

EU affairs

egta insight

**THE FUTURE OF ONLINE ADVERTISING
WITHOUT 3RD PARTY COOKIES**

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INTRODUCTION: THE END OF 3RD PARTY COOKIES

In January 2020, Google confirmed in a blog post that it would phase out the use of 3rd party cookies in its browser Chrome within 2 years. With over 60% of the global browser market, the Chrome announcement, in addition to similar moves by Safari and Firefox, means that by January 2022, 3rd party cookies will be de facto impossible to use across the web.

Why did Google feel compelled to make such a move? Chrome essentially found themselves between a rock and a hard place. With privacy concerns and the associated regulatory pressure increasing and virtually everyone else addressing cross-site tracking forcefully (Safari, Firefox, Edge more recently, as well as other niche browsers such as Brave), Chrome was faced with the choice of either reacting in kind or running the real risk of losing significant market share. Google's primary source of revenue is data/advertising, therefore, doing nothing was never an option, meaning that Google had to adapt to the new world, hence the announcement and envisioned timeline.

Because of Google's business model they cannot adopt the same approach as the other browsers. They have taken the conversation about future alternative models to the worldwide web consortium (W3C), the only forum where they can hope to control the conversation and achieve consensus with other browsers while also advocating for measures which are friendlier to the ecosystem than further indiscriminate blocking implemented by other browsers.

Preventing cross-site targeting through the use of 3rd party cookies could have profound effects on the internet ecosystem, which we will assess in the second section. This is why different industry

forums are discussing coordinated approaches to introduce technical alternatives in support of targeted advertising (see third section).

PART 1: IMPACT OF THE END OF 3RD PARTY COOKIES — USE CASES

The phasing out of, and eventual end of, third-party cookies will have significant consequences for the entire ad tech ecosystem, not least for broadcasters – in particular when it comes to audience targeting, audience measurement, attribution and conversion measurement in digital advertising.

A cross industry concern is that initiatives such as Google's Privacy Sandbox (see the next section for more details) could accentuate the existing dominance of the walled gardens. Global ad tech players (e.g. GAFA) might further consolidate their dominance in the advertising market as they will have full control over user data. Such large players may require that their advertising partners (publishers and buyers) load all of their data related to their campaigns into the sandbox while giving them very limited access to campaign results (which might also not be independently verified). Using rich consumer profiles at a people-based level, mega-platforms will offer unrivalled addressability, and in doing so, make it even harder for smaller publishers to stand out. This may have negative effects on the transparency of ad buy transactions and reporting.

The end of cookies will heavily impact the way the ad industry **measures ad performance** of campaigns across different publishers' websites. Measurement tools that rely on third-party cookies will be disrupted. **Optimisation, frequency capping and setting** across multiple walled gardens and publisher outlets will have to be based on different tools. With engagement planning, CPM-based buying will most likely transition into models that focus more on users' actions/engagement (e.g.

cost-per-view). In the context of video advertising – the notion of *view* and the *viewability* criteria will become central pillars of the new system. The need for transparency driven by an independent data verification and auditing will also play a pivotal role in this new reality.

In the absence of third-party cookies, walled gardens will offer **attribution** within their publishing domain, to the advantage of big data owners, who can provide the most consistent audience profiling. With the advances in automation on individual publisher networks, there will be a greater need for machine-learning-based attribution techniques that quantify the brand-building efforts.

Everything else from analytics to conversion measurement, fraud prevention, product improvement and bot detection will be affected by the new post-cookie reality. Not to mention the logical resurgence of contextual advertising.

To sustain their revenue streams, many online publishers (including broadcasters) will have to intensify their efforts to develop effective data strategies and activate their audiences. The development of clear and effective consent mechanisms will become a must for all online publishers. Furthermore, in a cookie-less world, those TV companies with video extensions in their portfolios will be one of the few actors with qualitative audience data (accurate, consent-based information).

To take full advantage of this strategic shift, online publishers and broadcasters will have to focus on educating media buyers on the opportunities that a world without third-party cookies offers, and the benefits of the premium first-party data at their disposal.

PART 2: TECHNICAL ALTERNATIVES TO 3RD PARTY COOKIES

Today, much of the programmatic industry is fundamentally built upon third-party cookies. The end of the 3rd party cookie therefore raises concerns over the industry's future and in particular over publisher's capacity to monetise their content, given the steep revenue declines seen when Safari's Intelligent Tracking Protection was first introduced.

To avoid a dramatic drop in advertising revenue, different initiatives have emerged to consider alternatives to the existing online advertising model.

The current industry discussions are taking place through three main fora/initiatives which we have summarised below:

- Google's Privacy Sandbox;
- The World Wide Web Consortium (W3C) Improving Web Advertising' Business Group;
- The Internet Advertising Bureau's Project Rearc.

1.1 Google's Privacy Sandbox

Google's Privacy Sandbox was originally announced in a blog post from August 2019. This initiative was meant *"to develop a set of open standards to fundamentally enhance privacy on the web"*, *"a secure environment for personalization that also protects user privacy"*.

At the time, Google was trying to respond to uncoordinated moves by competing browsers (Safari, Firefox) to prohibit the use of third-party cookies while sustaining the online advertising ecosystem on which its revenue (and the revenue of the majority of online publishers) relies.

a. Structure

In theory, the project is 'open to all' however the process is entirely at the discretion of Google, with little information with regards to the timeline, for example.

b. Technical solutions

The Privacy Sandbox revolves around two major principles:

- removing all unique identifiers (as opposed to project Rearc), therefore not allowing cross-site tracking;
- centralising user data (such as interests, ad seen/clicked, conversion data, or web browsing behaviour) into the browser where it will be stored and processed in a protected environment.

The browser could then allow access to this "sandbox" in a granular way for parties that the user trusts (publisher, advertiser) and in a more controlled way for parties that the user does not trust directly (trusted parties of the 1st parties).

Google has proposed several tools to implement these principles, attached to different business use cases:

Advertising and real-time bidding:

The FLoC (Federated Learnings Of Cohorts) proposal focuses on people's general interests ("show this ad to Classical Music Lovers") while TURTLEDOVE (Two Uncorrelated Requests, Then Locally-Executed Decision On Victory) looks at marketing based on specific previous actions the person has taken (e.g., "offer a discount on some shoes that you left in a shopping cart").

- Interest-based marketing – [FLoC](#): in this model, the browser itself determines interest categories and allows advertisers access to those. Advertisers and ad networks have no control over what groups people are in. The

browser groups together flocks of “similar people”, with wide latitude in how it comes up with its notion of similarity.

- Remarketing – [TURTLEDOVE](#) (previously known as PIGIN – Private Interest Groups Including Noise): the Turtledove solution would centralise 1st party information on which category a user belongs to into the browser. This category can later be revealed to trusted ad networks of the 1st party through two uncorrelated ad requests which could take place at different times:
 - A contextual ad request: the web page’s “normal” ad request to the ad network containing information about the context in which the ad will appear (e.g. the page URL, ad size and location, etc.) and any first-party targeting information. It is not affected by the browser’s interest group memberships.
 - An interest-group request: an additional ad request, of a new and different type, constructed by the browser and sent to the same publisher ad network. It does not contain any information about any web page or about the person visiting it. Instead it contains information about a small collection of interest-groups to target.

It would be the browser’s responsibility to keep these two ad requests independent and uncorrelated – that is, to not let any ad network know that these two requests are for the same person – possibly by sending them at different times.

Advertisers would be able to serve ads based on an interest, but could not combine that interest with other information about the person – in particular, with who they are or what page they are visiting. Conversely, websites the person visits (1st parties) and the ad networks those sites use could not learn about their visitors’ ad interests.

Another major change is that ad auctions would be executed at browser level instead of on a server/ad exchange.

Within this work stream, Google is also considering measures to allow exclusions (preventing an ad from being displayed, e.g. once a user has bought a product).

Ad conversion measurement:

- Aggregate reporting API: data for reporting would be collected by the browser, not by 3rd parties. 3rd parties would only get an aggregated report sent by the browser, not the individual data points.
- Conversion measurement API: it would allow brands to measure click-through conversions. As for the Aggregate Reporting API, the data would be stored by the browser and released to the 3rd parties at a later stage.

Other privacy tools:

- Privacy Budget – avoiding fingerprinting: this tool would limit the amount of data that websites can access through potentially sensitive APIs. Each website would have a “budget,” and if it goes over budget, the browser will cut off its access.
- Trust Tokens – combating Spam and Fraud: this solution is meant to replace the CAPTCHA identification system. It will ask a Chrome user just once to fill out a CAPTCHA-like program and then rely on anonymous “trust tokens” to prove in the future that this person is a real-life human.

There is still a lot of unknowns about Google’s proposals, for example regarding the capacity to carry multiple or chained auctions through Turtledove, or to what extent advertisers will be able to follow the user journey and how multiple attributions (including not only clicks but also views) will be reported within the conversion measurement tools.



c. Impact on online advertising (publishers/ad tech/Google/advertisers):

Google's proposals have so many implications that it is difficult to even know where to start.

The first, obvious implication is that Google itself acknowledges the fact that targeting will be less granular in the future, as shown by its targeting models based on cohorts.

Google's proposals imply fundamental changes in the way ad requests are made and deals are reached. The new system would centralise a lot of information in browsers making them even more crucial players in the future of online advertising. Browsers and big walled gardens could end up tightening their grasp on the online advertising market, threatening the existence of some adtech players (ad exchanges, SSPs, DSP). Technical implementation in itself could already prove challenging.

For publishers (including broadcasters), one possible unexpected consequence would be a lack of control of users' privacy: while today publishers can choose not to share user information for profiling through 3rd cookies, the information gathering and profiling would, under this proposal, take place at the browser level. At the same time, user control over online advertising could increase, as browsers could offer a user interface that provides insight into why they saw those ads, what interest groups they are in, and how they got there, as well as control over both past and future group memberships.

In terms of measurement, metrics that today can be measured exactly will be replaced with aggregate estimators that include error bars. With the end of 3rd party cookies, many advertisers will find themselves even more dependent on the granularity of information provided by browsers (e.g. conversion/attribution measurement).

► **For more information:**

- <https://www.chromium.org/Home/chromium-privacy/privacy-sandbox>
- <https://digiday.com/marketing/wtf-googles-privacy-sandbox/>

1.2 W3C – ‘Improving Web Advertising’ Business Group

The World Wide Web Consortium (W3C) is the global standard-making body for the web. It initiated some standards that are widely used today, such as HTML, CSS, XML.

a. Structure

The W3C ‘Improving Web Advertising’ Business Group has been tasked with looking into the changes implied by the removal of third-party identifiers and to evaluate possible solutions to the issues generated by those changes.

This Business Group is a forum for discussion composed of 155 participants, including all browsers and other interested companies: e.g. Facebook, MediaMath, Criteo, Verizon, Axel Springer, Hearst Magazines, European netID Foundation, Ogilvy, Salesforce, Nielsen, Amazon, etc.

b. Timeline

No fixed timeline has yet been set to deliver a solution. Once the Business group has built the requirements and use cases, these will be transmitted to an official Working Group approved by the W3C Board, which in turn will work on technical specifications.

c. Technical solutions

The Business Group’s work seems to be heavily driven by Google, with most proposals under discussion coming from them. Google/Chrome also has the most significant representation in terms of participants to the group (note: the IAB Tech Lab is

also part of the Business Group).

This is logical as the W3C can be seen as one of the places where Google can hope to control the conversation and achieve consensus with other browsers. In W3C, Google positions itself as fighting for measures which are friendlier to the internet ecosystem in terms of revenues than the indiscriminate blocking implemented by other browsers.

d. Impact on online advertising

As a large part of the discussions seem to revolve around Google’s proposals, one can expect a similar impact on online advertising to the privacy sandbox.

Something to keep in mind is that W3C standards are always optional for members to apply. Nobody can guarantee that browsers will play fair and implement the new standards that will be agreed at industry level.

1.3 IAB US – Project Rearch

Project Rearch was announced by the Internet Advertising Bureau in February 2020 in what appears to be a direct response to Google’s announcement.

a. Structure

The Project Rearch Task Force is part of the IAB Tech Lab but is open to members and non-members. It allows discussions across the digital supply chain to re-architect digital marketing to support core industry use cases, while balancing consumer privacy and personalisation. It involves publisher/buyer/platform communities, specialised trade bodies, and consumer advocacy/NGOs.

Two Technical Working Groups on addressability and accountability are open to Tech Lab members only.

Project Rearch participants want to have an alternative to the Google/Apple fight. 3rd party



companies that compete with Google in the online advertising market are largely represented (DSPs, SSPs).

b. Timeline

The IAB has set an ambitious one-year timeline, with a shift towards a new system taking place in Q2 2021 (one year before Google's planned deadline for the phasing out of 3rd party cookies).

The short timeline demonstrates the willingness of some IAB Tech Lab members to preempt Google's move, also under pressure from the brands who otherwise risk moving their budgets to the walled gardens.

c. Technical solutions

Discussions are at an early stage, but the first reports point at a system that would also get rid of 3rd party cookies while still being based on some sort of identifier. However, this would not be a

universal identifier. It could be done through the creation of a specific identifier per 3rd party, with two 3rd parties being unable to match such IDs for the same consumer.

d. Impact on online advertising

Rearc's mission is to harmonise privacy and personalisation but without impacting the online ad industry as adversely as the browsers' projects. This is entirely understandable given the membership of the IAB where adtech third parties are well represented. Because of the uncertainty around the type of technical solution envisaged, it is difficult to evaluate the potential impact on the industry yet.

► For more information:

- <https://iabtechlab.com/project-rearc/>

CONCLUSION AND EGTA ADVICE

In a nutshell, the proposed alternatives can be summarised as follows.

Less data sharing		▶	More data sharing	
Google's Privacy Sandbox		Project Rearc	Current situation	
1 st party tracking only		1 st party tracking	1 st and 3 rd party tracking	
On-device data (targeting, measurement)		Consumer ID connecting publishers and trusted brands	Consumer IDs passed via real-time bidding	
Audiences via "cohorts"				

In general terms, Google and the W3C's work appears to focus more on limited cross-sharing solutions, where Project Rearc aims to maintain data sharing as open as possible while mitigating privacy concerns.

The different processes are both of a technical nature and highly political, considering their ability to redefine financial flows within the online advertising value chain. They also carry complicated intricacies, with Google participating in the elaboration of competing frameworks in the W3C and in Project Rearc (through its IAB membership), while IAB has a say in the W3C discussion and has put pressure on Google by setting an aggressive timeline.

Because of the early stage of discussions, there are still many uncertainties which will need to be ironed out, such as:

- the fate of real-time bidding, i.e. to what extent the new systems will allow for real- multiple/ chained auctions.
- advertisers's decreased ability to follow user journeys and the level of granularity in campaign measurement may affect advertising pricing methods and advertising prices themselves.
- the effect that these projects will have on other industry standards, such as IAB Europe's [Transparency and Consent Framework](#): the TCF

was a response to a regulatory environment and in that sense may still remain relevant in the future, although the future of real-time bidding (the main technology which it was created to support) remains uncertain. Project Rearc, Sandbox and the W3C work are all responses to industry changes imposed by browsers, who move faster than regulators.

In conclusion, the next year and a half will determine the future of online advertising. As the trade body for TV and radio sales houses, egta stands ready to help its members by informing them and defending their interests.

Here is **our advice to navigate the coming months:**

- **Follow the developments** of the projects mentioned above, stay informed either directly or through your trade bodies (egta is happy to help in this). All these projects are moving targets, so it is too early to jump to conclusions and to take critical business decisions. However, what is striking (and concerning) is the lack of representation of European actors, and more importantly publishers and broadcasters in these discussions. We would encourage egta members to get involved in these fora at an early stage through the technical experts at your disposal. Should you need information on how to join the respective groups, please do not hesitate to contact us.

- **Assess the pros and cons** of each proposed solution. All actors are trying to move the industry in a direction that favours their activity and broadcasters will need to position themselves at some point.
 - Google is clearly working in its own interest by 1) countering competitors' moves and neutralising their competitive advantage in privacy, 2) allaying regulators and consumers' concerns, 3) supporting the online advertising business which it relies upon, and 4) centralising data operations through the browser when it owns the market leader in that field.
 - More than ever, Google is a frenemy, working to support the advertising ecosystem funding the media while capturing a large part of its revenue. However, at the same time, it may appear as a more 'reasonable' interlocutor than other browser-owning organisations which bluntly decided to cut access to third party cookies without consulting the rest of the industry (Safari, Firefox).
 - IAB's Project Rearc may represent an alternative to the walled gardens, however, it represents largely third-party ad tech companies that have also been accused of siphoning publishers' revenues.
- **Privacy concerns will not disappear:** even if suggested approaches are meant to address privacy concerns and to improve the situation in this regard, this does not imply that they are exempt from criticism. Look for example at this article (<https://www.eff.org/nl/deeplinks/2019/08/dont-play-googles-privacy-sandbox-1>) for a critical assessment of Google's proposals. IAB's proposed solution may be even less convincing in terms of privacy protection for the user.
- **Don't underplay your strengths.** The possibility of an end to 3rd party-cookies is a concern for many broadcasters, considering the loss of revenue following similar decisions by Safari and Firefox. However, in the long run broadcasters have many advantages even in a contextual-only environment: reach, quality content, a safe environment for brands. With the addition of a sound data strategy both internally and externally (cooperation with other industry players, e.g. through common login systems), broadcasters might be in a favourable position to leverage their 1st party data in order to provide a competitive offer to advertisers.

MORE ON THIS TOPIC

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MORE ON EGTA

egta - association of television and radio sales houses

egta is the Brussels-based trade association of more than 150 television and radio advertising sales houses. egta's members are spread across 43 countries, mainly in Europe. Together, egta's TV members represent over 75% of the European television advertising market, whilst egta radio members collect 50% of radio advertising revenues in countries where they are active.

As sales houses of both public and private broadcasters, egta members commercialise the advertising space around audiovisual content available on platforms such as traditional television and radio sets, tablets, smartphones, PCs, Smart TVs and other Internet-connected devices.



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