ID5

THE STATE OF DIGITAL IDENTITY 2023

ID5.IO

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EXECUTIVE SUMMARY

It's been almost four years since Google sent shock waves through the advertising industry by announcing its plans to deprecate third-party cookies, leaving us wondering what the cookieless era would look like. After pushing back the deadline several times Google finally committed to a firm timeline in 2023. **This phased approach starts with 1% deprecation in January 2024 gradually increasing until eliminating 100% of third-party cookies by the end of June 2024.** While 2023 has been the year the industry finally received long awaited answers, we also saw increased adoption of identity solutions and the rise in awareness of cross channel identity challenges.

Last year's State of Digital Identity Report looked at how the industry was preparing for this monumental change in a world of unknowns and what ifs. Since then, publishers, advertisers, and adtech platforms have taken notable action to solidify their cookieless strategies. Of course, having a clearer picture of what the cookieless future has in store for them made this easier.

To better understand how the industry is preparing for the changes to come in 2024, ID5, once again, surveyed the industry's leading brands, publishers, and technology platforms.

Do you believe that the deprecation of cookies in Chrome will take place in 2024?

- 67% — Yes, Google has outlined a clear path
- 33% — No, it will be pushed back again

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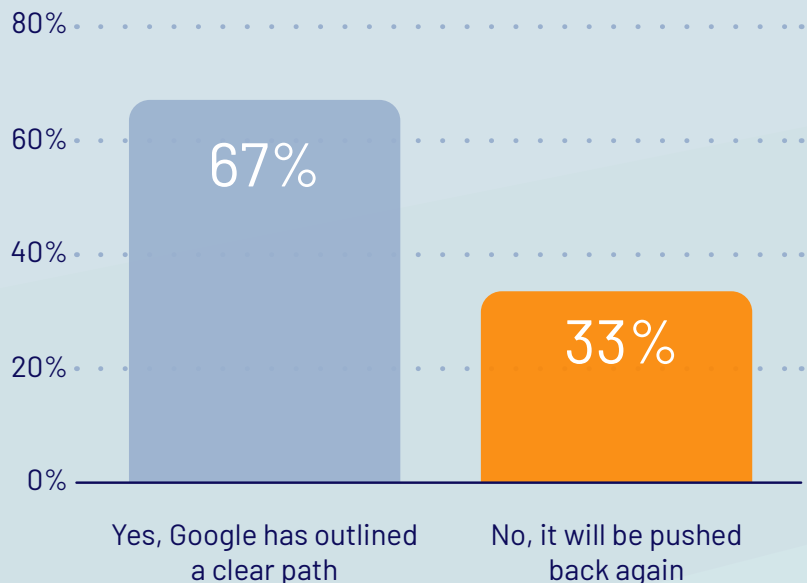
It appears that Google's phased approach signaled to the ecosystem that it's not backing down this time. **Most industry professionals have accepted this, with almost 70% of respondents believing that Google will hold steadfast to their outlined path.**

The remaining minority believes Google may push their timeline back again. Interestingly, the majority of those surveyed view the deprecation of third-party cookies as a positive shift for the industry. **Over half of respondents shared that cookie-based identification is inefficient.**

With an accurate timeline in place, more companies have taken tangible steps to prepare.

A resounding **72%** of respondents have adopted one or more identity solutions with a further **20%** planning to adopt a solution in the coming months.

54%

29%

17%

- Positive, cookie-based identification is inefficient
- Negative, the cookie-based system is good enough
- Other
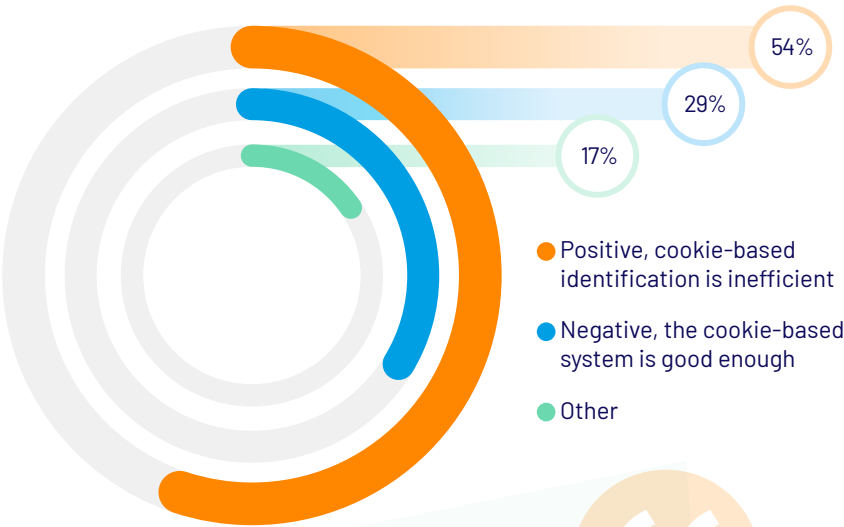
Do you think the deprecation of conventional identifiers is positive or negative for the industry?

"

The advertising ecosystem that was built over third-party cookies was mostly designed and implemented before the emergence of recent privacy-protecting European laws. Though great efforts have been made by the industry, grey areas have always persisted.

At Mediarithmics we strongly believe that the end of third-party cookies is a great opportunity for the advertising ecosystem to rebuild itself, implementing privacy-by-design and privacy-by-default from the beginning, and rightfully empowering Publishers, Retailers and Brands with their first-party consented data.
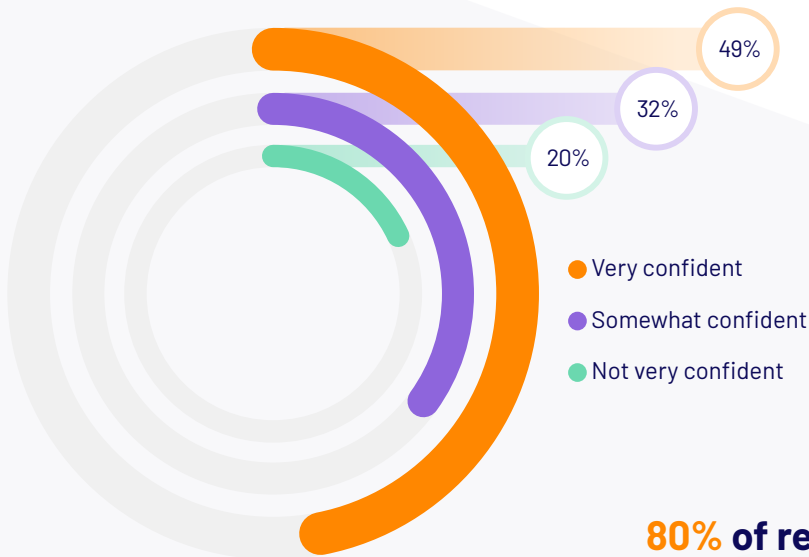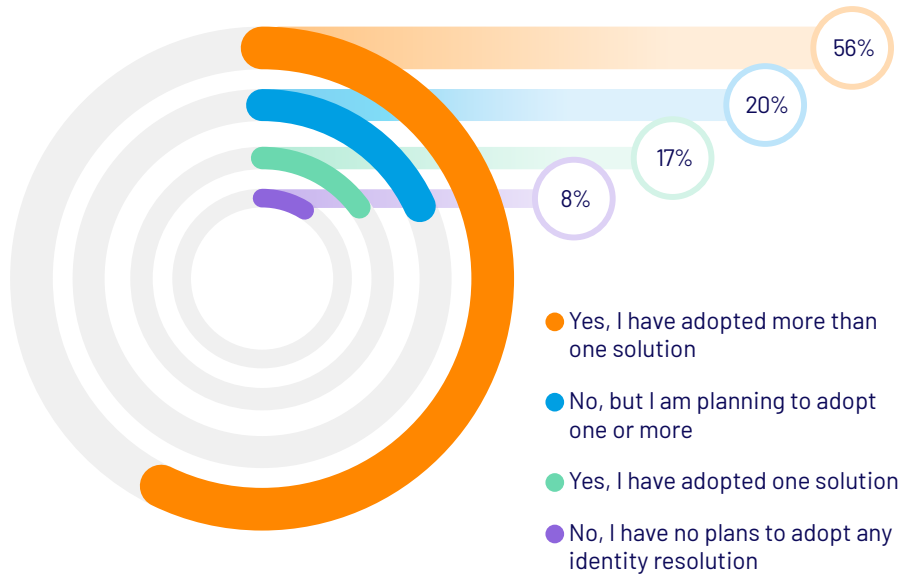
Alexandre Bours
Vice President of Product, Mediarithmics

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Confidence is high amongst professionals who have implemented an identity resolution strategy.

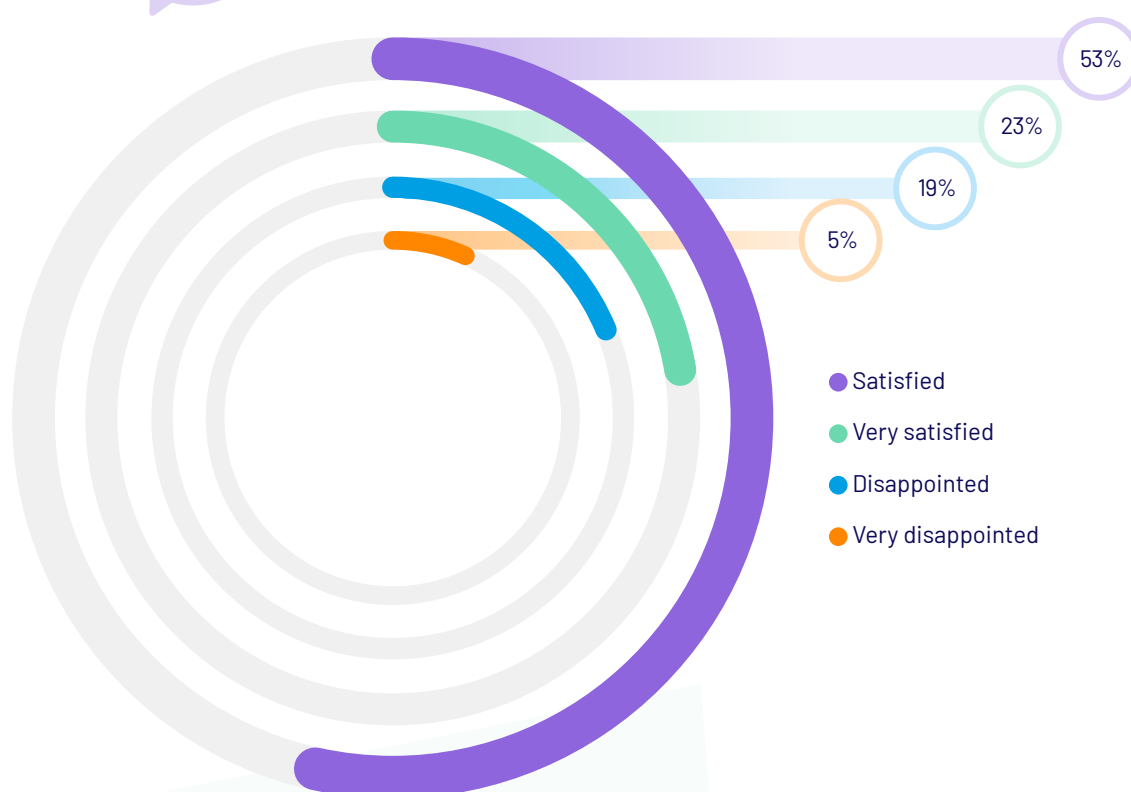**Have you adopted one or more identity resolutions to address cookieless traffic?**

56%
20%
17%
8%

- Yes, I have adopted more than one solution
- No, but I am planning to adopt one or more
- Yes, I have adopted one solution
- No, I have no plans to adopt any identity resolution

49%
32%
20%

How confident are you in your long-term addressability strategy?

- Very confident
- Somewhat confident
- Not very confident

80% of respondents reported they are confident or somewhat confident with their long-term addressability strategy.

Positive test results in cookieless browsers like Safari and Firefox, which combined account for approximately 40% of global inventory, may be the reason behind this confidence. By testing cookieless alternatives, industry players have gotten additional insight into what an entirely (third-party) cookieless future might look like and tap into overlooked audiences in cookieless browsers. **Remarkably the testing outcomes left 76% of respondents satisfied or very satisfied with the results.**

If you have conducted tests to assess the value of alternative identity resolutions were you satisfied with the results?

- 53% Satisfied
- 23% Very satisfied
- 19% Disappointed
- 5% Very disappointed

Satisfied

Very satisfied

Disappointed

Very disappointed

Building a successful addressability strategy requires testing and tailoring, especially considering the number of cookieless alternatives available. **Organizations that delay adoption and testing face the risk of revenue loss and other consequences in the second half of 2024.**

Although those who started testing months ago are in a favorable position, all hope isn't lost for those who have held off. Allison Schiff, Adexchanger's Managing Editor said it best, "the best time to have started testing cookie alternatives…was yesterday. The second-best time is now."
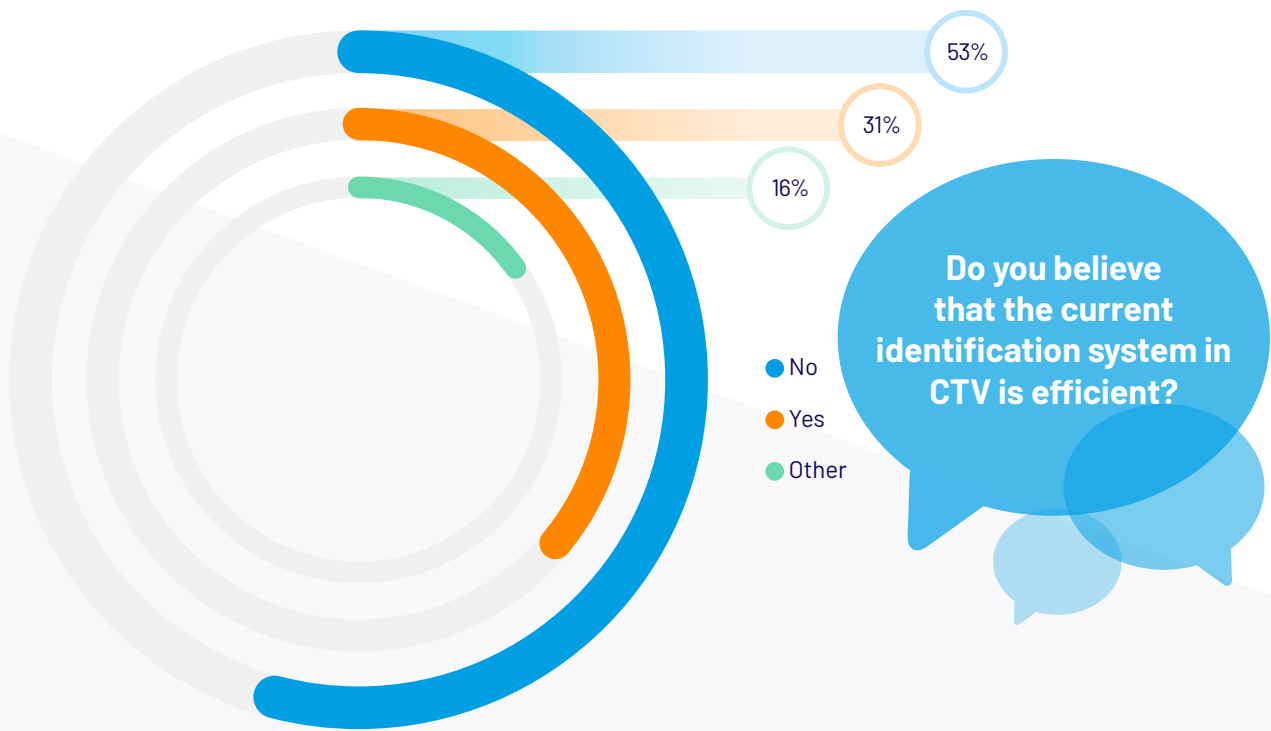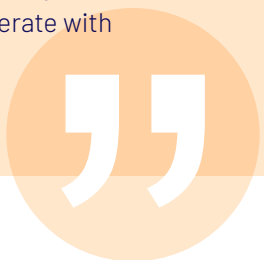
Although the industry has been focused on the demise of the cookie and its consequences, many realize that **identity isn't just a web challenge but affects other channels, including mobile and CTV.**

As CTV emerged as a hot topic in the advertising space it only made sense to leverage this survey to gauge the programmatic community's feelings surrounding this new advertising frontier. While CTV viewership increases, unsurprisingly interest in CTV advertising will increase alongside. Yet while CTV booms, advertisers have not yet unlocked its full potential. Survey respondents feel these growing pains as well, with 53% believing that the current identification system in CTV environments is inefficient.

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> CTV is the fastest growing ad-channel. Advertisers are trying to minimize viewership fraud and fatigue contaminating CTV by going beyond the traditional age/gender & reach-frequency measures. Lack of standardized currencies and consistent identity resolution frameworks produce disconnected signals for CTV planning, execution, and measurement. Additionally, many advertisers are buying premium CTV through their linear TV relationships, where lack of tools and duplicated viewership across linear and digital continue to incur media waste. As a result, advertisers need to adopt holistic privacy-aware identity solutions that cooperate with their first-party data to drive outcome-driven optimizations.
>
> **Subhak Oak**
> Senior Vice President of Product, Data and Intelligence, Nexxen

53%

31%

16%

Do you believe that the current identification system in CTV is efficient?

- No
- Yes
- Other

So what's preventing advertisers from effectively tapping into CTV? Currently, CTV doesn't have a common currency to identify users, collect consent, and effectively activate user data. When it comes to consent, **80% of respondents think the current CTV identification system doesn't give users adequate control or transparency over their data.**

This is crucial as consumers become increasingly privacy conscious and regulators shift their attention to new channels. The lack of standardization across CTV advertising combined with privacy concerns can hinder its growth.

2023 served as the runway the industry needed to enter the cookieless era with confidence. As we head into 2024 and cookieless environments become the norm, the industry will shift its attention to new challenges and channels including CTV, in-gaming, and mobile. **One thing is certain, privacy-conscious identifiers will play a key role in overcoming obstacles in these new frontiers.**

METHODOLOGY

ID5 analyzed the answers of **197 participants** who took part in the State of Digital Identity survey throughout July and August 2023. **The sample consisted of brands, agencies, publishers, technology and data platforms.** The survey was sent via email to ID5's database contacts and further promoted through ID5's social media channels and advertising partners. The survey's questions were aimed at understanding how the industry is progressing in its preparation for the cookieless era, including updates on testing, alternative solutions, and which methodologies are proving to be most effective.

Which option best defines your company?

|	Brand / Agency	Publisher	DSP	SSP	Data Platform	Other
	37	61	17	19	33	30
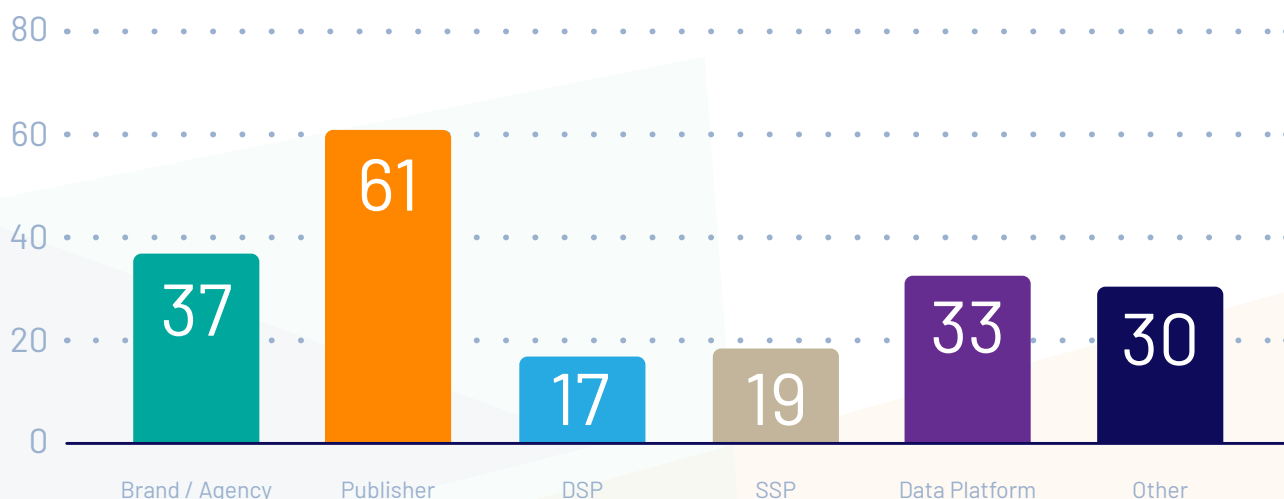
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INDUSTRY OVERVIEW

Not only did Google provide the advertising ecosystem with a clear timeline for the deprecation of third-party cookies but the tech giant also made Privacy Sandbox APIs, a cookieless alternative, widely available for testing. Not putting their eggs in one basket, publishers and advertisers experimented with a variety of other identity solutions in 2023.

So what other types of identity solutions is the industry testing out? **Following last year's trends, respondents selected first-party universal IDs to be the most viable solution.** Universal identifiers are widely considered to be a privacy conscious and future proof alternative. Other alternatives respondents have trialed include PMPs/Deal IDs with first-party data, contextual advertising, seller-defined audiences, cohort solutions like Privacy Sandbox, and data clean rooms.
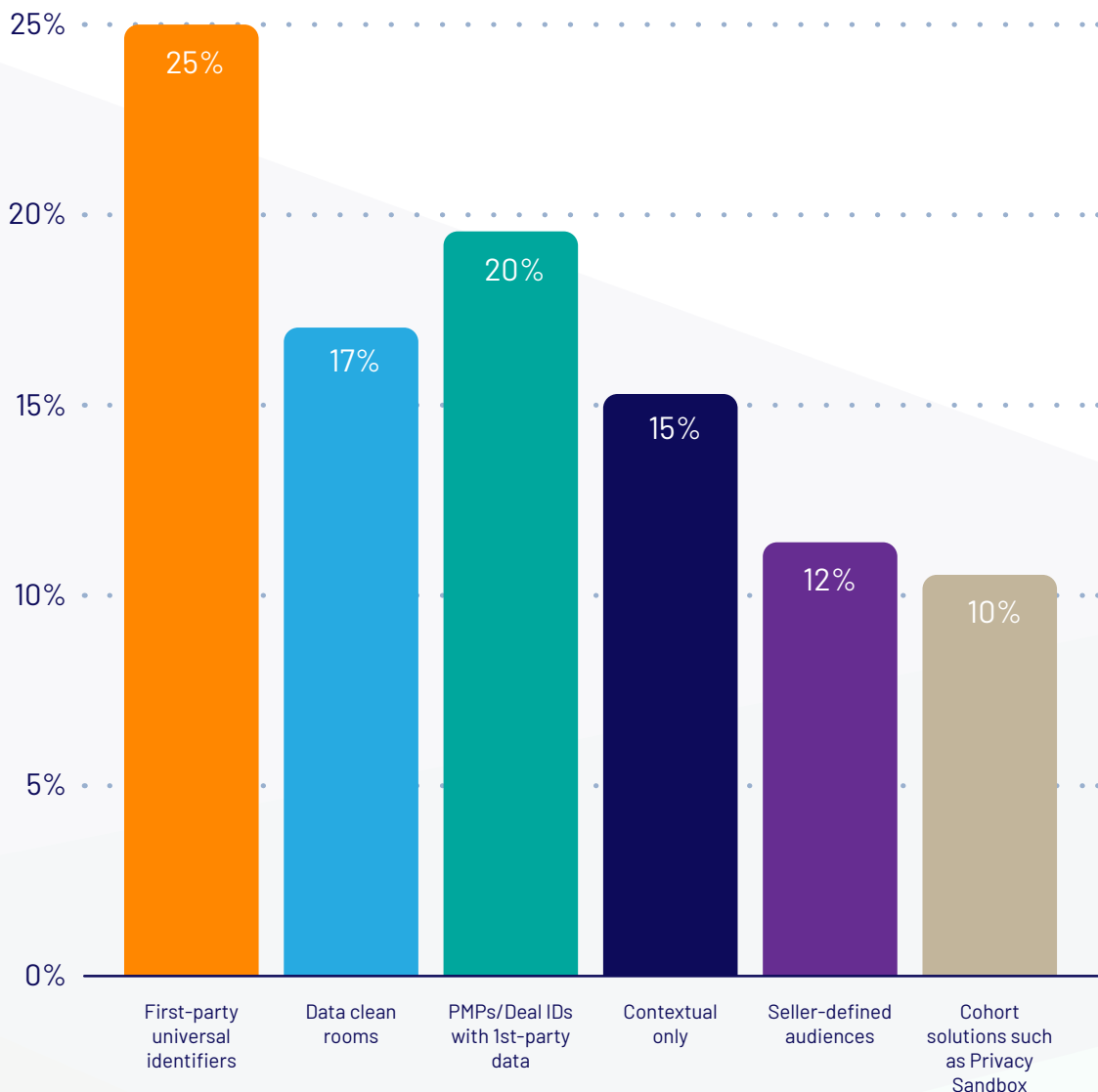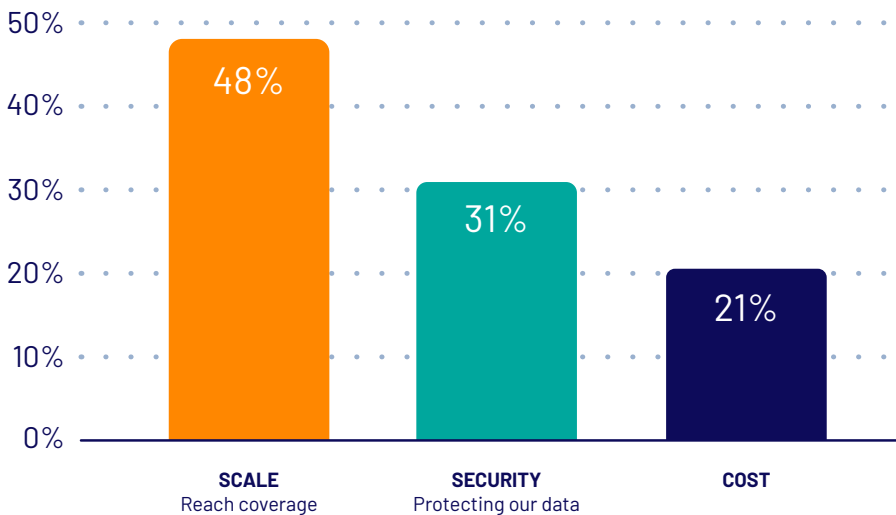
When considering identity solutions, what is most important to your business?

So when considering a solution, what matters most to businesses? While cost matters, scale and security (protecting data) top the list for respondents.

Scale is one of the greatest challenges alternative solutions must overcome to stand the test of time. The value of an identifier is determined by its adoption and availability in the market. Both supply and demand sides require solutions with high adoption rates to maximize results.

Additionally, the regulatory landscape has grown increasingly complex, with Europe and some US states enacting stringent privacy laws. Companies must comply with these regulations or risk regulatory action or damage to brand reputation.
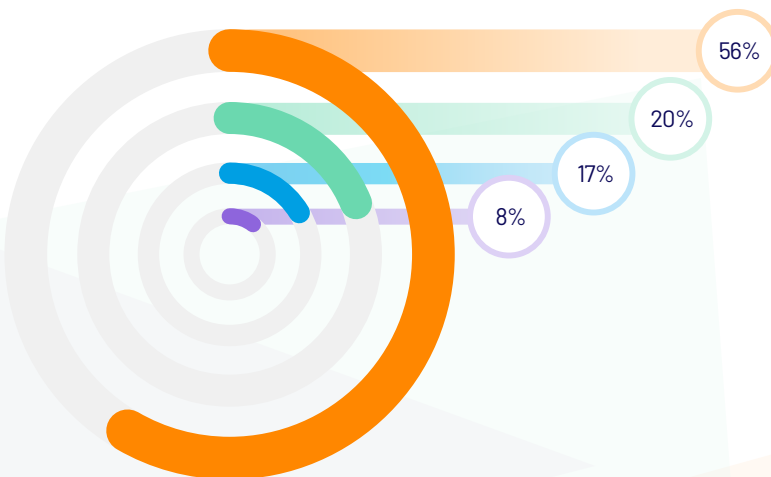
Have you adopted one of more identity resolutions to be able to address cookieless traffic?
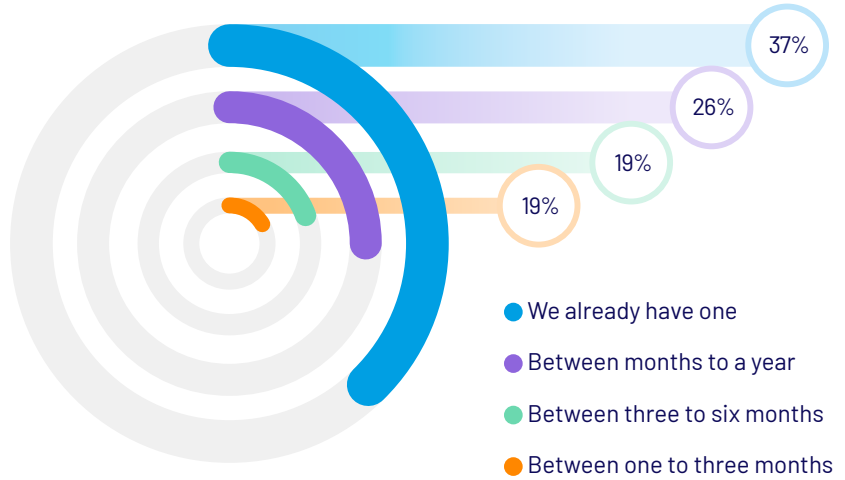
- Yes, I have adopted more than one solution
- No, but I am planning to adopt one or more
- Yes, I have adopted one solution
- No, I have no plans to adopt any identity resolution

**Most organizations have adopted or plan to adopt a third-party cookie alternative.**

72% of organization have adopted one or more solutions already.

How long do you anticipate it will take your organisation to implement a fully operational cookieless identification strategy?

37%

26%

19%

19%

- We already have one
- Between months to a year
- Between three to six months
- Between one to three months

While most respondents believe they already have an operational cookieless strategy, **almost 20% of respondents said that it will take them one to three months to implement a plan.** Making Q4 the perfect runway they need to prepare. Organizations that will need more than 3 months to implement a solution might be negatively impacted in 2024.

59%

15%

15%

12%

**Advertisers: Have you adopted one or more identity resolutions to be able to address cookieless traffic?**
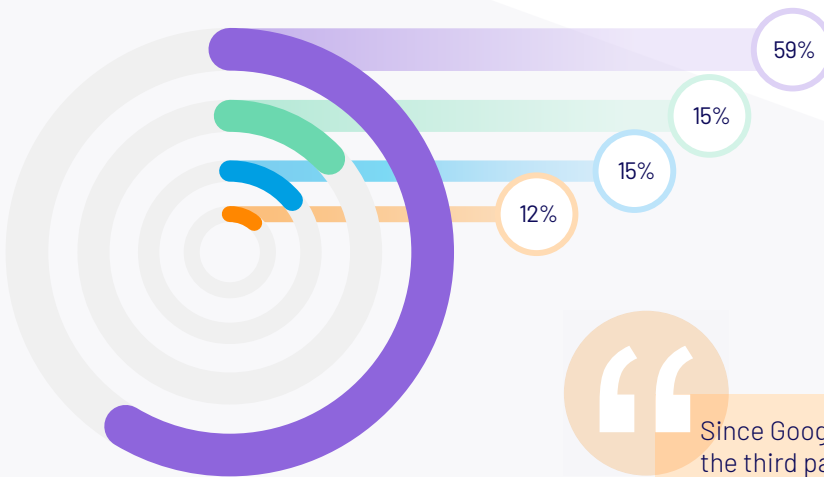
- Yes, I have adopted more than one solution
- Yes, I have adopted one solution
- No, but I am planning to adopt one or more
- No, I have no plans to adopt any idetity resolution

"Since Google first announced its plans to deprecate the third party cookie, we've seen firsthand how advertisers and data users have been eager to test and implement new cookieless targeting solutions. In 2022, ShareThis launched a proprietary solution, Atlas ID, which is interoperable with ID5 and other universal identity solutions, and we have already delivered proven results for advertisers who have leveraged ShareThis cookieless targeting capabilities.

Michael Gorman
Chief Product Officer, ShareThis

Notably, advertiser adoption or planned adoption has increased significantly with **74% of advertisers adopting one or more solutions. This is a remarkable increase from 2022 when only 32% of advertisers had implemented a cookieless alternative.**
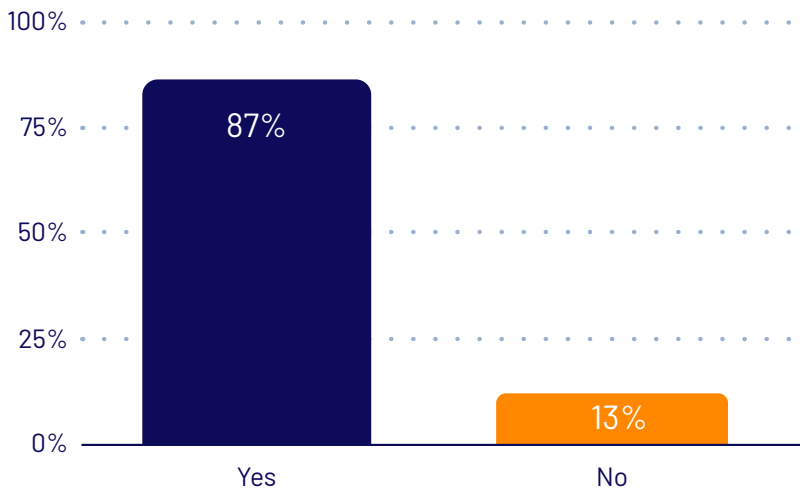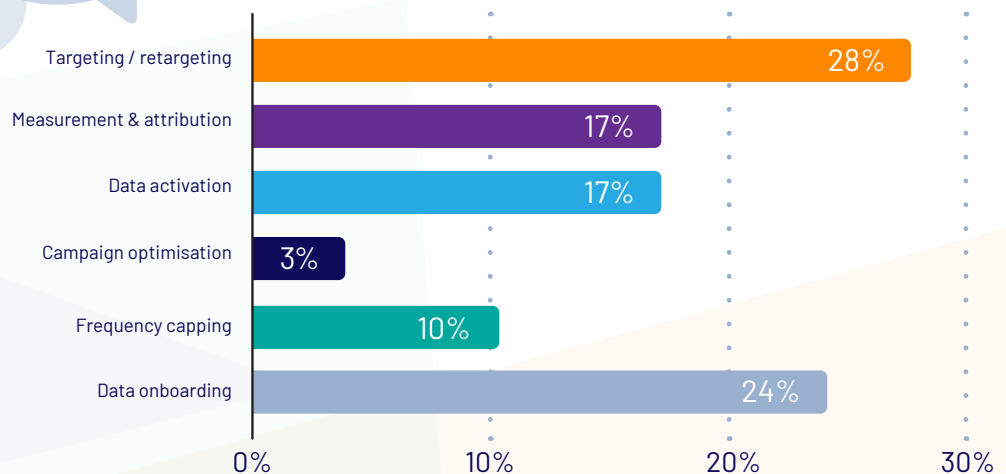
Advertisers:
Do you currently or plan to have in the next 6 months dedicated resources (people and/or budget) to develop an identity strategy?

87%

13%

Yes

No

Not only have advertisers adopted identity resolutions, **87% of advertisers have dedicated resources to develop an identity strategy to ensure long-term success.**

What are the most important use cases that cookieless solutions solve?

Targeting / retargeting — 28%
Measurement & attribution — 17%
Data activation — 17%
Campaign optimisation — 3%
Frequency capping — 10%
Data onboarding — 24%

Identity supports a variety of use cases, including targeting, data activation, and frequency capping, amongst others. Some of these use cases are more complex or urgent priorities than others. To better understand the industry's pain points we asked survey respondents what identity-related obstacles are professionals hoping to overcome. **Organizations' primary concern is targeting/retargeting, 28%, with data onboarding coming in as a close second at 24%.**

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Have you and your partners conducted any tests to assess the value of alternative identity resolutions?

- Yes, I have conducted one or more tests: 71%
- Not yet, but there are one or more tests running/planned: 20%
- No, I haven't tested or planned any tests yet: 8%
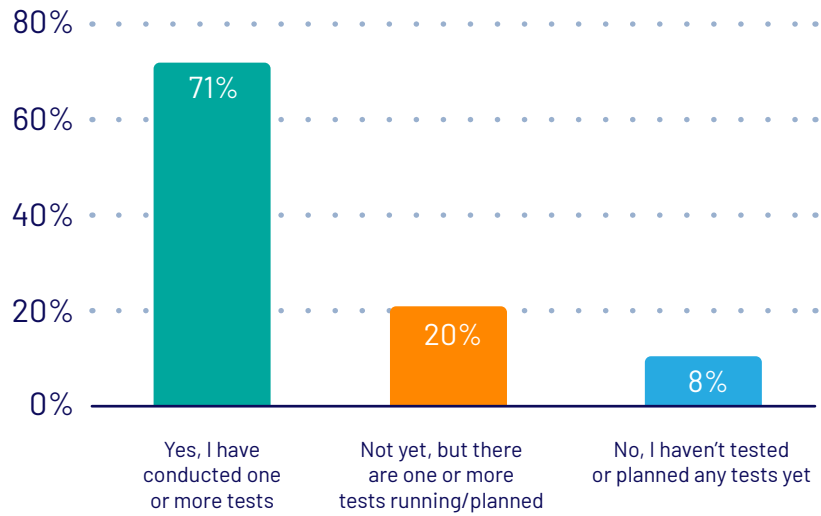
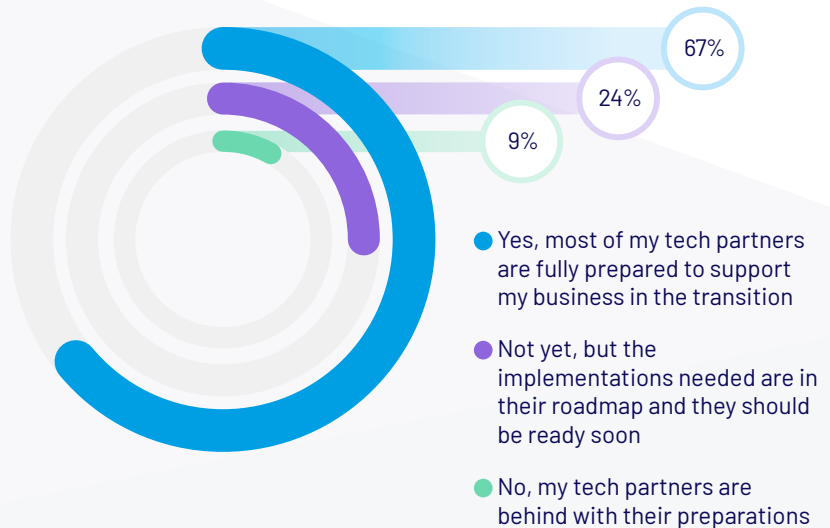**Building a solid addressability strategy requires testing and modification to align with organizational needs.** As the market is already saturated with cookieless alternatives, it is important that organizations identify which one meets their needs before the cookie deadlines.

According to the survey, **71% of respondents have already conducted one or more tests.** Organizations that have tested their addressability strategies will be in the strongest position going into 2024, but there is still some time for those who are late to the game.

Advertisers:
Do you think that your tech partners have implemented solutions and alternatives to support you in the transition to the cookieless future?

- Yes, most of my tech partners are fully prepared to support my business in the transition: 67%
- Not yet, but the implementations needed are in their roadmap and they should be ready soon: 24%
- No, my tech partners are behind with their preparations: 9%

Advertisers expect their tech partners to be ready to support them as they transition to the cookieless world. Since digital advertising operates in an ecosystem – it is imperative that all parts of the chain enter this new era prepared. **Only 9% of advertisers reported that their tech partners are behind with their preparations.** In a highly competitive ad tech environment, preparation is key as it gives platforms an advantage over their competitors. Partners who fail to prepare are likely to lose business in the months to come.
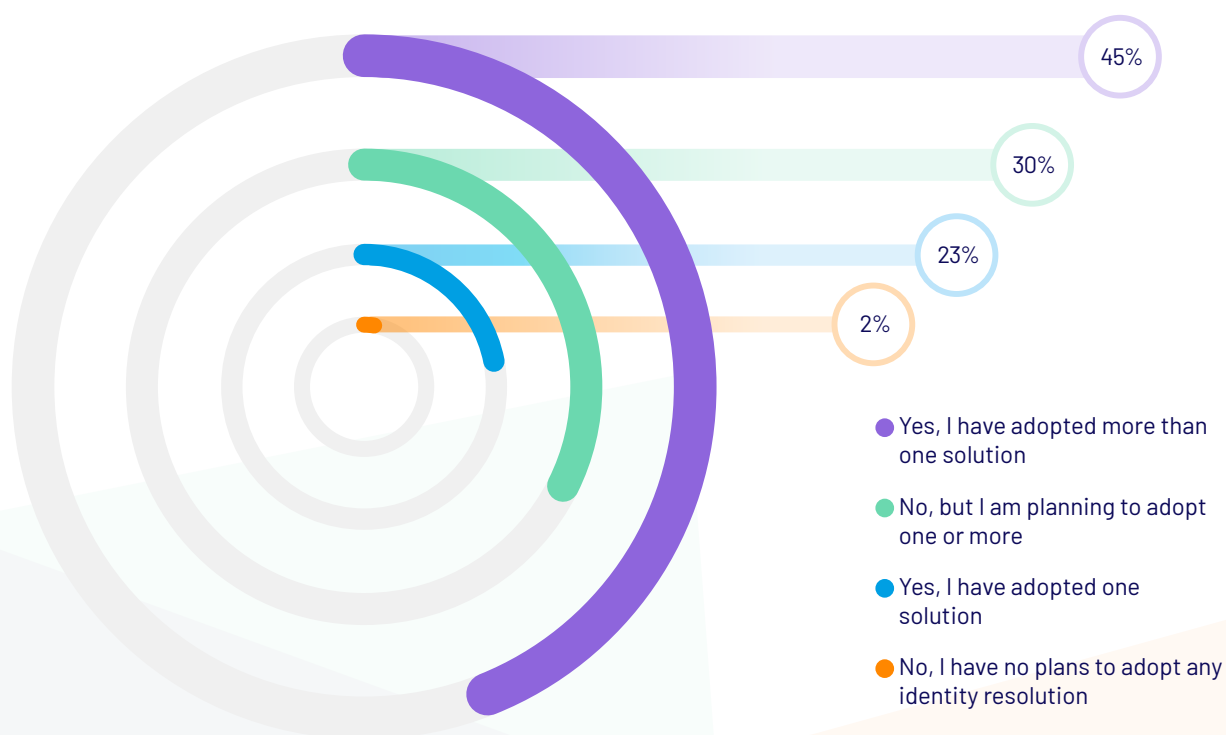
Publishers know they are at risk of losing ad revenue if they don't implement one or more ID solution. However, it requires a significant amount of time from publishers to implement and test the value of each solution. Publishers need help to streamline and understand how each single identifier is impacting their revenue.

Emily West
Group Product Manager, Sovrn

**Publishers:
Have you adopted one or more identity resolutions to be able to address cookieless traffic?**

45%

30%

23%

2%

- Yes, I have adopted more than one solution
- No, but I am planning to adopt one or more
- Yes, I have adopted one solution
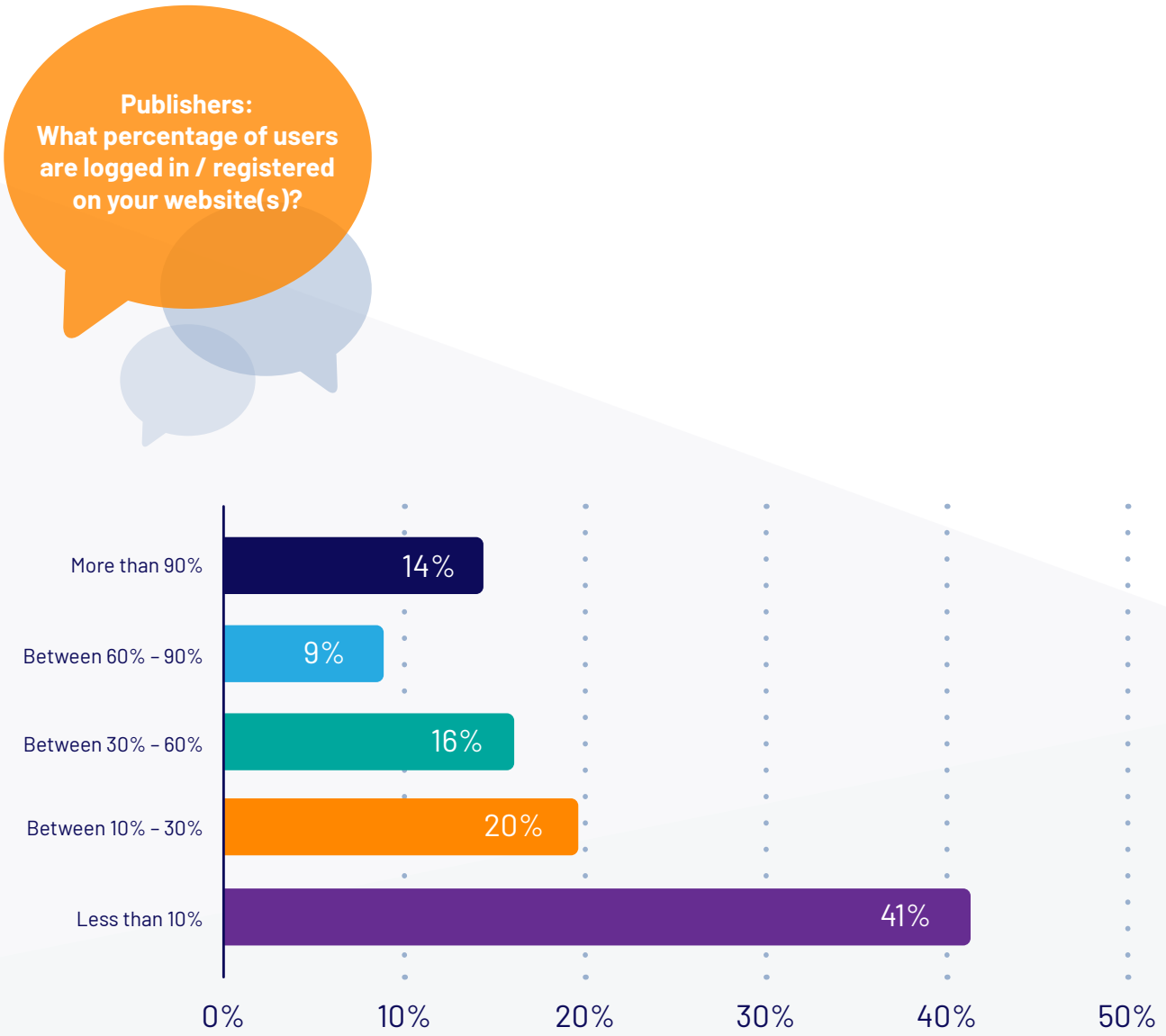- No, I have no plans to adopt any identity resolution

Publishers have led the charge when it comes to implementing cookieless alternatives. This is largely due to the fact that they will be greatly impacted by the sunsetting of cookies. Unsurprisingly, **68% of publishers have already adopted one or more identity resolutions to address this traffic.**
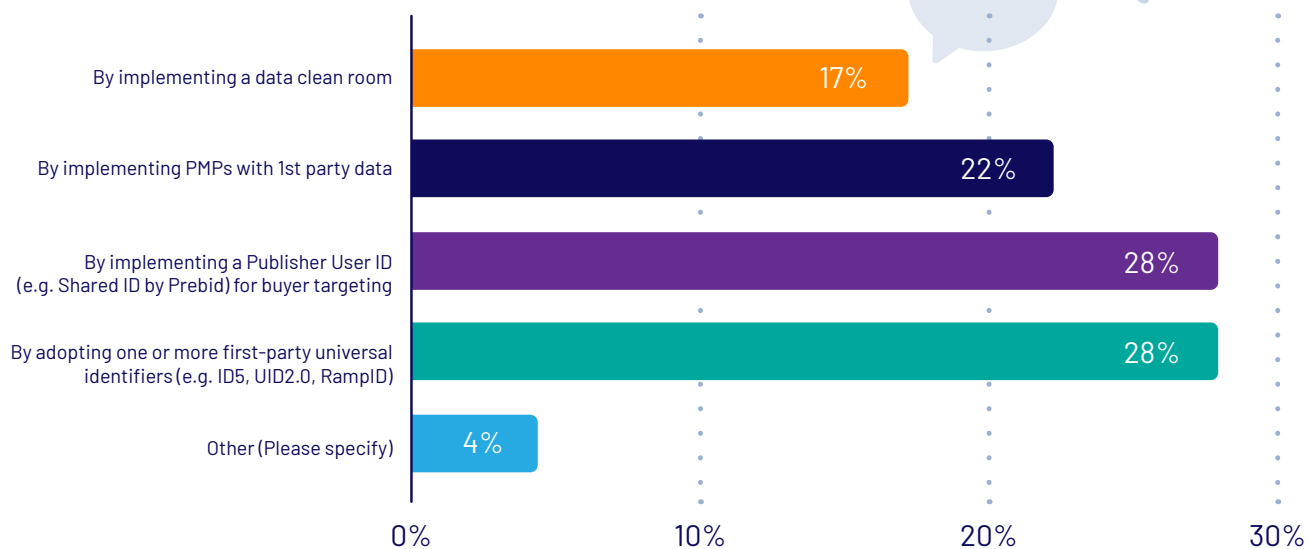
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In the wake of the cookie demise announcement, many publishers have started to strengthen their first-party data strategy to enable personalized marketing and increase user engagement. Creating logins or website registrations helps publishers collect first-party data. However, not all publishers have implemented a first-party data strategy or are in a position to require their users to log in.

In 2023, 41% of publishers reported having less than 10% of users logged in. While this is an improvement from 2022 where 59% or publishers reported having less than 10% of users logged in, this is still a relatively small percentage of authenticated traffic to rely on. Due to the lack of access to authenticated signals publishers must leverage authenticated signals alongside other solutions to solve the identity challenges they face.

**Publishers:
What percentage of users
are logged in / registered
on your website(s)?**

Category	Percentage
More than 90%	14%
Between 60% – 90%	9%
Between 30% – 60%	16%
Between 10% – 30%	20%
Less than 10%	41%

Most publishers said they rely on a combination of deterministic and probabilistic identifiers to support audience monetization. Between all the options available, first-party universal IDs and publisher user IDs are the preferred solutions for audience monetization.

**Publishers:
How are you currently monetizing or planning to monetizing traffic coming from cookieless environments?**

Category	Percentage
By implementing a data clean room	17%
By implementing PMPs with 1st party data	22%
By implementing a Publisher User ID (e.g. Shared ID by Prebid) for buyer targeting	28%
By adopting one or more first-party universal identifiers (e.g. ID5, UID2.0, RampID)	28%
Other (Please specify)	4%

Unfortunately, no matter the high adoption rates, publishers respondents reported they struggle to fully measure the impact of identity resolutions. Programmatic advertising has relied on third-party cookies for over two decades and is likely to continue to do so until the very last days before cookies are fully blocked. This means publishers may not see a substantial revenue uplift from cookieless solutions until Chrome blocks cookies for a significant percentage of users. This may skew publishers' current testing results.
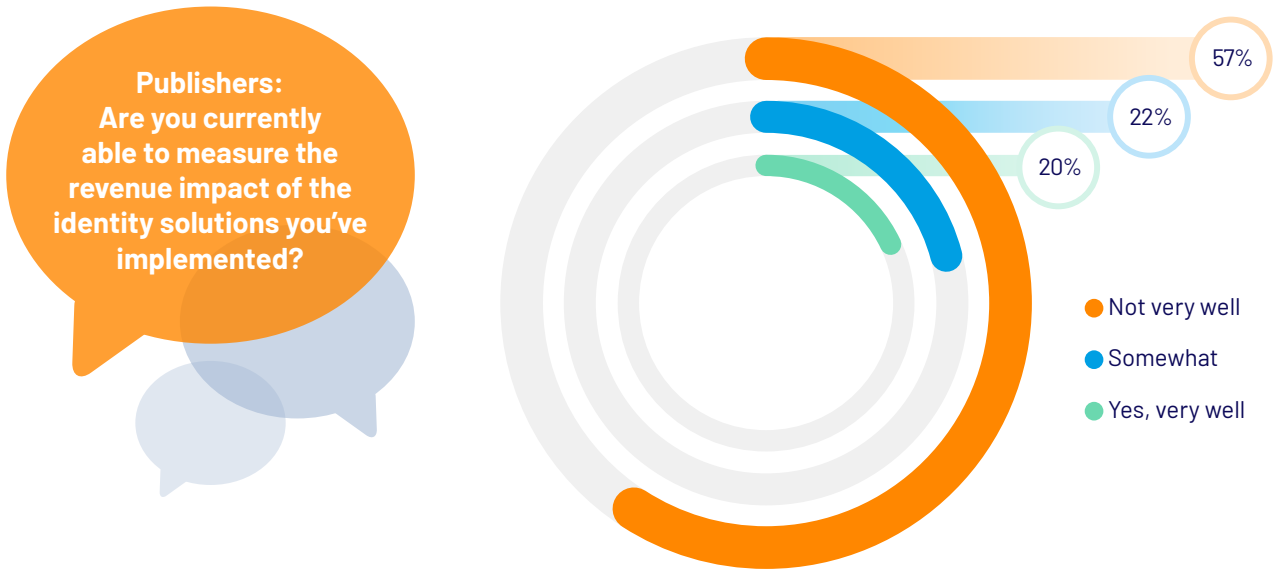
"In a rapidly evolving digital landscape, the shift towards a cookieless paradigm underscores the importance of embracing first-party universal IDs and publisher user IDs for effective audience monetisation. Our collaboration with publishers involves a deep understanding of these evolving challenges. As we navigate the era of cookie deprecation, it's crucial to empower publishers to build a robust ID stack. This enables them to continue delivering relevant, engaging ads while navigating the evolving privacy landscape. Integrating a robust ID stack maintains publishers' monetisation capabilities and fuels sustainable revenue growth, supporting a privacy-centric advertising approach.

Asmaâ Bentahar
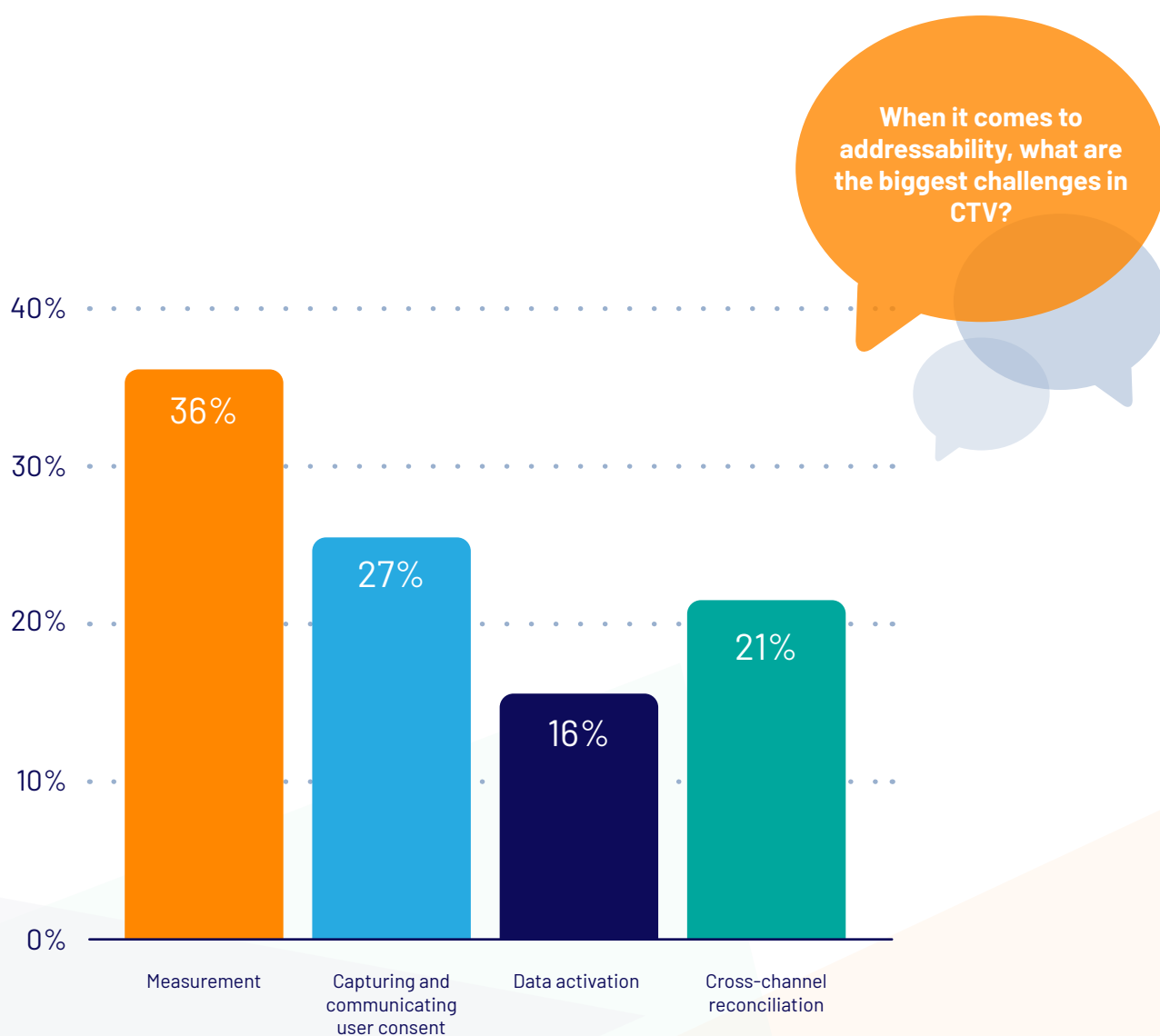*Chief Marketing Officer, Pubstack*

To assess the full potential of cookieless identifiers, publishers might have to wait a bit longer. Nevertheless, thorough A/B testing processes can already reveal the value that alternative IDs provide in cookieless environments. Tools such as ID5's Prebid Analytics module have shed light on the value of universal identifiers for many publishers. **ID5's recent report published in Q3 2023, demonstrated that when a universal ID is present media owners see their average CPM triple in cookieless environments.**

Publishers: Are you currently able to measure the revenue impact of the identity solutions you've implemented?

- 57%
- 22%
- 20%

- Not very well
- Somewhat
- Yes, very well

Do you believe that the current identification system in CTV gives users transparency and control over their data?

- 66%
- 24%
- 10%

- No
- Yes
- Other

The Industry isn't just worried about web-based identity challenges and is becoming more and more aware of the lack of addressability in other channels and how it affects their strategies. With CTV being an area of focus for many brands and media owners, we asked survey respondents to share their views with regard to addressability within the CTV space. **More than half of respondents believe the current identification system in CTV is ineffective.**

Measurement is the biggest obstacle for most respondents while capturing and communicating consent isn't too far behind at 27%. Collecting consent will become increasingly important as more regulators extend their scope from traditional web browsers to newer channels such as CTV.

When it comes to addressability, what are the biggest challenges in CTV?

- Measurement: 36%
- Capturing and communicating user consent: 27%
- Data activation: 16%
- Cross-channel reconciliation: 21%

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CONCLUSION

Throughout the remainder of 2023, most of the advertising industry has demonstrated its resilience and commitment to preparing for the impending phasing out of third-party cookies. While Google's firm timeline for the deprecation of cookies acted as a catalyst, the industry as a whole has seized this opportunity to collectively reimagine its approach to identity resolution.

2023 was expected to be a year of education yet it seems as if it was a year of action. Recognizing the necessity of this shift, advertisers, publishers, and adtech platforms have taken tangible steps to thrive in the post-cookie era. Additionally, most of them have dedicated the necessary resources and expanded their teams to ensure long-term success.

While publishers and advertisers aren't quite at the finish line, the majority of them have taken significant steps in 2023 to prepare for the cookie demise in 2024. Publishers have carried the weight of this change on their backs since 2020, and in 2023 advertisers helped shoulder this weight alongside them. This is evident by the more active role they've taken this year compared to 2022.

The advertising ecosystem appears to be on a promising path approaching 2024. Although the early months of the year will come with growing pains as Google begins the process of deprecating third-party cookies, it appears that most advertising players (80% of respondents to be exact!) are ready to enter this next chapter with confidence. Despite the industry feeling prepared overall, it is clear that publishers are acutely aware of improvements that must be made when it comes to measurement. Continued testing and progressive increases to the percentage of campaigns leveraging cookieless solutions should boost confidence on the buy side.

Going beyond cookies, the ecosystem needs to solve addressability challenges in other channels affected by signal loss, such as mobile, as well as those that do not have common identification methods like CTV, audio and gaming. The valuable lessons learned by addressing web-based identity and privacy challenges will certainly provide valuable insights as it adopts more efficient solutions in other channels.

> As we adapt to a new consumer and privacy-first advertiser paradigm, the ability to understand audience signals and use them to enhance media strategies and creative executions has become increasingly complex. The good news is that privacy-compliant solutions to addressability are taking shape and garnering increasing attention among platforms, publishers, and marketers alike, making it possible to deliver targeted, personalized ads across any connected device in a privacy-compliant, brand-safe way. This enables marketers to balance granularity against scale and leverage multi-faceted approaches to addressability challenges and outcomes that respect user privacy and keep pace with evolving consumer behaviors and preferences.

Todd Rose
Senior Vice President of Addressability, InMobi

ABOUT ID5

ID5 was created to improve online advertising for consumers, media owners, and advertisers, with the ultimate goal of helping publishers grow sustainable revenue. ID5 provides the advertising ecosystem with a transparent, scalable, and privacy-compliant identity infrastructure. Its solutions enable user recognition across media properties and devices, bringing addressability across all digital advertising channels. This enables media owners to better monetize their audiences, advertisers to run effective and measurable campaigns, and platforms to maximize 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**