for matching with partners either directly or through privacy-safe environments; leverages a deterministic approach
- A common ID based on a first-party data match to a third-party, PII-based reference data set to enable scale across media providers while maintaining high levels of accuracy; leverages a deterministic approach with probabilistic matching to increase reach
- A common identity token used to facilitate enhanced recognition across the programmatic trading ecosystem; leverages deterministic and probabilistic approaches
- A second-party data environment based on clean environments with anonymous ID linking to allow privacy-safe data partnerships to be created; leverages a deterministic approach
- A household ID based on IP address and geographic match; leverages deterministic and probabilistic approaches

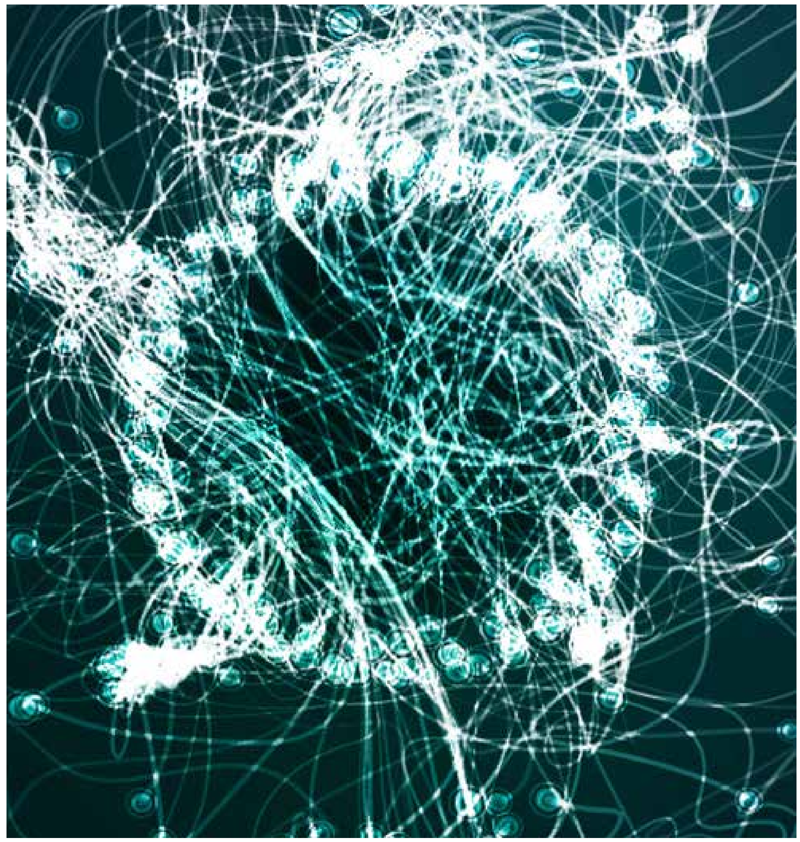
We see contextual targeting as both a complementary and standalone alternative, with the unique benefit of universal application, across both text-based and visual media.

"A REGRESSION TO OLD AND FAMILIAR TECHNIQUES": THE ORIGINS OF CONTEXTUAL

Before the cookie, there was context. This statement equally divides people between a view that returning to context may be a retrograde step and one that embraces the universality and media owner control inherent in the approach as a positive force. However, the context of the late 90s is not the same as the context in the 2020s. The ability to understand language, interpret meaning, sentiment and emotion to create saleable segments is a world away from the previous approaches that relied on relatively static simple keyword or page-level data.

In tandem with the emergence and dominance of the synchronized third-party cookie trading universe, brand owners became concerned about the environment in which their brands are projected, whether it is inappropriate websites or against an inappropriate story within a news media website. It is within these twin pillars of brand protection and brand suitability that contextual intelligence has mainly been applied over the past decade. Brand safety helps an advertiser avoid appearing adjacent to inappropriate content.

In contrast, brand suitability takes a more nuanced approach around the benefit delivered by the specific content to the brand's desired affinities and position. Evolving from keyword-based "block" approaches driven by the desire to avoid over-restricting inventory suppression, the industry has developed more sophisticated solutions around language understanding based on a range of work on semantics, delivering both better and faster solutions. However, despite the sophistication, they are both content restriction filters, weeding out inventory rather than content monetization approaches, built to meet the more specific needs of targeting and allowing media owners to create audiences based on context derived from the content.



> "The technology for contextual has evolved tremendously over the past decade. The areas of significant innovation are around paragraph-level analysis. We can look at different sections of the page and say that it's about sport, etc. We can do that on the page level. We can also look at sentiment and emotional tone as well."

– CEO, Contextual Solutions Provider

> "One of the early and most prominent use cases for contextual is brand safety and suitability. Contextual makes sure the brand is not showing up into something undesirable. When clients can go back to the leadership, they can walk out with pride. It is used as a safety net to avoid trouble."

– Director of Public Relations, Customer Experience Agency

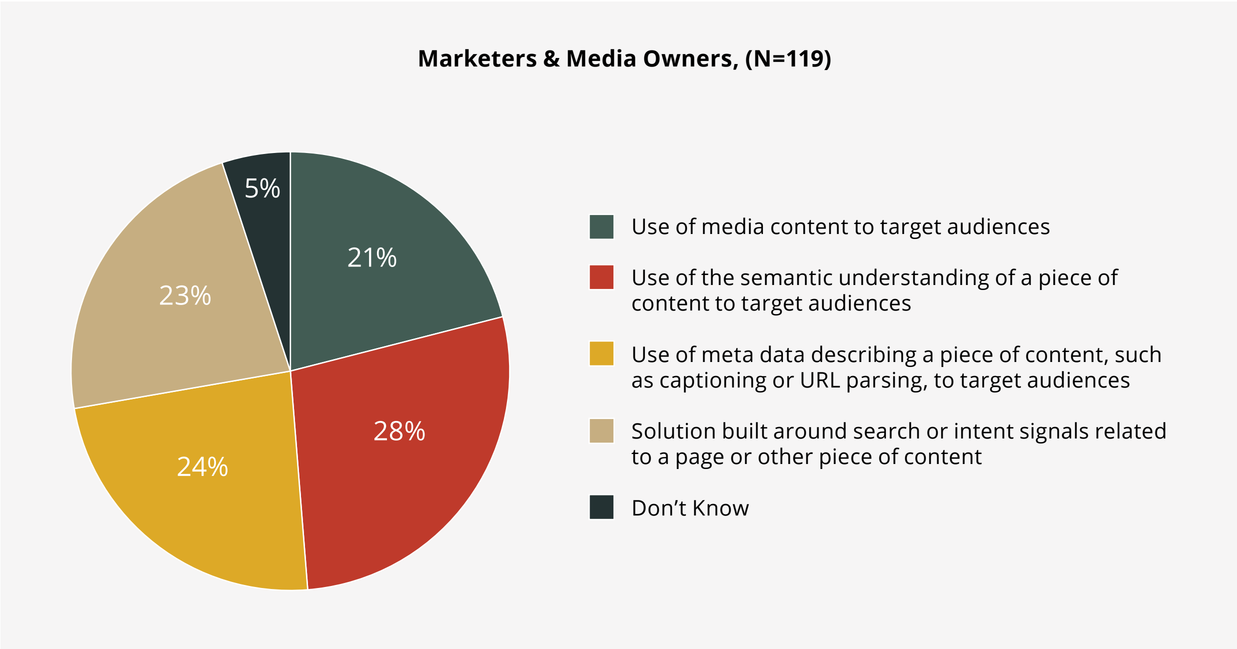
> "The buy side is seeing contextual as a really solid potential play for post-cookies. That's familiar, but advancements have been made there. One of the ironies is that all of these things existed before, so this is kind of a regression to old and familiar techniques."

– Commercial Data Strategy, Media Owner

SUITABLE ADVERTISING: WHAT CONTEXTUAL TARGETING MEANS

As always, there are many different interpretations of what contextual advertising means. Our research showed a remarkably stable division across a choice of four alternative definitions.

FIGURE 2 – HOW DO YOU DEFINE CONTEXTUAL ADVERTISING SOLUTIONS?

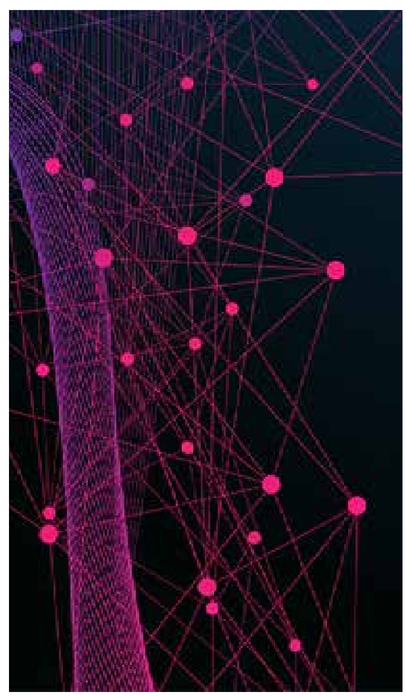


WG Contextual Targeting Survey Sept. 2021, n=119

In Winterberry's view, contextual targeting is a method of presenting suitable advertising based on the subject and understanding of the content in the media being consumed, rather than based on an understanding of the person viewing it. This key differentiator between contextual targeting and behavioral targeting is why it has returned to the center of both advertising targeting and media monetization. The key benefit is to deliver this improvement in advertising performance and media revenue without the use of personal data. This is of considerable interest and value where privacy is an obstacle, and the required consent is difficult to capture and maintain.

> "Definitions within the adtech industry has evolved and are constantly changing. Contextual is a very broad category that means a lot of different things to different people, so we have to keep redefining the term."
>
> *– Data Innovation Specialist, Media Owner*

> "For us, context means a lot. It doesn't mean the words on the page, but also the environment of the page as well. It is also important to see what type of environment it is in."
>
> *– CEO, Contextual Solutions Provider*



HOW CONTEXTUAL ADVERTISING WORKS

Contextual targeting was the dominant form of media monetization before the development of the synchronized thirty-party cookie. While over the past 10-15 years, contextual approaches have been surpassed by behavioral targeting, the delivery of machine learning at scale and low cost over the past 5 years has meant that the current range of targeting approaches bears little relationship to the previous iterations of contextual approaches.

While a range of providers are able to deliver proprietary competing solutions, they all rely on the understanding, interpretation and categorization of media content, via page attributes, signals, words, language and images (or a combination of them) to define what a page or a part of a visual sequence really means. Many of these analytical solutions have their origins in academic language studies and use different, competing word analysis approaches such as stemming or lemmatization. The outputs from these analytical approaches are used to group together inventory and make it available for sale, with these categorizations available as targeting criteria. Different contextual providers use different lexicons and algorithms to make a more subtle and precise understanding of content, with the intention of delivering more precise targeting and ultimately better performance.

The IAB has contributed to the growth of contextual by producing a standard set of categories for contextual advertising. Their content taxonomy currently has over 1000 categories and provides a baseline for the industry. Opinions are generally divided about the power of the discrimination allowed by the IAB taxonomy, with many contextual providers enriching their own custom taxonomies to provide a greater number of categories, creating divergence from a standard approach in the pursuit of greater precision. Furthermore, this divergence from standards may be seen as both a campaign performance-enhancing move but can also be viewed as a proprietary defense against media owners or advertising swapping between providers, since the knowledge derived from historic campaigns may not be easily transferable.

> "The IAB taxonomy categories is good since it provides an entry level standard to the world. People can innovate, but the buy side has a lack of consistency, and different publishers have different definitions. Confidence with the underlying definitions is important."

– Senior Product Manager, Programmatic Platform

One significant change in the contextual market over recent years has been the ability to use image recognition to create a new market around video and TV.

> "The IAB taxonomy is a list of nodes and a parent-child structure, but everything else is inferred. Our taxonomy has more than that, but we must show why this node is different from another node. We're investing heavily to catch up and offer all of those – the strategy is to have that, and then build the customization on top of that."

– Senior Director, Product Management, Contextual Solutions Provider

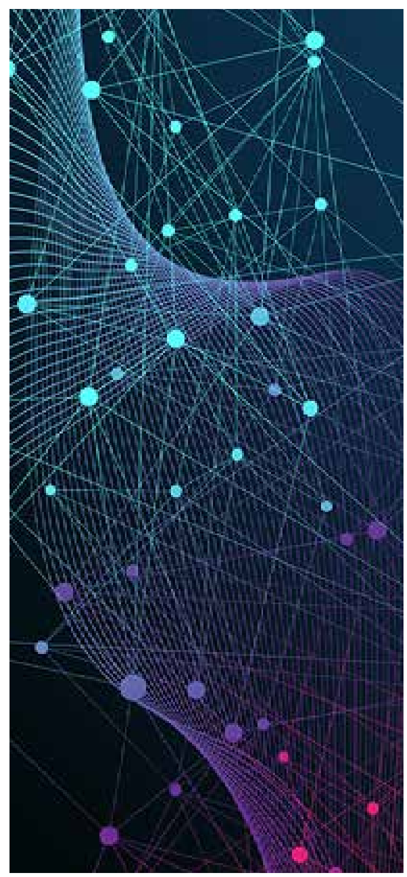
> "In terms of contextual, video is a great opportunity. Video is a premium medium and consumption is at an all-time high. The technology has evolved to provide extensive contextual capabilities."

– CEO, Contextual Solutions Provider

> "The feedback that we've gotten is that everybody wants more targeting tools from a CTV perspective. They want more because right now, they have to do everything through direct buys. Overall, this appears to be a great opportunity for contextual."

– Partnerships and Product Strategy Director, Advertising Platform

This is timed well with the growing sector of the TV advertising market that has an addressable component (expected to grow 27.1% from 2021 to 2022 on the heels of a 39.0% compound annual growth rate between 2018 and 2021, according to Winterberry Group analysis of marketer spending on media channels). The ability to recognize objects and logos on screen and provide targetable inventory in real time delivers a meaningful expansion on the way that TV and video can be targeted.



CONTEXT, INTENT AND SEARCH: CURRENT APPROACHES TO CONTEXTUAL TARGETING

Page-level signals are manipulated and used in three main forms within media, meeting different use cases and navigating around different regulatory restrictions. These page-levels signals are transformed into usable, targetable media opportunities by different contextual solutions.

THE THREE MAIN APPROACHES MAKING UP THE CONTEXTUAL LANDSCAPE ARE:

CONTEXT: This is the traditional interpretation where semantic understanding of language is combined with keywords and URL or page-level categorization to deliver segments.

INTENT: This is where a range of signals are used as proxies for a desired outcome. Identifying those through internal and external data points allows targeting through content.

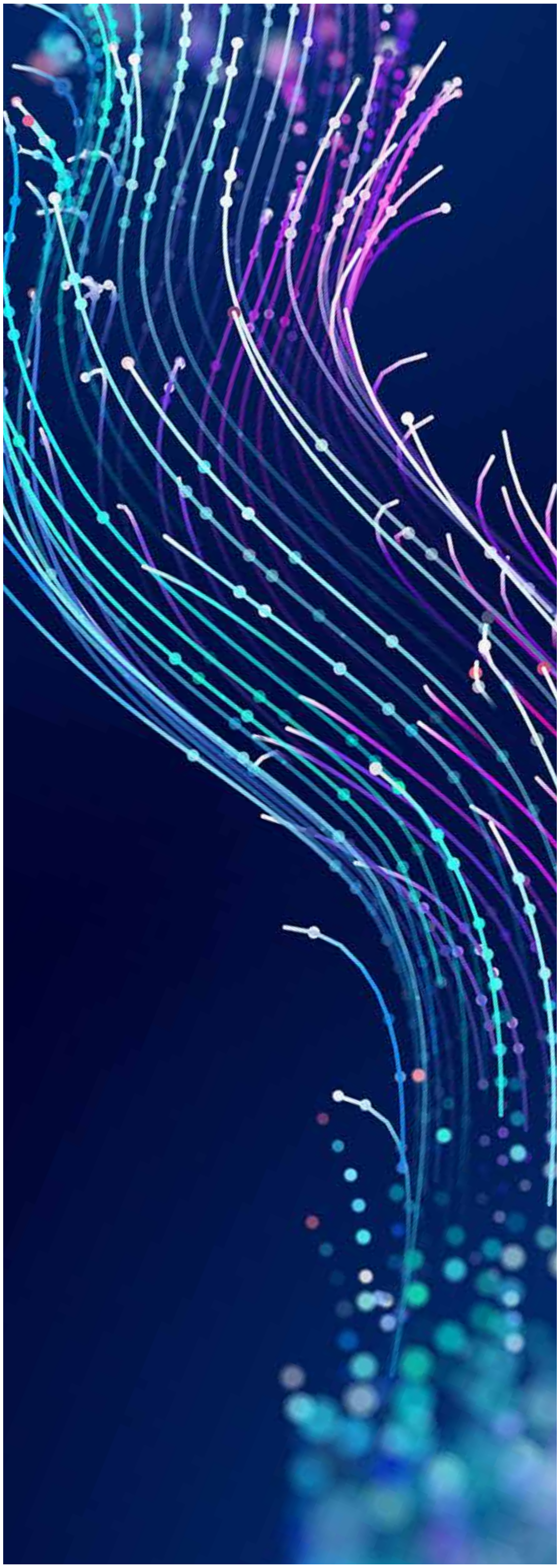
SEARCH: This approach uses on-site search to build an understanding of intentions, desires and probability of performing an action. Like context, these are aggregated to deliver highly targeted segments.

"APPROACHING A MAXIMUM VALUE AT EQUILIBRIUM": PRECISION AND SCALABILITY

The parameters that define the scale and success of a contextual solution involve the depth and precision in understanding the content. This can be keyword, language and emotional understanding in the case of text-based media, image or logo recognition in the case of visual media, or a combination of the two in the case of video. Additionally, closed-caption language interpretation can be used to understand visual content. Both methods use metadata associated with content which may be related to the site, page nomenclature or even details about the on-screen talent in the case of video. Clearly, the solution with the better understanding of the content and ability for language interpretation to add depth and situational insight will prevail.

However, this is only half of the battle. The understanding of the content and the derivation of contextual insight must be transferred into a scalable, buyable media opportunity. Small but highly precise media opportunities will always exist but are less likely in scaled, global programmatic buying platforms. The best technical solutions may not be able to compete against a packaged solution with better access to scaled inventory across media opportunities. The other significant variable is the frequency of page interpretation. While content on some pages can be relatively static, such as a travel section, some pages in a news section may change hourly or more. The ability for a contextual solution to rescan and categorize content frequently will be more important in the iteration of better performance.

Contextual solutions deliver the ability for media owners to take more control over the monetization of their content. The third-party cookie allowed media buyers to identify specific interest-based audiences available on premium news media sites



and sometimes, buy them for less on non-premium sites. The rise of contextual solutions as the third-party cookie fades is potentially a significant win for media owners in allowing them to take back control. This, alongside authentication/registration of visitors, gives two tools of great value to the media community. It remains to be seen how many media owners choose to take control of context, either directly or with partners in either the contextual space or via sell-side platform providers. However, whatever choices are made, it seems unlikely that media buyers will have the level of control they have exercised in recent years via the synchronization of third-party cookies.

INTENT

Intent, traditionally much more common in B2B, uses signals that are proxies for a positive (usually buying) behavior to create targeting opportunities. It is effectively a type of contextual that is looking for distinct content consumptions that allow targeting and measurable outcomes. The key difference is that it does not have its origins in brand safety, so it approaches the problem in a blunter, more sales-focused approach. This means that solutions in this sector do not pivot on language processing but much more on keyword and page descriptions.

SEARCH-BASED APPROACHES

What a consumer searches for on an owned web property creates a valuable data point. By its nature, it is first-party data, so it can bypass any third-party cookie issues and has future proofing built in. However, the common challenge across contextual solutions is one of interpretation, categorization and scale. The semantic and language processing needs are similar to "plain" contextual. Consumers have been taught to use search boxes – either in natural language or using a selection of search parameters in a random order – trusting that the technology will create a meaningful search result.

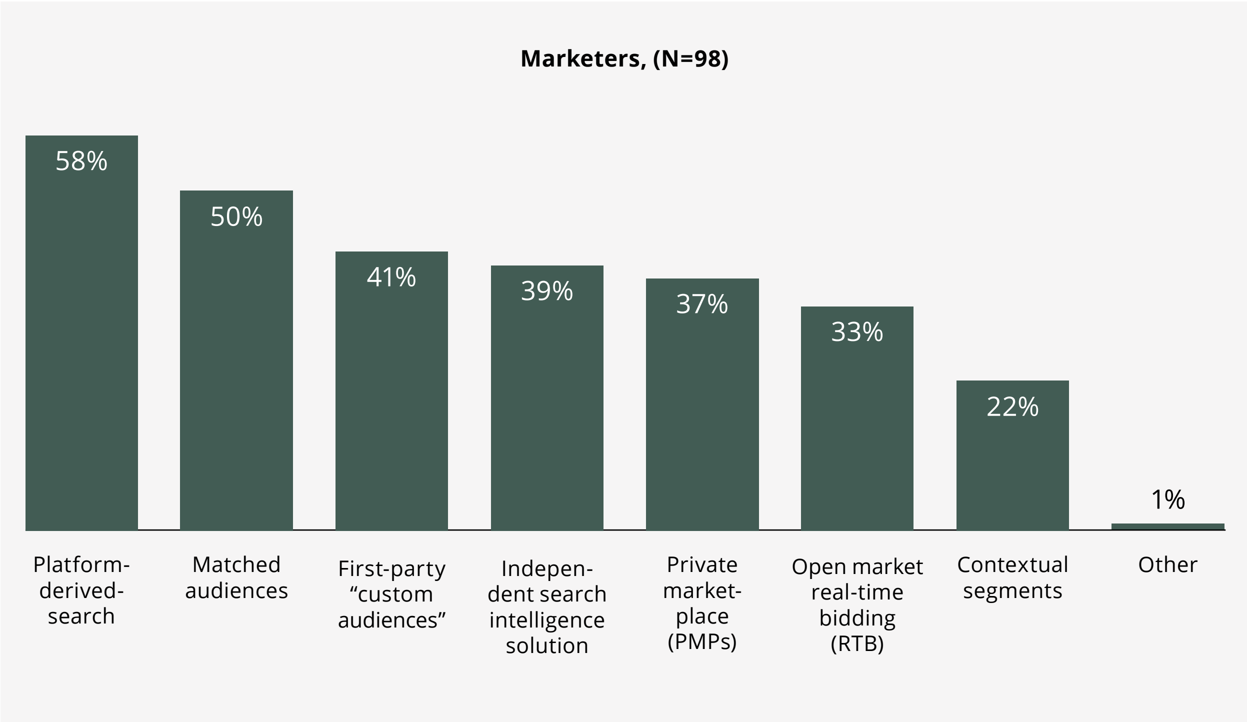
However, the categorization, aggregation and packaging of this insight into a selectable, saleable product that can be bought as either a bespoke managed service or a self-serve tool via a DSP is where complexity comes into an apparently simple concept. While it is possible to scrape the words off a page and derive context, that is not possible with a search-based approach, so any solutions in this sector need to have direct publisher relationships to access the data. This, in turn, makes them a monetization partner for the media owner.

OFF THE BENCH AND ONTO THE FIELD: THE ROLE OF CONTEXTUAL IN THE TARGETING LANDSCAPE

It is impossible to look at the role of contextual solutions without reference to the third-party driven cookie-based solutions that have dominated the landscape.

Our research showed that it was a significantly less-used technique among marketers.

FIGURE 3 – WHICH OF THESE TARGETING APPROACHES DO YOU CURRENTLY UTILIZE TO TARGET AUDIENCES ON PAID MEDIA CHANNELS?



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Marketers' reliance on search, audience targeting, and custom audiences shows the dependence that marketers feel they have with "walled garden" toolkits. It is interesting that private marketplaces are seen as more important than open real-time bidding.

However, when we surveyed publishers only, we found a greater equality between the techniques used to monetize their inventory.

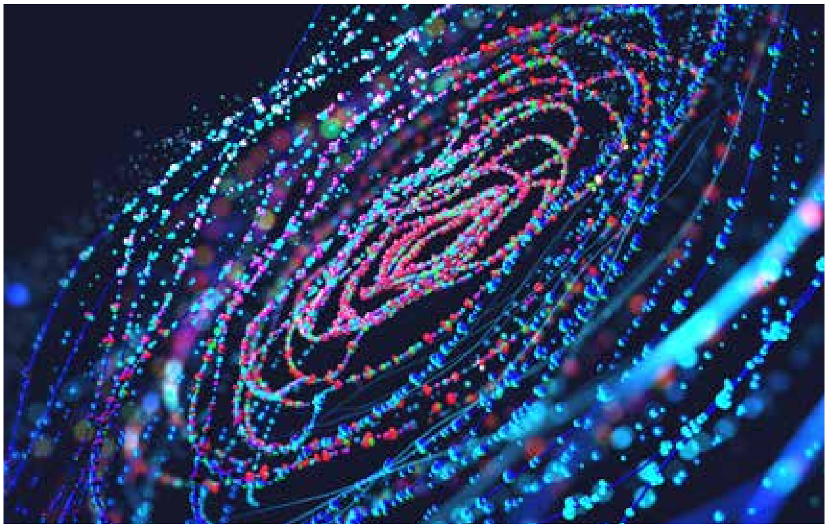
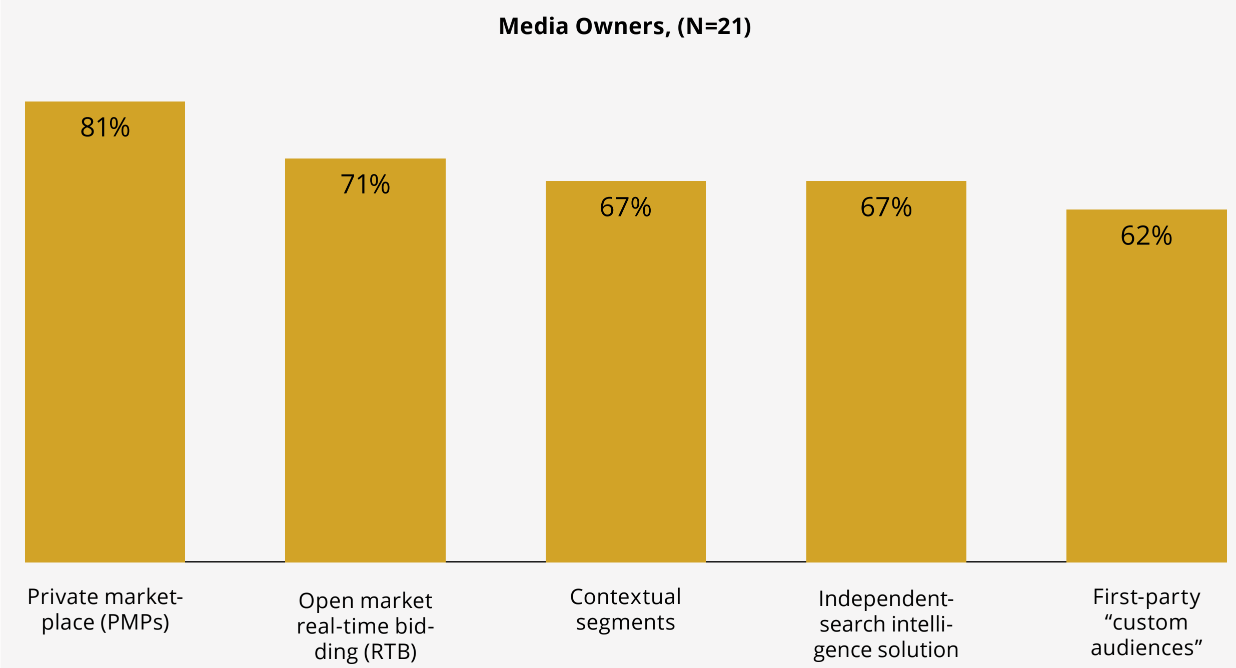


FIGURE 4 – WHICH OF THESE TARGETING APPROACHES DO YOU CURRENTLY UTILIZE TO MONETIZE YOUR INVENTORY/AUDIENCES?



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The emergence of Google's "FLoC" concept, while attracting criticism from many areas (and with multiple motivations), has revitalized interest in the sector.

> "FLoC feels like a random hybrid approach. Instead of having identifying person cookies in bidder requests, now you're just having a segment identifier that just has a bunch of cookies in it. Nothing's solved or changed the actual problem; it's an optics play."

– Director, Product, Advertising Platform

In our research, 52% of marketers said that they intended to increase their spending on contextual approaches over the next 24 months, while 86% of media owners expected the approach to grow.

The dominance of identity-based targeting casts a shadow over contextual, meaning direct comparisons between the two approaches are seen as either vendor-promoted rhetoric to be treated with caution or incomplete and inconclusive. The delay in implementing Google Chrome's third-party cookie deprecation has been welcomed by advertisers, agencies, and technology providers as a window that allows structured, methodical and back-to-back testing of identity and contextual targeting solutions. When the deprecation date was set for early 2022, there was little time to experiment with satisfactory comparative testing approaches.

> "I think the FLoC pledge is shaky. When Chrome deprecates cookies in 2023, there won't be a light switch to go out. I believe Chrome will iterate new features that will decrease the supply of cookies. Furthermore, this has allowed us to rethink our targeting approaches."

– Senior Director, Data, Digital Agency

MEASUREMENT, EVALUATION AND OPTIMIZATION IN A POST-COOKIE WORLD

The era of the third-party cookie brought capabilities that were never previously available in any media plan, and the buyers adopted these keenly to drive benefits for their clients.

Principle amongst these was the ability to understand what the consumer did after exposure to an advertisement. The ability to track a defined action (usually a sale in short funnel activity) provides a degree of measurability that is used to both understand the end result but to also optimize the campaign in-flight. Campaign iteration became numerically driven in near real-time, and while coverage and opportunity to see (OTS) have long been established as media metrics, the ability to make these empirical rather than modelled or theoretical has been a mainstay of digital media for a decade. Attributing value to the action that drove the outcome has been less clear, and multi-touch attribution models have evolved based on weightings applied to click data.

The removal of the performance measures delivered via third-party cookies is an area of significant concern. Our research indicated that the media owner sector is considerably more concerned about the future of measurement than client-side marketers. This may be because the marketers can constantly challenge their agencies to resolve these issues, whereas the publishers have become dependent on performance metrics to help set floor prices. News headlines, including the Google-derived statistic, which cites average publisher revenue decreasing by 52% when third-party cookies were removed, may fuel that concern.

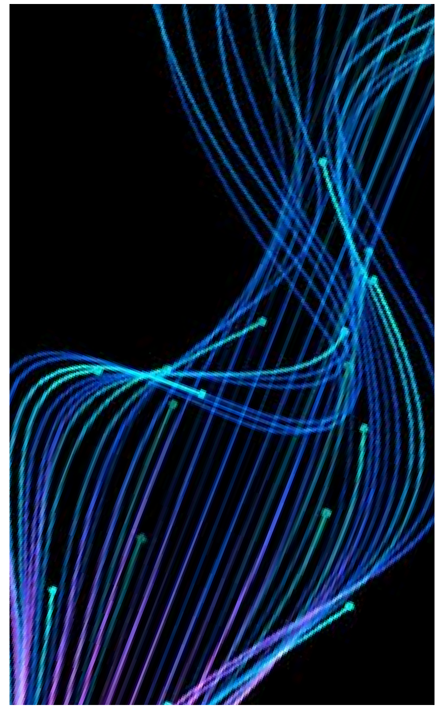
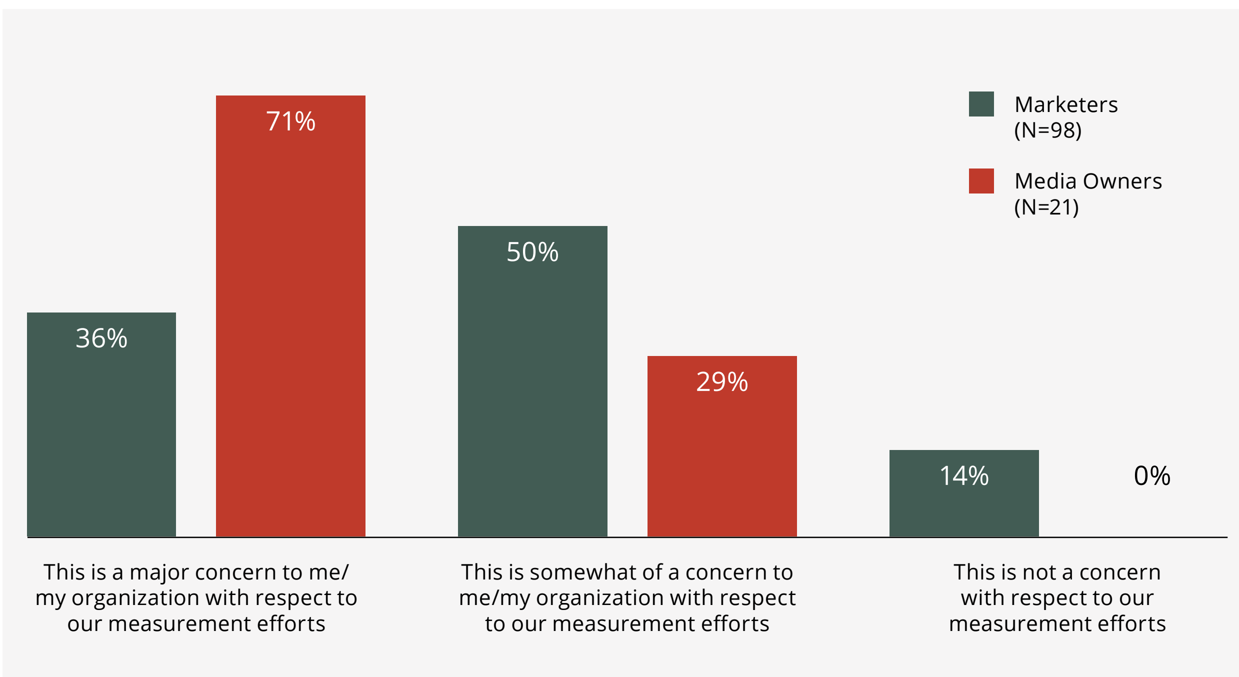


FIGURE 5 – WHEN YOU CONSIDER THE CHALLENGE OF EVALUATING THE EFFECTIVENESS OF YOUR ORGANIZATION'S MEDIA SPENDING IN THE FUTURE, WHICH OF THE FOLLOWING BEST REPRESENTS HOW YOUR ORGANIZATION VIEWS MEASURING PERFORMANCE/EFFECTIVENESS OF MEDIA SPENDING WITHOUT THE ABILITY TO LEVERAGE THIRD-PARTY COOKIES?



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Contextual approaches lack most of these now-mainstream data points, making their adoption by media executives who have become used to detailed data on every step in a consumer's journey understandably difficult. However, while the universality of third-party cookies developed the dominant methodologies, the third-party cookie itself has been eroded by the privacy policies of Apple and Firefox. We are now in a situation where in some developed European markets, Apple represents up to 50% of the technology used by consumers, so any media buyer relying on third-party cookie-based evaluation will be making some significant assumptions.

The evaluation market is adapting to this new reality, and three steps are in play:

1/ Comprehensive parallel testing for the next two years until Google Chrome deprecates third-party cookies. The delay brought in by Google Chrome has allowed a window for proper comparative testing between third-party cookies approaches and contextual approaches, and comparison against media mix modeling techniques. This program will find proxies and other tools that allow some degree of inflight understanding and management.

> "The vast majority of alternative identity solutions is still a thin veneer – it's still just first-party cookie-based or email-based. There's no concept of multiple representations of individuals. We need to scale better, capture broader signals and be more connected."
>
> *– Vice President, Global Identity, Data Solutions Provider*

Every agency and media owner we interviewed was committed to this learning process, with many also placing it within their testing approaches for alternative identity solutions. The initial feedback was that the alternative identity solutions were finding it difficult to create scale, especially in GDPR territories where they are viewed with more caution.

2/ Most media owners operate in a mixed identity economy where they have some authenticated users and some anonymous users. This holds true for text-based and visual media but varies by geography and the prevailing regulatory environment; media owner authentication is stronger in Europe where first-party data collection became an imperative much earlier. Very few will be able to create 100% authentication and many operate a permeable paywall that flexes according to their volume/value needs.

Media owners are able to perform deeper evaluation, segmentation and analysis on registered users, but those identity-linked audiences are also categorized with the same contextual insights as anonymous users. This allows for modeling and extrapolation techniques to be deployed that use the insight from registered users to drive enhancement in the contextual long tail of their inventory.

LEAVING THE (WALLED) GARDEN: USE CASES FOR CONTEXTUAL SOLUTIONS

Based on our research, there is a wide range of use cases for contextual. The use cases that play most strongly are unsurprisingly within the sectors most impacted by the deprecation of third-party cookies.

The most prominent and obvious use case is within the CPG/FMCG sector, where brand owners have little to no PII/personal data. The brands in this sector had been building cookie-based assets and need to drive value and performance in the post cookie era to build reach solutions outside of walled gardens. It may be that the enhanced ability to understand and target by context delivers a step up for brands in this sector and enables them to generate better performance than what can be achieved via cookies. The back-to-back testing programs will prove this point.

> "For targetability, CPG, pharmaceutical and automotive is popular. The sectors for the safety side are more universal. Because of COVID, the market's greatest case study was the shift from safety to suitability."

– CEO,
Contextual Solutions Provider

While the CPG/FMCG sector represents high-frequency, low-value product purchases, the automotive sector represents the other end of the spectrum of low-frequency, high-value product purchases. Automotive brands, with multi-month (or even year) consideration and purchase funnels, have always had difficulty with measuring the value of media investment. Contextual solutions provide a greater granularity around matching the message to the moment and uses context as a proxy for the position of the consumer in the sales funnel.

One factor driving both agencies and brands to invest in understanding contextual solutions is the desire to dilute dependency upon the major global walled gardens. The fear is that the absence of a scaled and understood alternative will be to the detriment of both media buyers and their clients.

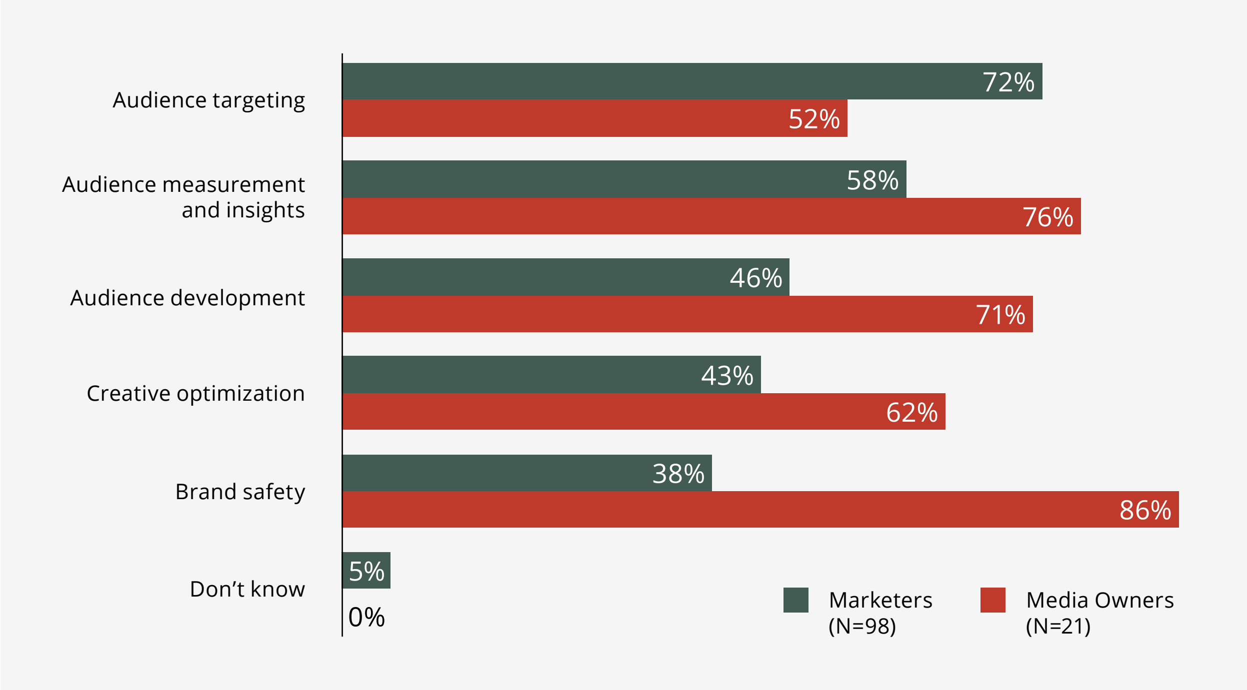
Our research showed a distinct difference between the ambitions of marketers and the conservative views of the media owners who responded. 72% of marketers saw audience targeting as the most significant primary use case for contextual intelligence, while publishers still saw the use of contextual as a brand safety concept.

> "There are so many use cases right now that use contextual in a cookie-less environment – we can tell someone what sites people were on, and what content they were looking at, which will enable our client to customize their landing page to a specific customer's experience."

– CEO,
Contextual Solutions Provider

However, amongst these use cases, the approach taken to fulfil the four functions of targeting, retargeting, measurement and attribution is uncertain. At best, it will rely upon combining future approaches and making decisions about the knowledge gaps that may exist.

FIGURE 6 – WHAT ARE THE PRIMARY USE CASES YOU ASSOCIATE WITH CONTEXTUAL SOLUTIONS?



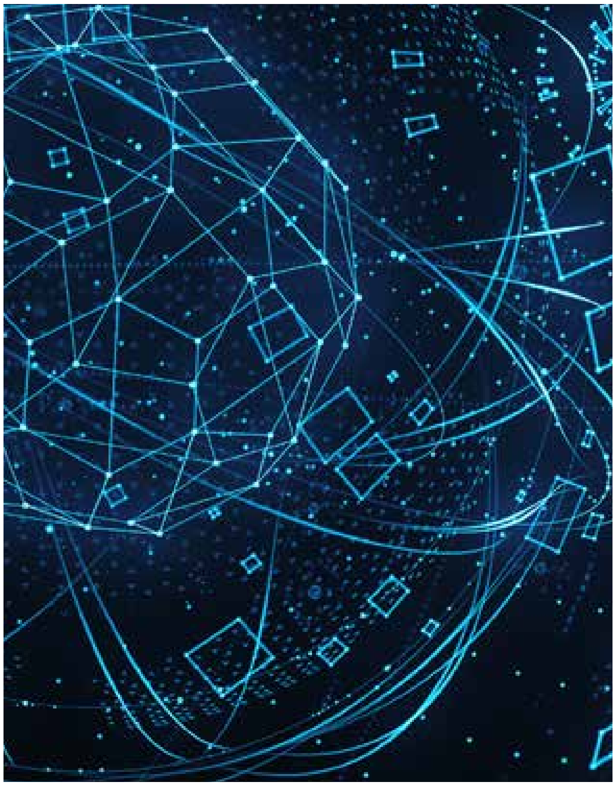
WG Contextual Targeting Survey Sept. 2021, n=119

At worst, it will deliver a fragmented solution from the media buyers' perspective. Whether that is a substantive problem or a manageable difficulty remains to be seen. What is certain is that some precision will be removed from the media trading environment, but that may well have been false precision. The overall campaign accuracy and the ability to generate the desired outcomes may be unaltered. Certainly, the faith placed in third-party cookies has eroded over time as its universality has decreased.

> "The ability to nuance the environments you're looking for is the biggest macro-trend of the past two to three years. Whereas we were looking at it from targeting, the market wanted to look at brand safety customized to brand suitability."

– Senior Director, Product Management, Contextual Solutions Provider

While looking at contextual use cases and seeing how context is handled and monetized it is worth remembering that native advertising, particularly in-feed native, also uses content derived signals to deliver targeted media opportunities to advertisers. It is not considered contextual in the remit of this paper but is an adjacent approach.



BALANCE OF POWER: BUY-SIDE OR SELL-SIDE?

Media owners vary in their ability to capture first-party data. Over the past year, technology vendors have been keen to offer free technology to media owners to allow the creation of identity solutions that may act as partial replacements for the third-party cookie.

Based on our research, many of these solutions have been met with a mixed reception. The reliance on a network effect to create scale is one of the key advantages that came with third-party cookies. However, media owners are more determined to keep greater control of their data assets than in the recent past. Data leakage has been a concern for many, and this caution extends into approaches to contextual solutions.

It has been expressed by some buy-side partners that it is essential that buyers are the ones driving the interpretation of media context to ensure that they know what they are buying. The media owners are key to keep control of their assets and ensure that they have a stronger role to play, other than just floor price determination. This argument has some distance to run, and it is likely that some compromise will evolve, based around standards from the IAB, the SSP sector, and the contextual intelligence providers.

> "The supply side has a much bigger role – they recognize the value of the assets they own. The sell side will own two sets of data: 1) data on the user, 2) understanding the context. The buy side will never trust the sell side."

– Chief Revenue Officer, Contextual Solutions Provider

> "As cookies go away, the ones left with control with data are the publishers. They will be most powerful in the post-cookie world."

– CEO, Contextual Solutions Provider

The ability of a media owner, in conjunction with a contextual technology provider, to deliver more than just contextual activation will be critical to the evolution of the sector. These may be provided under a single roof by the contextual solution provider or as a packaged consortia led by the contextual provider, and there are advantages to both approaches. It is highly likely that the media measurement and evaluation sector will develop a range of solutions, including panel, tracking, and modeling approaches that will deliver benefits to contextual solution providers. In all sectors, the technology providers who work with media owners to provide planning, activation, evaluation, optimization and, in some use cases, brand safety/suitability appear to be the solutions that are gaining the strongest foothold.

SCALE AND TRADABILITY

One of the key mantras in all types of sales efforts is that it should be easy to buy. The second addendum to this rule, when applied to media, is that you need volume to succeed. The ability of the contextual data that accompanies an ad opportunity, usually embedded in a deal ID, to be made available at scale through the technology that buyers choose to use is key to scaling, as is sufficient inventory available in buyable categories or segments. The provision of a managed service solution is usually the initial approach chosen by newer or developing platforms. In order to scale across clients and buying points, contextual insights need to be made available through the self-serve platforms used by major media agencies. The higher performing solutions across the sector blend advanced technology, scale, and a commonality of categorizations to make their contextual products easy to buy.

> "On the contextual side, there's been a challenge around scale. In order to get enough of an audience, you have to add so much to it that it doesn't become valuable. A key finding was: how do you get to the scale of contextual, and when you do, will it ever be the scale we've had in the current identity/cookie-driven space?"

– Manager,
Identity Resolution Provider

THE AUGMENTATION OF CONTEXTUAL SOLUTIONS

As indicated, pure contextual intelligence can be informed with models built on the subset of inventory that has both contextual and audience attributes already known. Clearly, in most cases, the authenticated audience is skewed by the self-selection process of those individuals who make the commitment to register or subscribe with the media owner. However, the acknowledgment of a skewed audience allows for compensatory moves to be made in any further modeling process. The ability to extrapolate the tracked and measured behaviors of the authenticated users onto normal contextual segments allows a more precise approach to be taken to targeting, measurement and in-flight optimization. Technology providers who have implemented this modeled approach to performance improvement are already seeing some performance benefits. Furthermore, the brands and agencies testing cookie alternatives are embracing these developments.

Another approach taken to improve contextual targeting uses first-party audience onboarding into a contextual solution. This is an approach where an advertiser's first-party campaign data is uploaded to the contextual provider and is used to profile and improve the performance of chosen contextual segments.

NOT “INSTEAD” BUT “IN ADDITION”: THE POWER OF COMBINATION

Since contextual solutions emerged into the limelight as the inevitable decision about third-party cookies came to reality, the investments in improving the performance across the whole cookie-less sector have been marked. While the machine learning approaches have improved immeasurably over the past decade, the area that has shown the greatest growth is the combination of techniques.

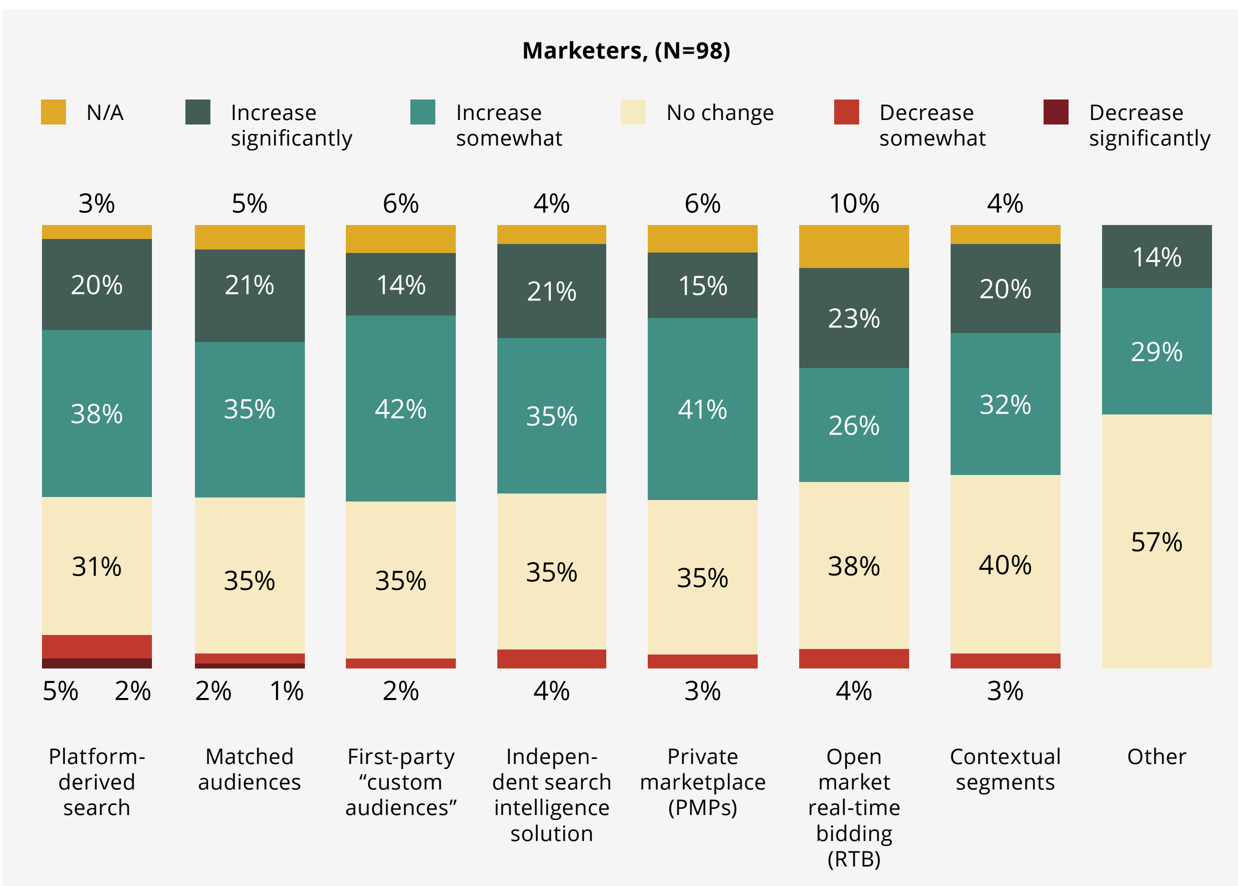
THE FUTURE VIEW OF CONTEXTUAL

Our survey research showed a picture of change across the landscape for marketers. When we asked whether they expected to grow their usage within specific tools and technologies, the majority expected to invest more across a wide range of categories. The fact that marketers are expecting to invest more in a range of solutions other than contextual solutions is probably related to the exceptional level of noise and marketing around identity replacements that happened in 2020 and continued into 2021, rather than knowledge-based around performance and utility. However, this is the gap that the contextual advertising sector needs to fill.

> “I don’t think context is the end-to-end solution, or that it will take over what audience targeting was. This is a really fluid time especially since identity solutions were created. The solution will definitely be a hybrid approach that’s different for the buy side and sell side.”

– Global Head of Product Strategy, Advertising Platform

FIGURE 7 – TO WHAT EXTENT DO YOU EXPECT YOUR CLIENTS’ ORGANIZATIONS’ SPENDING/ USE OF THESE APPROACHES TO CHANGE OVER THE NEXT 24 MONTHS?



WG Contextual Targeting Survey Sept. 2021, n=119

FOUR KEY TRENDS TO WATCH

COMBINATION OF APPROACHES

To achieve the tools that deliver on planning, activation, evaluation and optimization, combinations will need to be made. This involves the combination of the three key approaches in the contextual landscape to leverage the greatest advantage. The techniques of "plain" contextual, search intelligence, and intent all utilize data from within the media to deliver an understanding of the likely interests and behaviors of the consumer. However, combined, they offer even deeper actionable opportunities to monetize inventory in a way that complements the consumer's probable needs. This is where the leading contextual providers are developing solutions to provide greater performance, easier planning and evaluation. Specific performance is always difficult to assess in a changing market, where different vendors compete for the client's budget. However, the respondents that we interviewed all reinforced the improvements being made to the performance of contextual techniques versus identity-driven solutions. The more a media owner can monetize their investment in content effectively and reduce the ad load, the better the consumer experience.

PACKAGE THE OFFERING

Major walled gardens dominate with their ability to deliver audiences at scale with closed-loop measurement systems and share little usable data with the advertiser. The ability of media owners to offer solutions that package the brand safety, audience insights via page consumption, contextual planning and targeting and evaluation with transferable insights places them in a stronger position, allowing them to compete. Standards, such as the IAB classification systems, allow for an element of interoperability across media owners. It remains to be seen if media owner collaboration will extend to presenting contextual audiences at scale from multimedia owner properties, but this may be a viable extension if the trading challenges between competing media owners can be resolved.

THE RESURGENCE OF SELL-SIDE POWER

The past few years have been characterized by the growth of hugely powerful technology vendors who dominate the market. Many have worked more directly with media owners and buyers. However, the nature of content and context is an area that all media owners we interviewed want to keep more closely within their control than has been the case with the third-party cookie.

BALANCING THE TARGETING/ ACTIVATION WATERFALL

As identity solutions mature – to the extent possible, bounded by current regulatory frameworks and browser restrictions – audience coverage by PII-based and modeled identity solutions will find a limit on the ability to provide full coverage for buyers and full monetization for media owners. With contextual targeting solutions on the rise, the industry will see a balancing of approaches between data-driven targeting solutions to approach full coverage of addressable audiences across the media they consume. Close analysis of this balancing of approaches will be a key driver of media planning – not just buying. Balancing reach and fill rate, as well as brand awareness and performance objectives, will be impacted by how much coverage is available from each approach.

We anticipate that marketers and media owners will take a waterfall approach to audience targeting and monetization – beginning with email-based ID and cascading to modeled ID and then to contextual solutions – and will blend contextual and other digital signals at each level.

ABOUT OUR SPONSORS

PREMIER SPONSOR

Captify is the leading Search Intelligence Platform for the open web and the largest independent holder of first-party search data outside of the walled gardens, connecting the real-time searches from over 2 billion devices globally. Its Search-powered contextual solution uniquely combines onsite search data with page context to build high-performing, intent-driven audiences scale.

Captify powers omnichannel programmatic advertising and real-time insights for the world's biggest brands, such as Disney, Unilever, eBay, Mercedes-Benz, Microsoft, Nestle, GSK, Uber, Mars, P&G, Sony and Toyota—without reliance on third-party cookies. Captify brings brands more customers, publishers greater yield and consumers the most relevant digital experiences.

Learn more at *captifytechnologies.com*.

Make every interaction matter with Oracle Advertising and CX. Connect all your data and empower your entire business to deliver exceptional customer experiences, from acquisition to retention, and everything in between. Oracle Advertising is a leader in Contextual Targeting. Our Contextual Intelligence technology helps reach and engage your customers and prospects across digital channels and do so in the right environment for your brand with our category-leading *brand safety* and suitability solutions.

Learn more at *oracle.com/cx/advertising*.

SUPPORTING SPONSOR

Connatix is a next-generation video platform for publishers. We believe in the power of engaging content and are on a mission to help publishers deliver successful videos without compromise. With a leading online video player, turn-key content creation tools, and an integrated revenue engine, publishers can seamlessly achieve their editorial and revenue goals. With first-to-market video capabilities, Connatix sits at the forefront of content innovation and is building a new generation of video experiences that are optimized for publisher success.

Connatix works with over 3,000 publishers worldwide. Founded in 2014, the company is headquartered in New York City with offices in Miami, Tel Aviv and Cluj-Napoca, Romania.

Learn more at *connatix.com*.

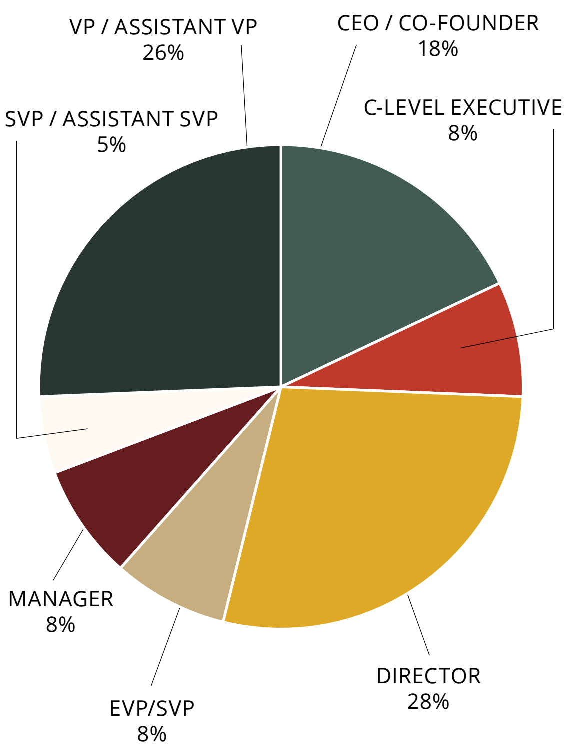
METHODOLOGY

METHODOLOGY

The insights in this report were validated by extensive industry research, including a survey of 119 experienced brand marketers, agencies and media owners in September 2021, as well as extensive off-the-record phone interviews with some of the industry's top thinkers in the advertising, marketing, publishing and technology sectors. We are indebted to the 48 individuals who provided their opinions in over 40 hours of video-conference interviews, conducted between June and September 2021.

INTERVIEW METHODOLOGY

Interviewee by Title (% of Total)

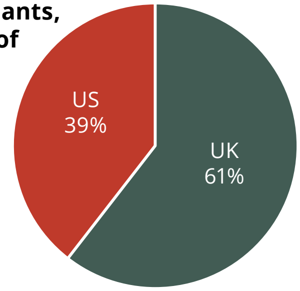


Companies Represented by Interviewees: Acxiom, Advocado, Amobee, Axel Springer, CACI, Captify, Criteo, Digital Trends, Experian, Hindsight, Innovid, LiveRamp, Lotame, Magnite, Merkle, MightyHive, Neustar, Oracle, Peer39, Permutive, Pubmatic, Quintesse, Revcontent, Semasio, Silverbullet, Tapad, Telegraph, The Guardian, The Ozone Project, Thunderhead

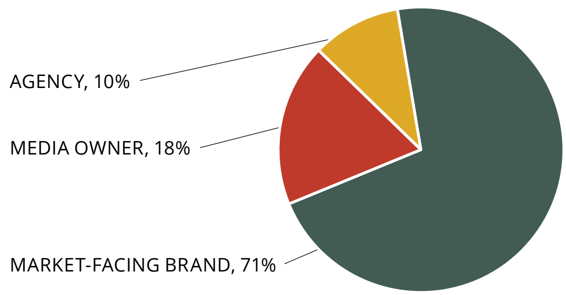
Survey participants had an average of 11.5 years of experience

SURVEY METHODOLOGY

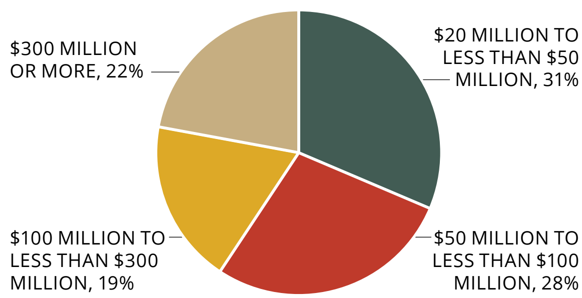
Survey Participants, By Country (% of Participants)



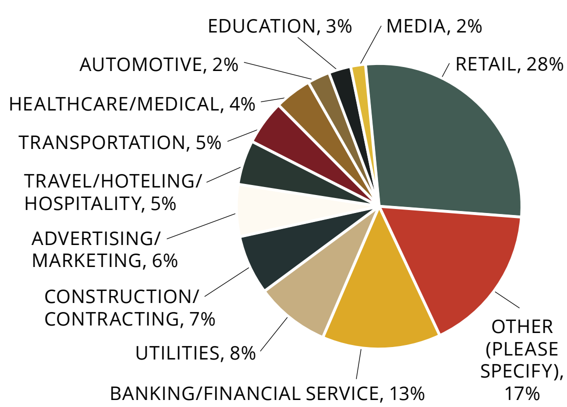
Survey Participants, By Organization Type (% of Participants)



Average Annual Marketing Budget (% of Participants)



Survey Participants, By Industry (% of Participants)



ABOUT WINTERBERRY GROUP

About Winterberry Group

A specialized management consultancy that offers more than two decades of experience and deep expertise in the intersecting disciplines of advertising, marketing, data, technology and commerce.

Winterberry Group helps brands, publishers, marketing service providers, technology developers and information companies—plus the financial investors who support these organizations—understand emerging opportunities, create actionable strategies and grow their value and global impact.

Winterberry Group Services

Growth Strategy
Help clients assess core competencies, understand the impact of market dynamics and build actionable, comprehensive strategies that consider a range of "buy, build and partner" opportunities

Digital Transformation
Guide brands and marketing practices through business process planning efforts aimed at helping them achieve lasting competitive advantage—by transforming how they leverage data, technology and digital media

Mergers & Acquisitions
Support investors and operators in their efforts to leverage M&A as a tool for building lasting shareholder value—helping both buyers and sellers better understand addressable market opportunities and dynamics

Market Intelligence
Leverage our independent research platform to help clients and partners achieve clear thought leadership concerning issues of importance to the marketing community

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