How brands are tackling decreasing consumer trust in advertising

Permutive | adexchanger

A survey on data ethics in advertising and media

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Table of Contents

Introduction

How brands are tackling decreasing consumer trust in advertising: a survey on data ethics in advertising and media

This study conducted by Permutive and AdExchanger analyzes how top brands and advertisers are navigating a digital advertising industry that is being turned on its head by both platform-level changes and regulations that seek to protect consumers' data and their privacy online. In this report, you will find insight and analysis on changes to online privacy and identity, first-party data collection trends, and the actions brands are taking to improve their campaigns and restore trust in advertising.

The report offers insights across the range of digital advertising program initiatives and benchmarks including:

1. The challenges and opportunities of privacy regulation, identity, and the loss of third-party cookies

2. Actions advertisers are taking to build sustainable, data-driven campaigns

3. Why advertisers are building first-party data strategies

4. The industry outlook from advertising experts

The analysis is based on a survey of leading marketing and advertising executives in both consumer and business markets. Respondents represent many of the largest corporations in the world from a range of industry sectors. The survey received 220 responses and was conducted in the second quarter of 2022.

Permutive and AdExchanger thank all the respondents for their invaluable contribution to the study.

I. The challenges and opportunities of privacy regulation, identity, and the loss of third-party cookies

Earning consumer trust is the main challenge – and opportunity – for the advertising industry.

How the industry works is fundamentally changing; consumers are concerned about how their data is being used, and advertisers too often don't know what they are buying, where, and if their spend is impactful. This degraded consumer trust and lack of transparency in the digital world has led to a search for control.

Big technology platforms are responding by restricting cookies in their browsers, and governments around the world are passing laws and instituting new regulations to protect consumers. This means that the practices used for years in the industry are no longer sustainable, and data in advertising is breaking. Overall, advertisers have three categories of concerns: consumers' brand trust; campaign performance and measurement; and transparency and efficiency of the buying process.

> Advertisers' biggest concern relates to earning consumer trust. The Permutive and AdExchanger survey of leading brands finds that **98% of advertisers are concerned about online privacy and identity changes negatively impacting customer and audience trust.**

This loss of trust is prompting consumers to opt-out of tracking or use ad blockers. According to Permutive research, almost 40% of online users are browsing in cookieless environments. Other research conducted by Harris Poll on behalf of Permutive shows that 75% of consumers are not comfortable purchasing from brands with poor data ethics.

With consumers increasingly exercising their choice to opt-out of sharing their personally identifiable information, addressability is being impacted and hidden or unreachable audiences are being created. How can brands, publishers and ad tech companies come together to reach these audiences via responsible advertising practices?

Data ethics have become non-negotiable, and advertisers need to be responsible with the data they collect and how they activate audiences – or they risk consumers opting out.
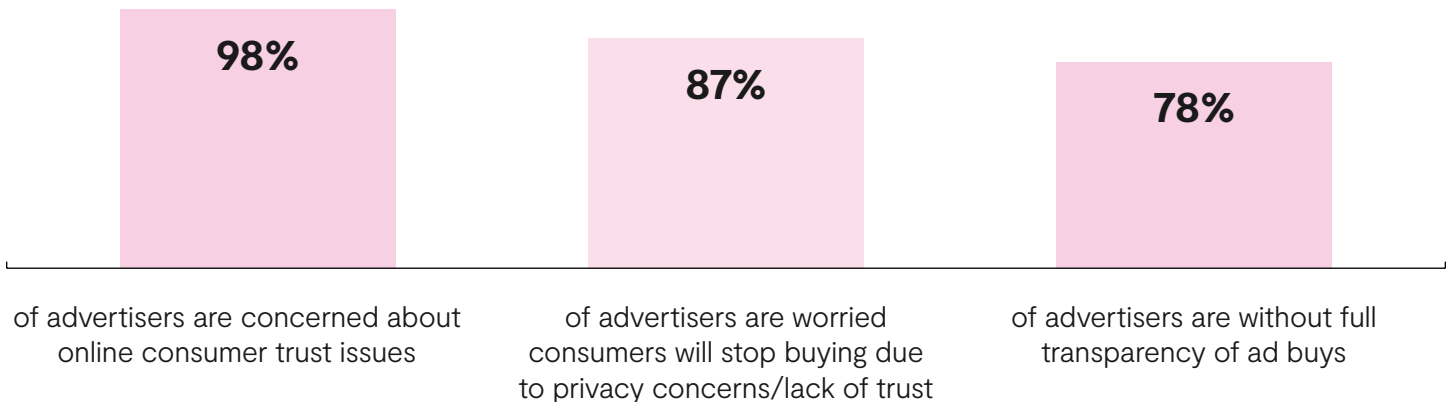
A very high percentage of advertisers (87%) are worried that consumers will stop buying if they feel their online privacy and data is not respected and kept safe.

Advertisers understandably have serious concerns about the impact of privacy on the digital advertising industry. These policy changes by technology platforms and government regulators have impacted digital campaign performance and measurement. An advertising executive noted in the survey they need "more transparency on what we are actually getting, and then better content to encourage consumers to trust us with their information."
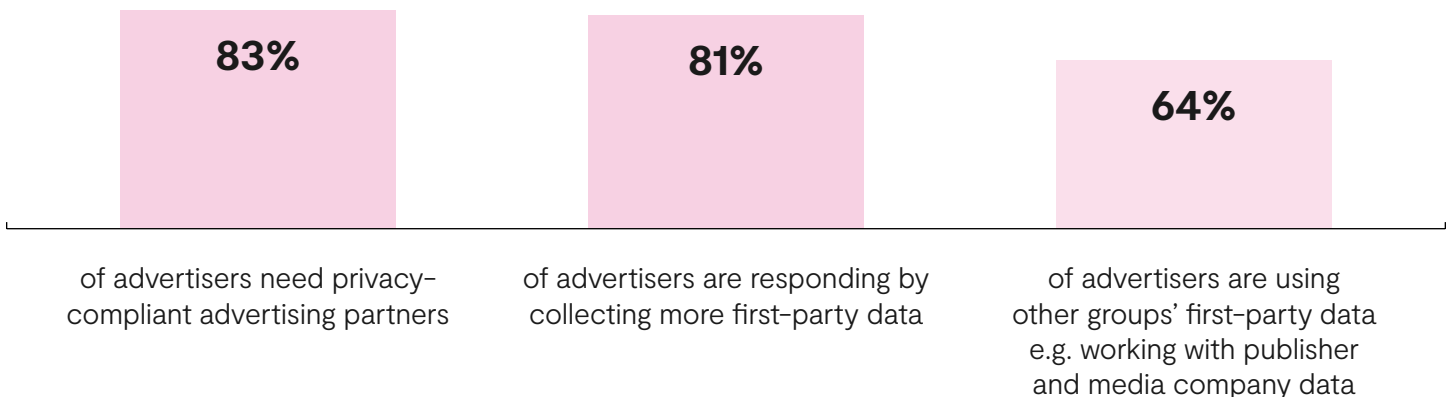
To counter data depreciation, advertisers are making efforts to communicate with their customers, often with a mix of both direct and indirect appeals for data requests and permissions, while focusing on more first-party data collection. These responses and solutions lead back to the quest for more transparency and first-party data, and to the need for privacy-complaint advertising and ethical data practices.

The charts below provide a summary of advertiser survey findings on some of their key challenges compared with how brands are responding.

Challenges for advertisers

98%	87%	78%
of advertisers are concerned about online consumer trust issues	of advertisers are worried consumers will stop buying due to privacy concerns/lack of trust	of advertisers are without full transparency of ad buys

Opportunities

83%	81%	64%
of advertisers need privacy-compliant advertising partners	of advertisers are responding by collecting more first-party data	of advertisers are using other groups' first-party data e.g. working with publisher and media company data

While advertisers are addressing privacy changes and consumer trust concerns by collecting more of their own first-party data, there are limitations to this approach. Advertisers, no longer able to rely on third-party data to power their campaigns at scale, will need to work directly with publishers to enrich their own first-party data. Publishers tend to house far more first-party data than advertisers due to the concentration of users who tend to visit publisher sites.

As a starting point, advertisers should explore how they can use publisher first-party data and their audience cohorts (groups of like-minded users based on similar characteristics and behaviors) to target consumers. With their content and their direct relationships with users, publishers hold the key to consented data and re-establishing a connection with unreachable consumers. And the rich behavioral insights they have go way beyond contextual targeting.

First-Party Data Explained

At its most simple, first-party data is information collected directly from your audience or customers. For example, data is collected when a user engages with an article, signs up for a subscription, or interacts with an ad on the page. Some of the main types of first-party data include:

Behavioral data, which is collected when a user browses a web page. It includes content read, time on page, clicks, scrolling, video engagement, engagement with advertising, or purchases via affiliate links.

Contextual data, which describes the content being read and metadata about an article. It includes author, description, topic, keywords, and publish date.

Declared data, which is provided directly to a publisher by a user. This includes name, location, job title, email addresses, industry, or preferences about specific topics.

Transactional data, which is when a user buys something from a brand or publisher. This data includes time of purchase and product purchased.

Because first-party data goes beyond authenticated data, such as an email, publishers can package this data up into rich, multi-dimensional cohorts built from consented user data.

II. Actions advertisers are taking to build sustainable, data-driven campaigns

Policy changes around online privacy, user identity, and the loss of third-party cookies are resulting in too many advertisers lacking full transparency in segments of their digital ad buys, and their ability to measure online campaigns effectively is at risk.

In response, advertisers are building more direct relationships with customers and publishers and capturing more first-party data. They are focusing on accessing better data and analysis in combination with more effective advertising messaging and content, all with an eye to controlling costs and boosting ROI.

To counter data depreciation, 53% of advertisers are building more direct customer and publisher audience relationships, 49% are gathering and analyzing more first-party and contextual data, and 49% are revising their strategies and tactics. Related to these findings is that 42% of advertisers noted one of their approaches is more direct communication about data consent to their customers and audiences.
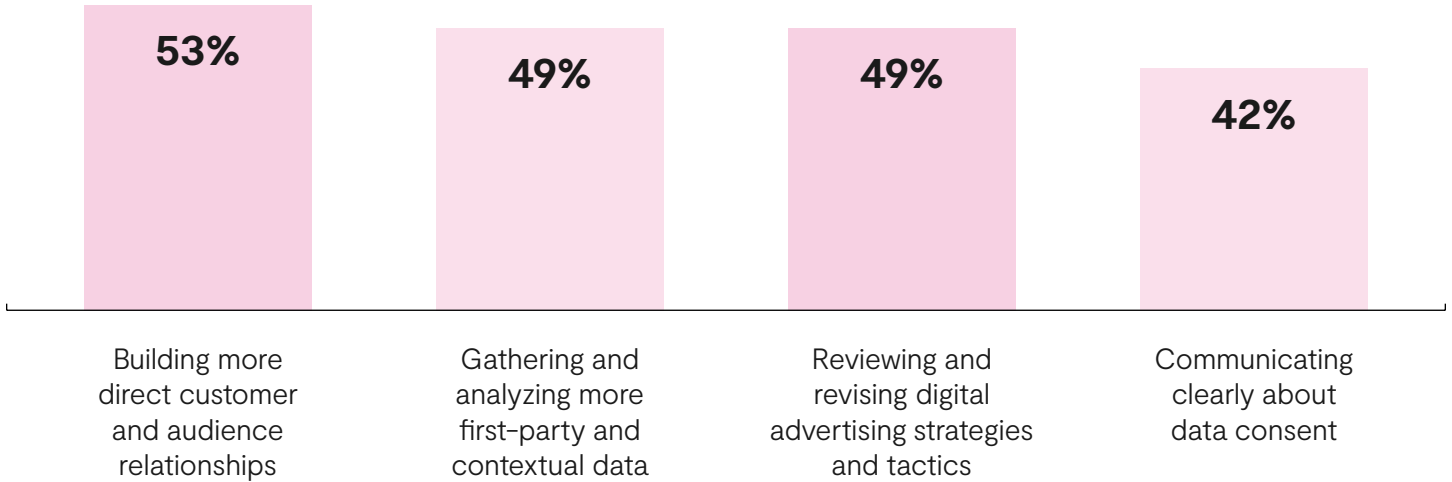
Actions advertisers have taken or plan to take to deal with issues around privacy, user identity, and loss of third-party cookies

The main actions advertisers have taken have been around collecting more first-party data (81%) and using others' first-party data (64%). Advertisers have been reacting to industry changes with more internal actions and are now transitioning to look outward to share and access information with peers and test potential solutions.

Survey Question: What actions have you been taking, or plan to take, to deal with the issues around online privacy, user identity, and loss of third-party cookies? Check all that apply.

	Actions already taken	Plan to take action
Collecting first-party data	81%	26%
Using others' first-party data **(e.g., working with publisher/media company data)**	64%	44%
Using contextual data	60%	46%
Requesting partners to propose solutions	58%	50%
Testing new identity resolution solutions	51%	55%

How advertisers are addressing data deprecation caused by privacy regulation and the loss of third-party cookies

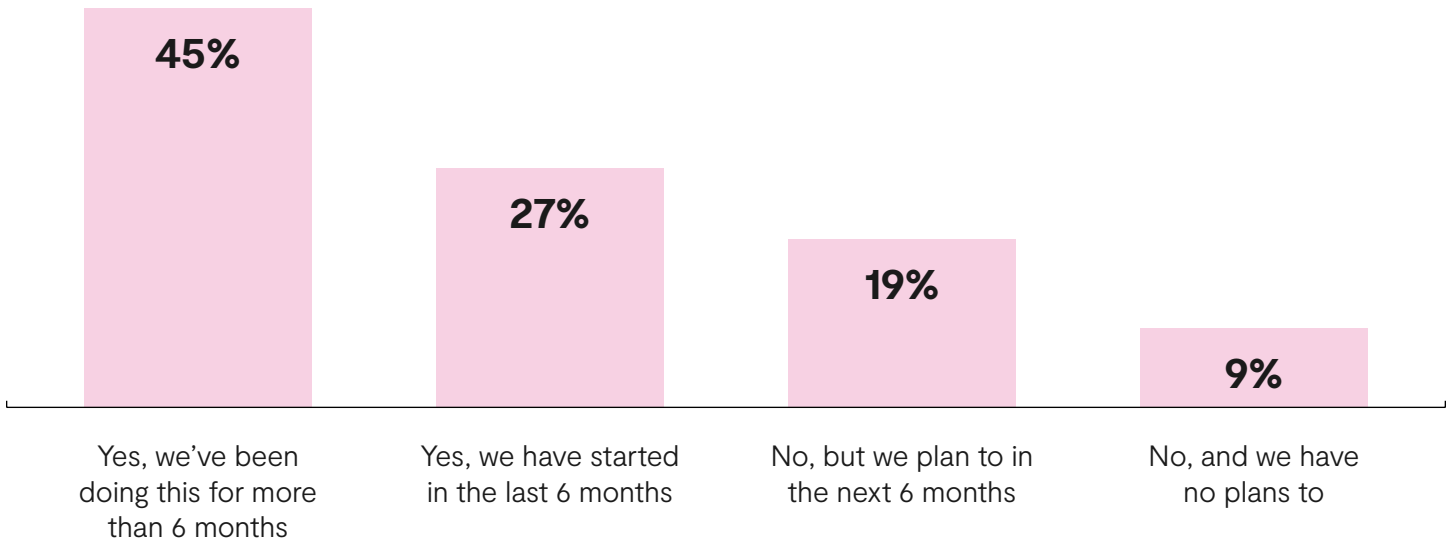| 53%	49%	49%	42%
Building more direct customer and audience relationships	Gathering and analyzing more first-party and contextual data	Reviewing and revising digital advertising strategies and tactics	Communicating clearly about data consent

Gathering and using first-party data is relatively new for over half of advertisers.

Survey Question: Is your company gathering and accessing more first-party data?

While it seems like the industry has been discussing and ideating on evolving privacy concerns and constraints for years, less than half of advertisers say they have been emphasizing gathering and analyzing first-party data for longer than six months. And 27% say their company has only just started to access more first-party data within the last six months (as of mid-2022).

These findings suggest that most advertisers have been lagging behind another segment of the industry that has taken quicker action related to these issues. Some of this lag may be partially due to Google moving their policy change deadline and advertisers continuing to use cookies. Yet clearly the trend is for advertisers to emphasize gathering and accessing more first-party data.

Percentage of advertisers collecting first-party data

45%	27%	19%	9%
Yes, we've been doing this for more than 6 months	Yes, we have started in the last 6 months	No, but we plan to in the next 6 months	No, and we have no plans to

Case Study

While some advertisers are choosing to wait until third-party data vanishes completely, publishers are taking the lead by defining new privacy-safe cohorts, which target groups of like-minded users based on similar characteristics and behaviors without the use of personally identifiable data.

Marketers see the benefits in cohorts as publishers can highlight unique features in their data and audience insights that advertisers can't get elsewhere. For example, US News' first-party audience data allowed their advertisers to see an uplift in engagement of up to two times by activating valuable cohorts. And by overlaying audiences powered by first-party data, Hello! increased brand consideration by over 15% and brand awareness by 129%.

In another example, a global beverage CPG brand that Permutive works with was able to course-correct over-indexing in Chrome to reach double the audience that was previously hidden in Safari. This helped them solve their addressability problems.

A testament to the strength of privacy-safe cohorts, the brand saw 2.1x number of impressions served in Safari versus Chrome, 21% lower CPC and 123% higher CTR compared to the benchmark.

# III. Solutions and benefits: Why advertisers are building first-party data strategies with publishers

Publishers have a wealth of first-party data, and to ensure their strategies are successful advertisers are seeking out solutions that connect them to this data.

The survey found that 67% of advertisers are interested in partner solutions that allow them to use their own first-party data in tandem with publisher/media companies' first-party data. Further, more than 61% want to be able to appropriately use their own data in tandem with other advertisers' first-party data. In addition, over half (56%) of advertisers want solutions that provide the ability to reach publishers' authenticated and unauthenticated users.

Ad buying channels utilization

Survey Question: When working with publishers and media companies, do you usually buy directly with those organizations and/or do you buy via other channels and methods?

Over half of advertisers (56%) say they typically buy directly from publishers and media companies, and 43% indicate they use digital advertising networks. A little over one-third work with agencies related to ad buying.

56%		
	43%	
		37%
Buy direct from publishers/ media companies	Buy via digital advertising networks	Work with agencies
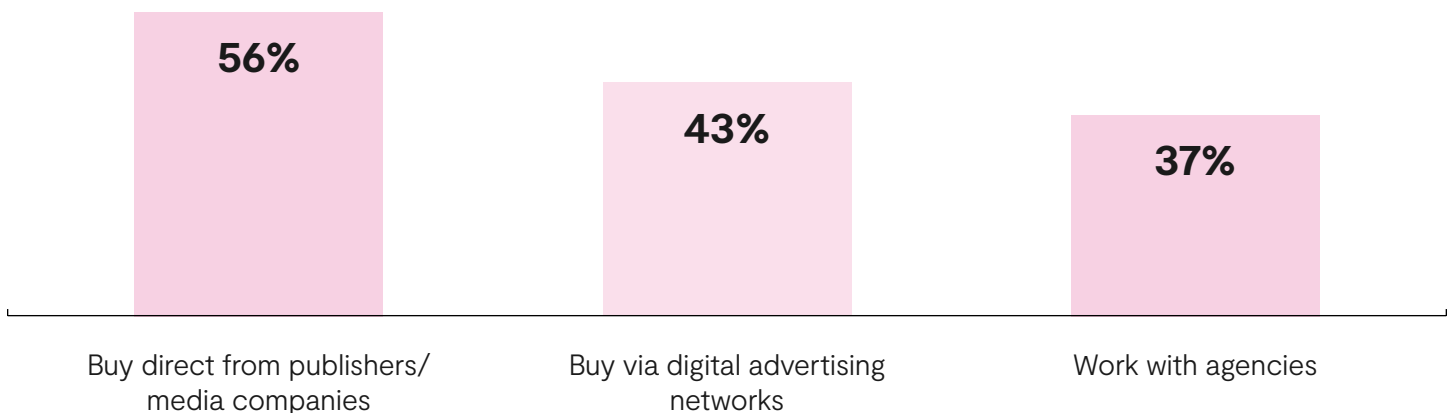
Transparency and customization are the primary benefits of buying directly from publishers and media companies.

By a wide margin the top two benefits of working with publishers and media companies directly are more transparency in ad buying (51%) and better audience customization (46%). Policy changes around online privacy, user identity, and the loss of third–party cookies are resulting in too many advertisers lacking full transparency in segments of their digital ad buys, and their ability to measure online campaigns effectively is at risk. Many advertisers simply don't know what they're buying when they place programmatic ad buys, and they are looking to partner with publishers often along with technology providers to better understand audiences in more context, which leads to better targeting, more effective campaign performance, and increased ROI.

Advertisers on the benefits of buying directly from publishers and media companies

	%
Transparency in ad buying	51%
Customization of target audiences	46%
Unique audience insights	35%
Brand protection	32%
Enhanced relevancy	31%
Better customer/account service	30%
Improved campaign performance	27%
Testing Privacy Sandbox concepts	31%

IV. Future-focus: The industry outlook from advertising experts

How advertisers expect their digital advertising strategy will change over the next few years

This open-ended question asked advertisers to explain their industry outlook for the digital advertising industry. Four key themes emerge in these comments:

1. Continued focus on first-party data collection is expected, as 72% of advertisers are doing this now, and 19% indicated they will start by the end of 2022

2. Increased data ingratiation and analysis

3. More use of cohorts and contextual data

4. Need for transparency in programmatic ad buys

These four themes are interconnected. Advertisers want to create closer relationships with their customers. The way to do this is to build and use specific, unique first-party knowledge of customers while respecting privacy. This is done via first-party data, and specifically with better data collection and use of this type of information through cohorts.

Over the next few years, most advertisers expect they will have access to more data, especially first-party data, and more data analysis will be required. They also expect more audience and cohort/contextual tailored messaging, and that enhanced content development will be part of their focus.

As one advertiser mentioned, *"We will increase our first-party known data acquisition, and we will increase direct partnerships with publishers."*

A brand marketing executive noted the industry will *"continue to evolve, whether it be based on cohort targeting/measuring or looking at a contextual first strategy. One thing is for sure, we will continue to build a rich data ecosystem that informs a more robust buying ecosystem tied to relative business outcomes."*

Other advertiser comments from the research include: *"We will heavily invest only on first-party data."* And another said their company will be *"even more audience focused than now, but with stricter privacy compliance."*

Privacy-compliant ad buys with high levels of transparency are the most important features to advertisers when evaluating technology partners.

When considering post-third-party cookie solutions and services advertisers want many things. High percentages of the survey respondents selected the following as extremely/very important: privacy-compliant advertising (83%); high levels of transparency (82%) and; real-time measurement and insights (76%). *In short, what these findings show is that privacy-compliant advertising is now both the #1 ask and the #1 pain point/top-of-mind issue for advertisers.*

Primary solutions of most interest to advertisers – Extremely/very important together

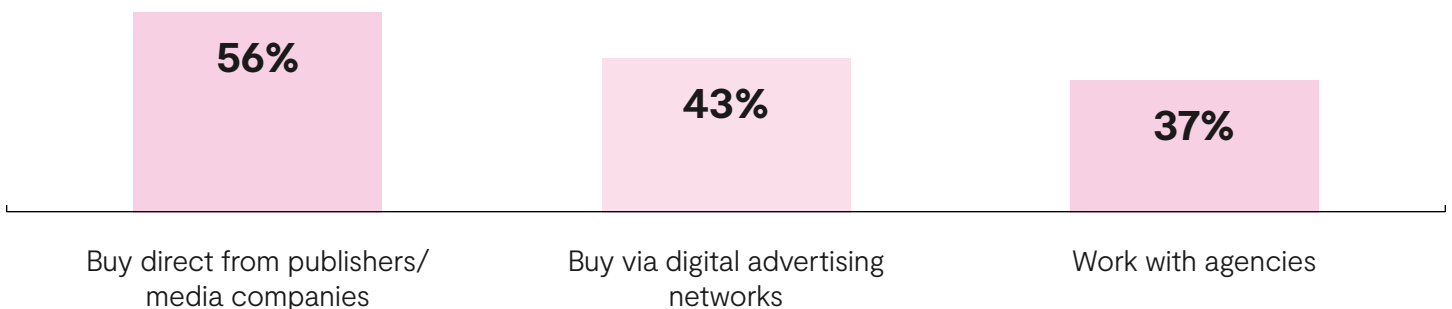| 83%	82%	76%
Privacy-compliant advertising	High levels of transparency	Real-time measurement and insights
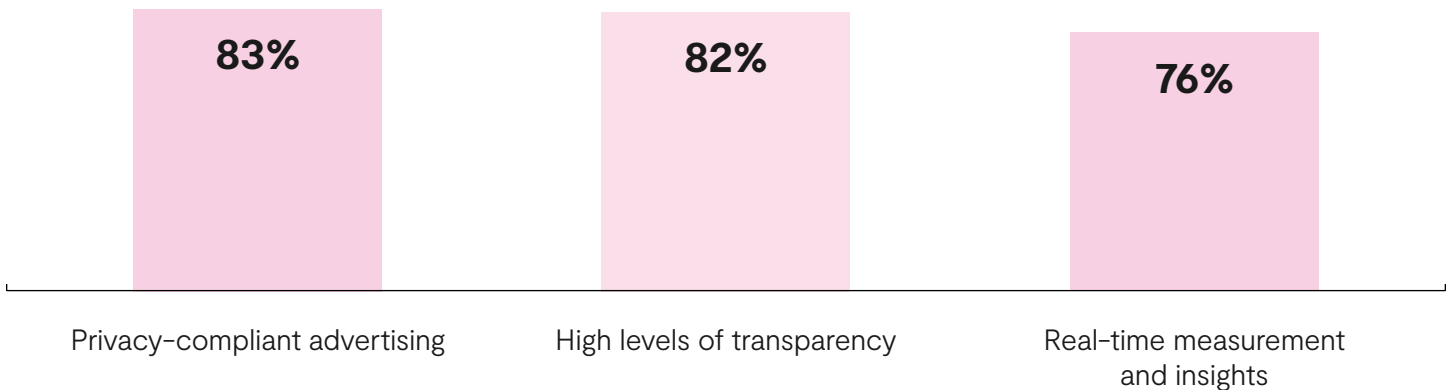
How advertisers are measuring success in a cookie-less advertising world

Survey Question: How are you measuring, or plan to measure, success in a cookie-less advertising world?

A common theme in the write-in responses revealed that many advertisers are using an array of metrics customized to their unique business and market focus. They are also focused on building trust with customers and audiences and increasing engagement levels.

An advertiser commented they are measuring "a mix of walled garden solutions, post-click actions, and Marketing Mix Modeling." Another noted they are looking for "ID-agnostic partnerships." And one other advertiser mentioned they are measuring "engagement, follower growth and sales." Finally, another noted their measurement focus is on "first-party data and geographic test/control."

Ultimately, these comments and other written responses to this question are saying that advertisers are taking measurement seriously and are developing methodologies and practices tailored to their unique needs. And many advertisers noted, or their responses allude to, their need of better ROI analysis of their key campaign performance metrics.

56%	43%	37%
Buy direct from publishers/ media companies	Buy via digital advertising networks	Work with agencies

Methodology and about the respondents

In the second quarter of 2022, Permutive and AdExchanger surveyed a cross-section of leading brand marketers and advertisers. The survey received 220 responses from leading marketing and advertising professionals at large companies in both consumer and business markets in a range of industry sectors. Twenty percent of the respondents are C-levels, and 19% are VPs. Thirty-eight percent are directors, and 18% hold manager-level titles. Twenty-eight percent of the respondents work for companies that have over $500 million in annual revenue. Thirty-two percent work for companies that have annual digital advertising budgets over $1 million.

Respondents' Job Level	%
C-level	20%
EVP/SVP/VP	19%
Director	38%
Manager	18%
Other	4%

Respondents' Company Total Number of Employees	%
Under 1,000	63%
1,001 to 5,000	11%
5,001 to 10,000	8%
Over 10,001	18%

Respondents' Company Revenue in U.S. Dollars	%
Less than $100 million	54%
$100 million to $500 million	18%
$500 million to $1 billion	5%
$1 billion to $10 billion	11%
Over $10 billion	12%

Respondents' Digital Advertising Budget Size

	%
Less than $50,000	26%
$50,001 to $100,000	14%
$100,001 to $500,000	18%
$500,001 to $1 million	9%
Over $1 million	32%

Brands' Percentage of Total Corporate Marketing and Advertising Budget Allocated to Digital Advertising

	%
Under 10%	16%
11% to 25%	21%
26% to 50%	24%
51% to 75%	25%
Over 76%	13%

Respondents' Company Geographic Locations

	%
U.S.	92%
Canada	29%
UK	24%
Germany	14%
France	15%
Other Western Europe	14%
Other	13%

About Permutive

Permutive empowers publishers and advertisers to address all of their audiences in-the-moment, whilst protecting privacy and respecting consumer consent. Our Audience Platform enables publishers and advertisers to activate audiences responsibly at scale and effectively use first-party data, without ever exposing consumers' personal information.

Permutive is listed in YCombinator's Top 150 companies of all time and is trusted by the world's largest publishers and advertisers, including News Corp, Hearst, BuzzFeed, Penske Media, Future plc, The Guardian, Vox Media, Insider, Hubert Burda Media and Condé Nast International. Find out more at permutive.com

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