

Cookieless Strategies With a Dash of AI:

Taking a Bite Out of Contextual Targeting

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Learn how contextual targeting is providing an opportunity for advertisers and marketers to take control of their campaigns and drive successful, effective results. These insights will help you identify how to tackle cookieless digital environments and leverage contextual advertising strategies for your programmatic campaigns.

Disclaimer:

To assess this opportunity, StackAdapt, in partnership with ad industry business intelligence firm Advertiser Perceptions (www.advertiserperceptions.com), conducted a survey in Q2 of 2022. The survey included 150 agency and brand advertising decision makers across the US with over \$500k total annual advertising spend in programmatic digital advertising. The result was a research-driven report that measures the preparedness of advertisers for cookieless advertising and how you can capitalize on the contextual advertising opportunity.

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INTRODUCTION

The State of The Cookie

As the programmatic landscape evolves, more limitations are placed on the environments in which cookies exist. With the increased adoption of privacy-related regulations, such as the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA), cookies are the focal point of discussion for programmatic campaigns. In fact, this study found that **95% of advertisers place at least some priority on finding solutions for cookieless scenarios.**

Contrary to the popular misconception that cookies will soon crumble into the data abyss, there are many instances where cookies will continue to remain relevant. This includes 1st-party

data collection and tracking, where consent is given, and several 3rd-party tracking mechanisms that are highly regulated.

What about the rest? In the environments where a cookie cannot be placed or tracked, are advertisers left without targeting capabilities? Thanks to contextual advertising solutions, the answer is no.

Contextual advertising solutions have resurfaced as the preferred method of reaching the right audience, at the right time, and in the right context. **Two-thirds of advertisers believe that contextual targeting will be more important in a cookieless environment,** according to this study.

INTRODUCTION: THE STATE OF THE COOKIE

Contextual advertising is evolving, thanks to innovations in machine learning and AI. Traditional contextual advertising leverages keywords and phrases that are applicable to your campaign, and then assigns rules so your ads can be accurately aligned with the relevant content. Now, advertisers can target not only keywords, but in and out of context phrases on a webpage. This enables them to unlock a more personalized and efficient targeting method.

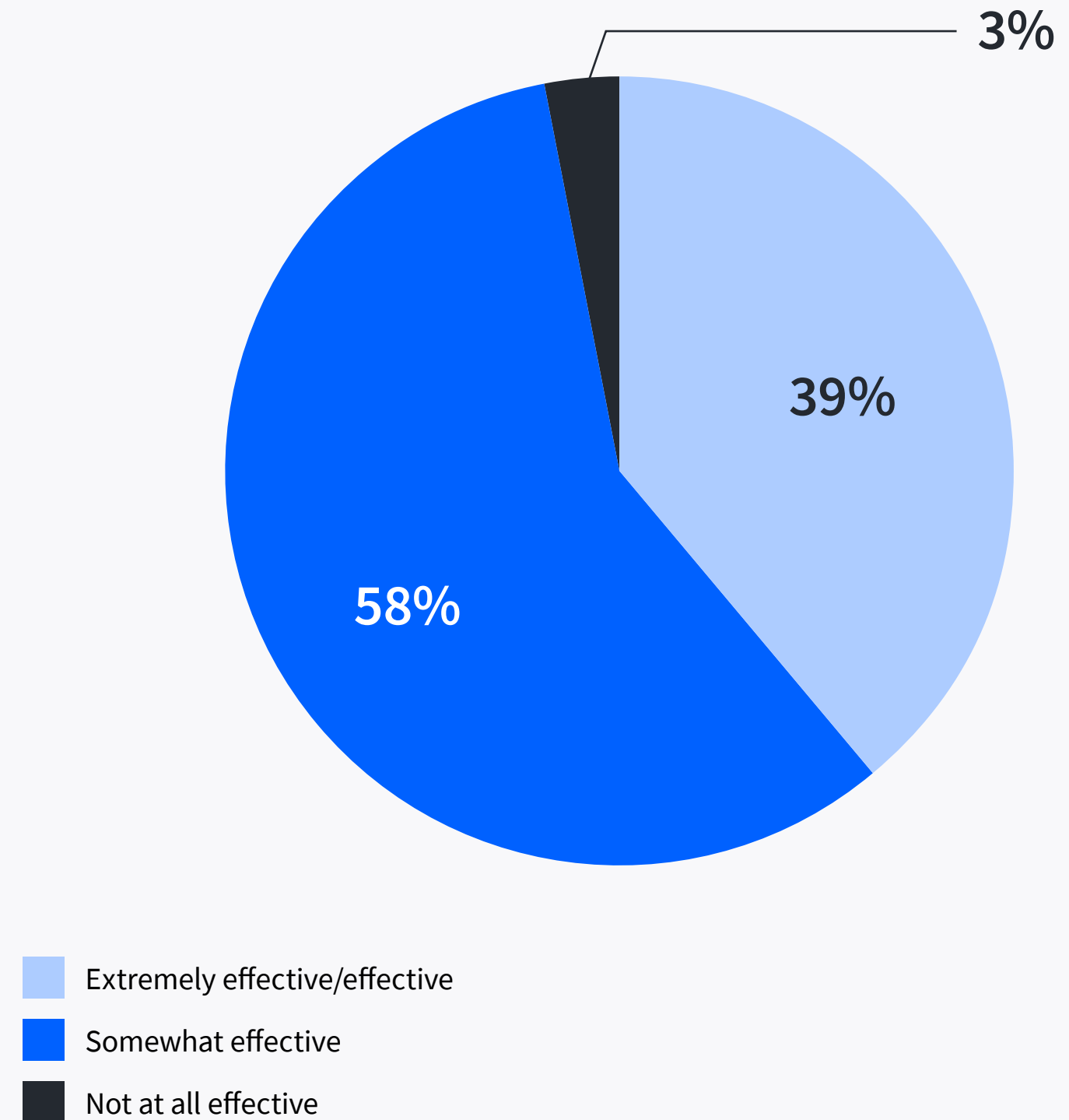
Contextual targeting has emerged as the cookieless targeting tactic that will not only fill the void that cookies have left in the digital pantry, but has also earned its place as a high-performing tactic for modern marketers. When asked, 97% of the marketers we surveyed were confident that digital advertising would remain at least somewhat effective without the use of 3rd-party cookies.

The time to embrace contextual advertising is upon us, and we have identified the reasons why you need to consider turning this tactic on sooner rather than later.

Nearly all advertisers believe digital advertising will remain at least somewhat effective in the cookieless world.

Effectiveness of Digital Ads in a Cookieless World

Percent of Respondents



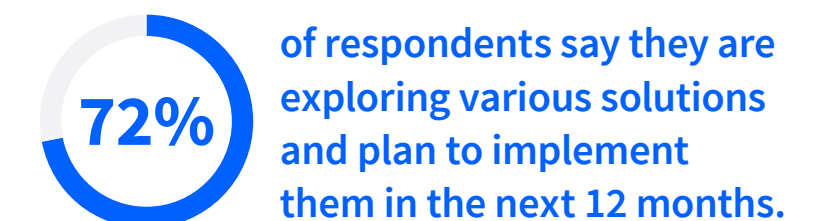
THE TIME FOR CONTEXTUAL IS NOW

The Time for Contextual is Now

Advertisers are embracing the need for advanced targeting options, and **66% believe that contextual targeting will be more important in a cookieless environment**. There is no doubt that cookieless advertising is becoming more widespread, and advertisers consider these innovative strategies a priority.

With growing limitations on the use of 3rd-party cookies, US advertisers are facing challenges in audience identification, targeting and optimization. Regardless, advertisers are also presented with opportunities. There are opportunities to better leverage 1st-party data, contextual targeting, artificial intelligence, and machine learning to deepen relationships with their customers.

Agency advertisers are anticipating the rapid shift to new targeting methodologies, and yet brand marketers are placing more emphasis on this shift, with 14% citing critical priority. Brand marketers are taking charge of their campaigns, and agencies now have an opportunity to match the need for speed that is becoming apparent.



THE TIME FOR CONTEXTUAL IS NOW

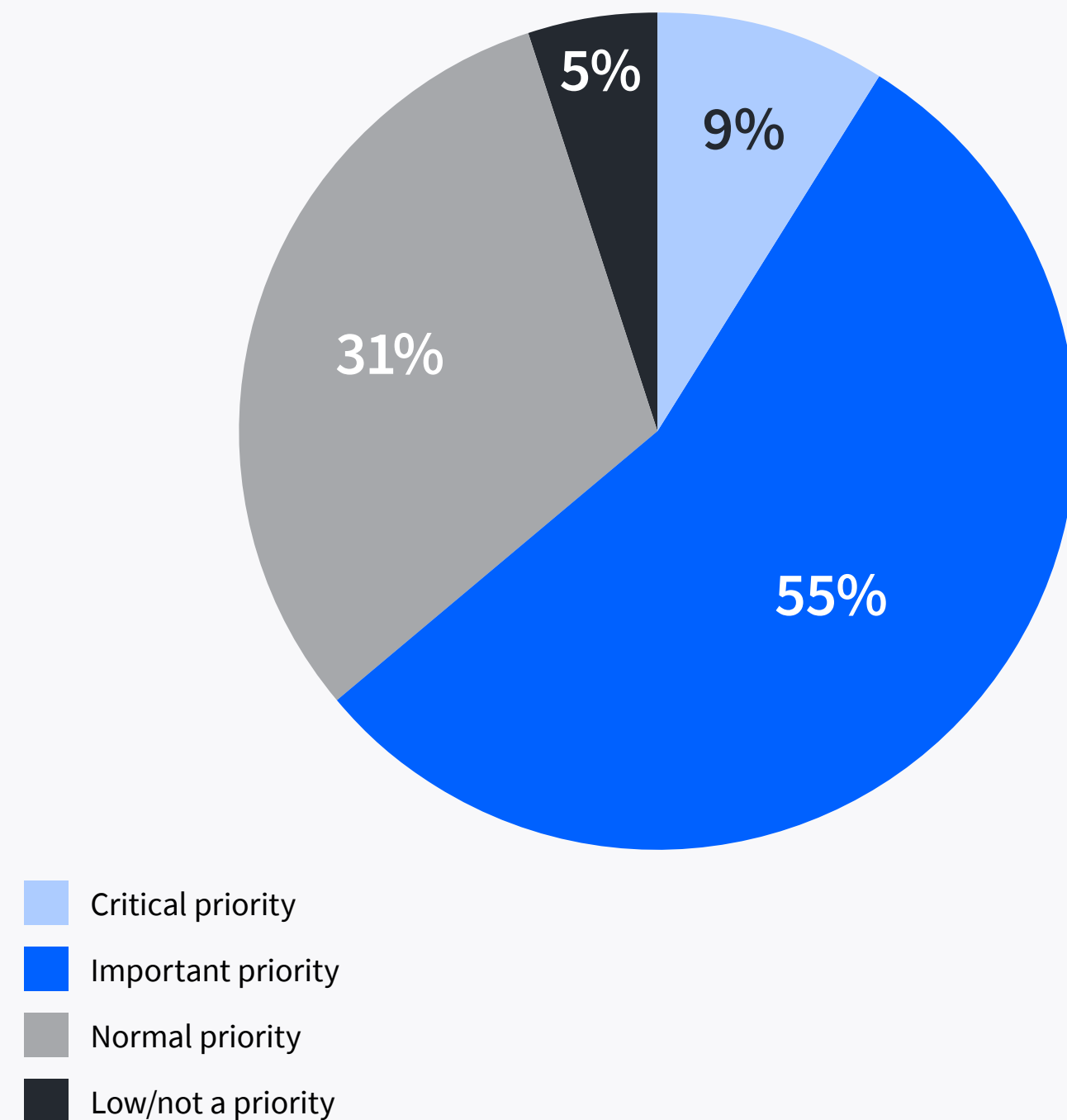
Although advertisers understand that contextual strategies must be implemented, few have started. **Only 1 in 5 advertisers have actually implemented solutions, with the majority of respondents citing that they are exploring potential solutions.**

This is a step in the right direction, but in advertising, speed is of the essence. To lessen the time to activation, advertisers must start testing solutions now. As contextual targeting solutions rely on the context of the page a user is reading, it requires an appropriate amount of testing to determine the most engaging and relevant keywords. Additionally, if a solution has machine learning and AI-driven capabilities, the sooner a campaign can launch to establish appropriate success metrics, the better.

The takeaway is simple: the sooner you implement contextual strategies, the better off your campaigns will be. In many cases, contextual targeting has demonstrated higher performance than behavioural targeting tactics. If used in conjunction with audience targeting, you will be equipped to perform in all environments, cookies or not.

95% of advertisers place some priority on finding solutions for the cookieless future.

Priority Placed on Finding Solutions to Address the Cookieless Future
Percent of Respondents

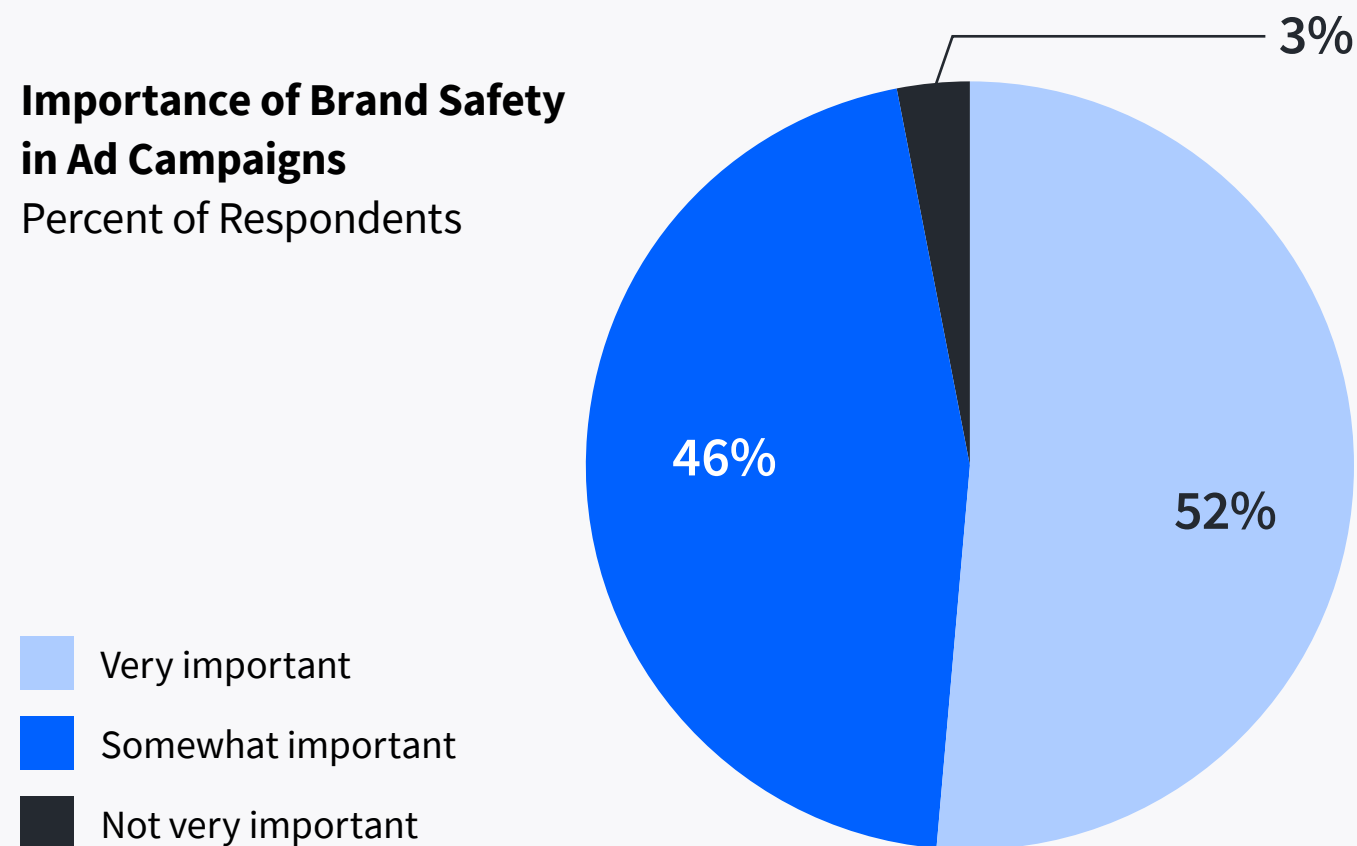


The Efficiency of Contextual Advertising

Brand safety is top of mind for all advertisers and marketers because the holy grail of programmatic is performance married with brand safety. Nearly all advertisers affirm that contextual targeting aligns with brand safety at least most of the time. This creates the perfect scenario for advertisers: They can adopt contextual advertising without fear of the unknown.

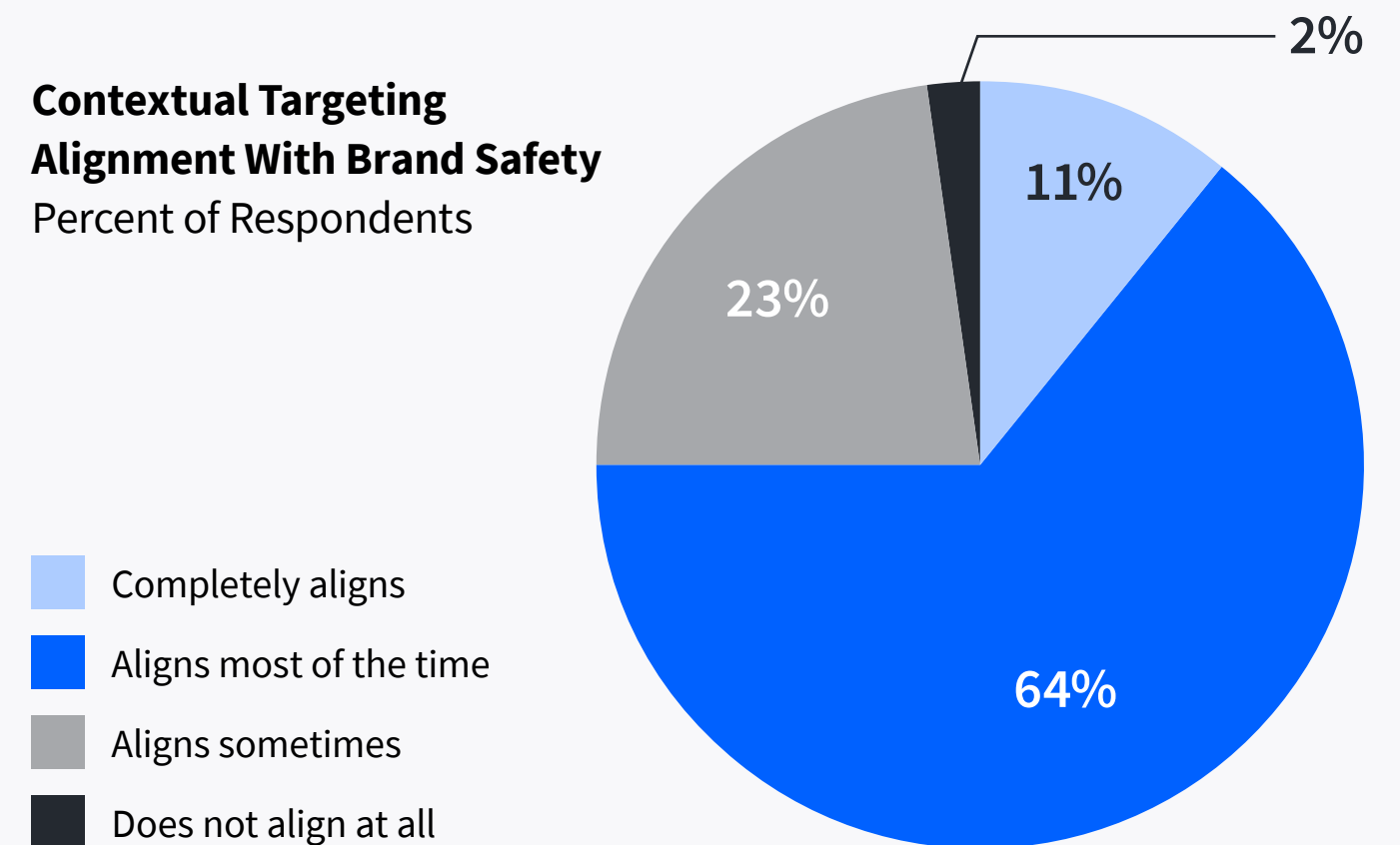
Nearly all respondents believe brand safety is important in their ad campaigns.

Importance of Brand Safety in Ad Campaigns
Percent of Respondents



Three-quarters of advertisers affirm that contextual targeting aligns with brand safety at least most of the time.

Contextual Targeting Alignment With Brand Safety
Percent of Respondents



EFFICIENCY OF CONTEXTUAL ADVERTISING

Effective campaigns that are brand safe and highly targeted produce efficient results. By introducing machine learning and AI into the mix, advertisers have a perfect recipe for success. With a highly automated approach to contextual, advertisers can trust the platforms they are leveraging for their campaigns to handle the heavy data lift.

The challenges of cookieless environments cited by survey respondents were mainly around inefficiencies in performance and inability to find the right audience. However, the increased use of machine learning and AI in contextual targeting allows ads to be served in highly relevant environments. Since ads are served within a relevant context, at a specific moment in time that is relevant to the user, there is little room for misalignment.

Targeting (both effectiveness and cost), along with measurement are the top concerns of a cookieless future.

Challenges a Cookieless Future Will Present to Digital Advertising

Percent of Respondents

Cost increases due to inefficient targeting

61%

Less effective targeting

61%

Increased difficulties with measurement

58%

Ads are not served to the correct consumers

54%

Inability to personalize ads

48%

Decreased ability to collect first-party data without specific permission

43%

Respondents agree that contextual advertising plays a big role in ensuring digital remains effective in cookieless environments. This is a strong indication that the need for contextual strategies is growing as quickly as cookieless environments are becoming prominent. Fifty-one percent of advertisers agree that contextual aligns with audience interests, which supports the notion that contextual targeting can be as successful and efficient as audience targeting.

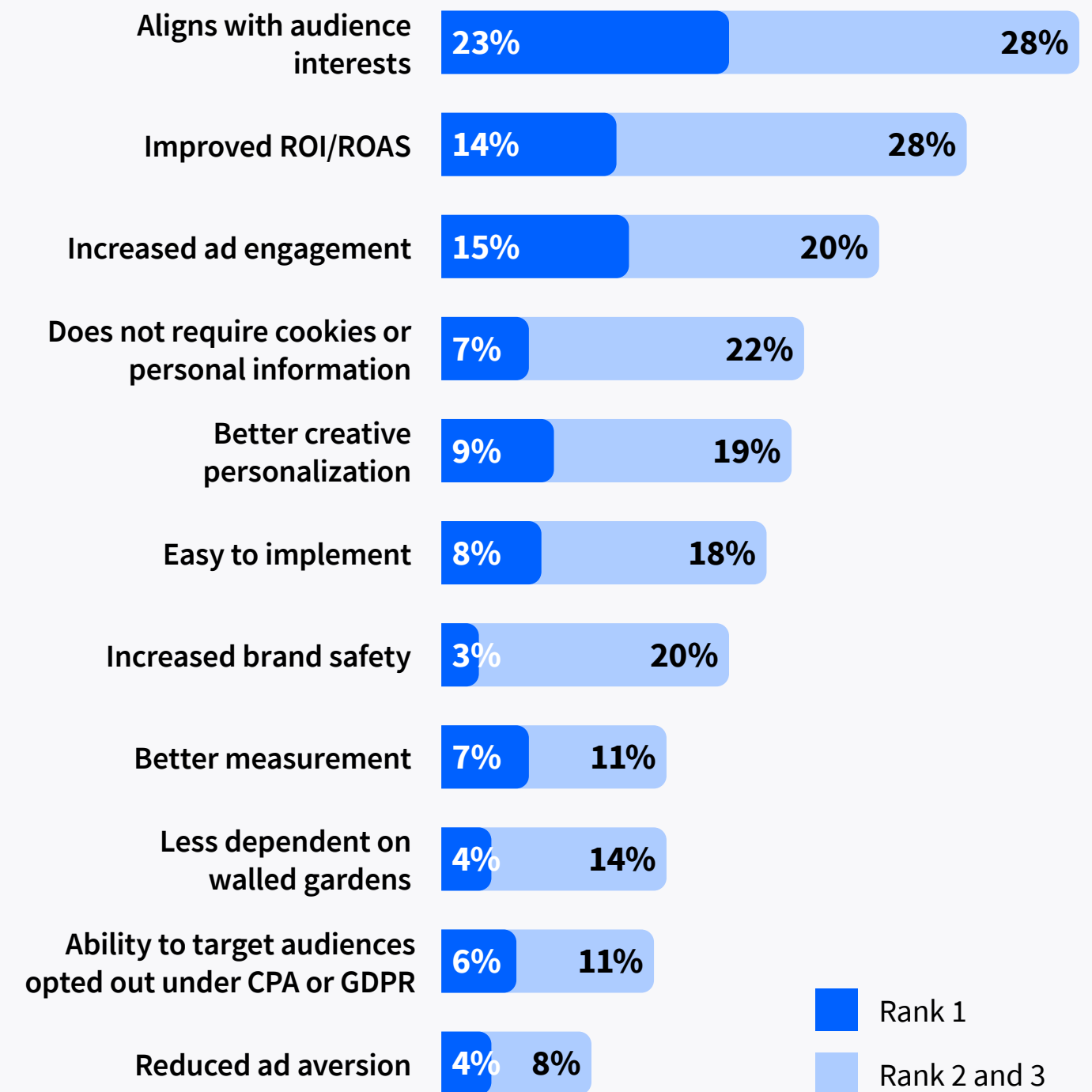
Reporting is a challenge marketers and advertisers feel they are facing. There is uncertainty around whether contextual advertising allows for targeting accuracy and granularity in reporting. Thankfully, technology partners have put in the work to ensure that programmatic platforms can report accurately on contextual campaigns.

This type of campaign targets the context in which users are browsing. Since the user is already highly interested and engaged in the content, ads that are aligned with the context are more likely to be appealing and relevant to the audience. And, with the right reporting in place, it becomes very easy to test and optimize campaigns for the most relevant ad placements.

Contextual targeting's top benefit is alignment with audience interests.

Top Benefits of Contextual Targeting

Percent Ranking 1-3

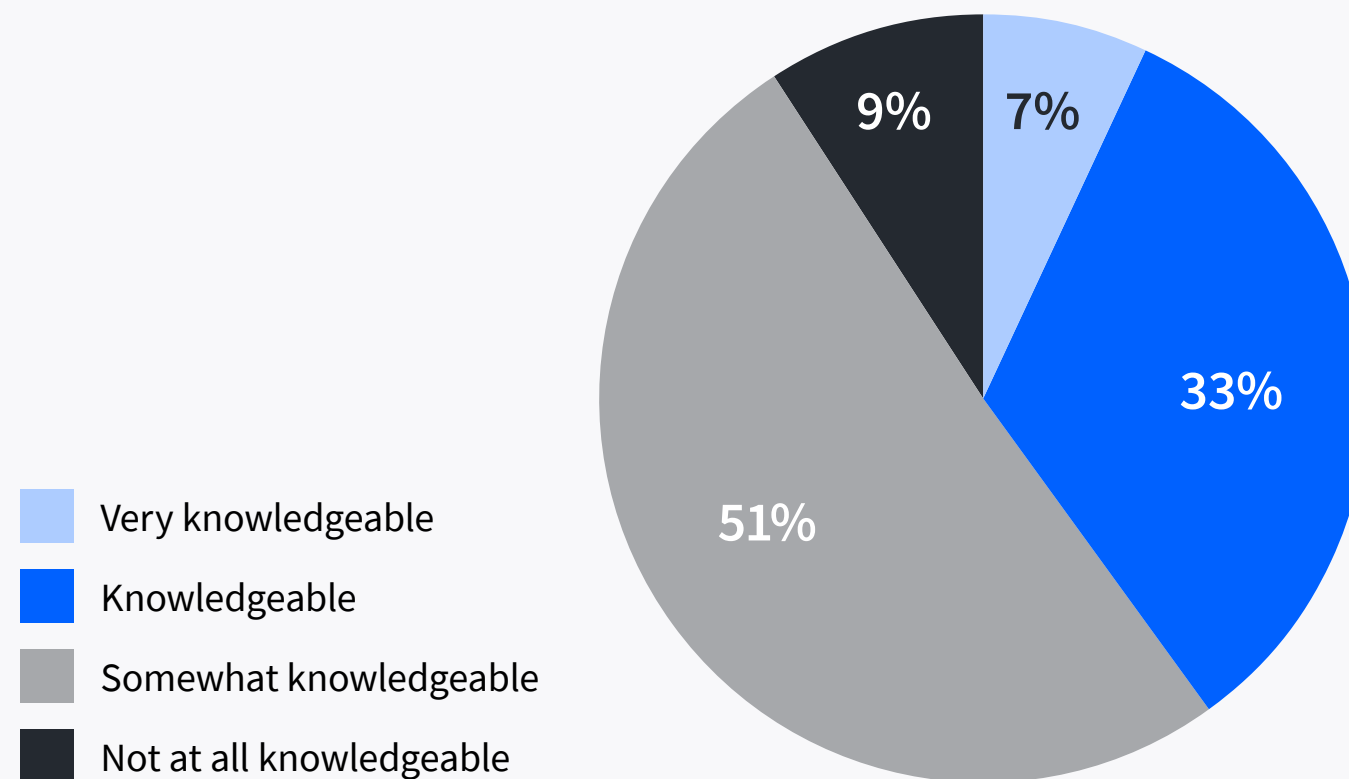


Machine Learning and AI in Contextual

Machine learning and AI aren't new concepts in the advertising world. Nine in ten advertisers have at least some knowledge of machine learning and AI and over half of advertisers surveyed are already using these technologies in contextual advertising.

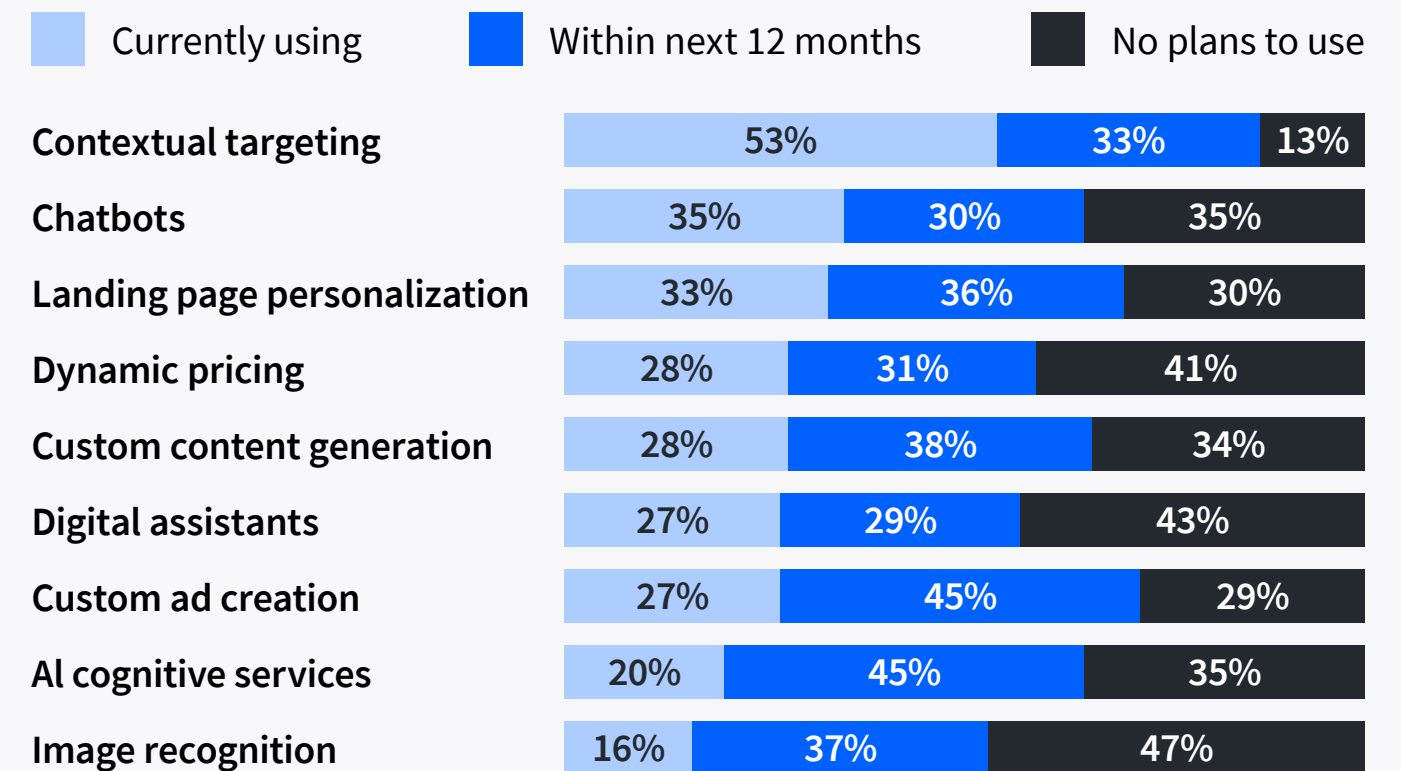
9-in-10 advertisers have at least some knowledge of machine learning and AI.

Knowledge Level of Machine Learning and AI Technologies
Percent of Respondents



Over half of advertisers use machine learning and AI technologies in contextual advertising.

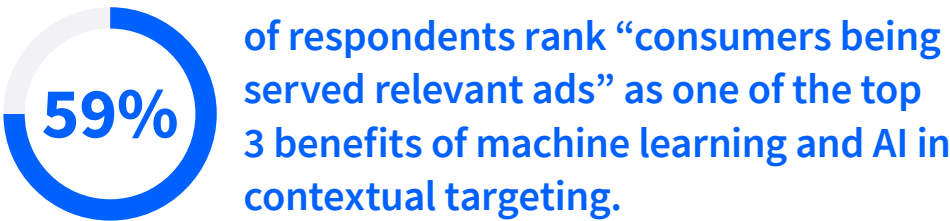
Usage of Machine Learning and AI Technologies
Percent of Respondents



MACHINE LEARNING AND AI IN CONTEXTUAL

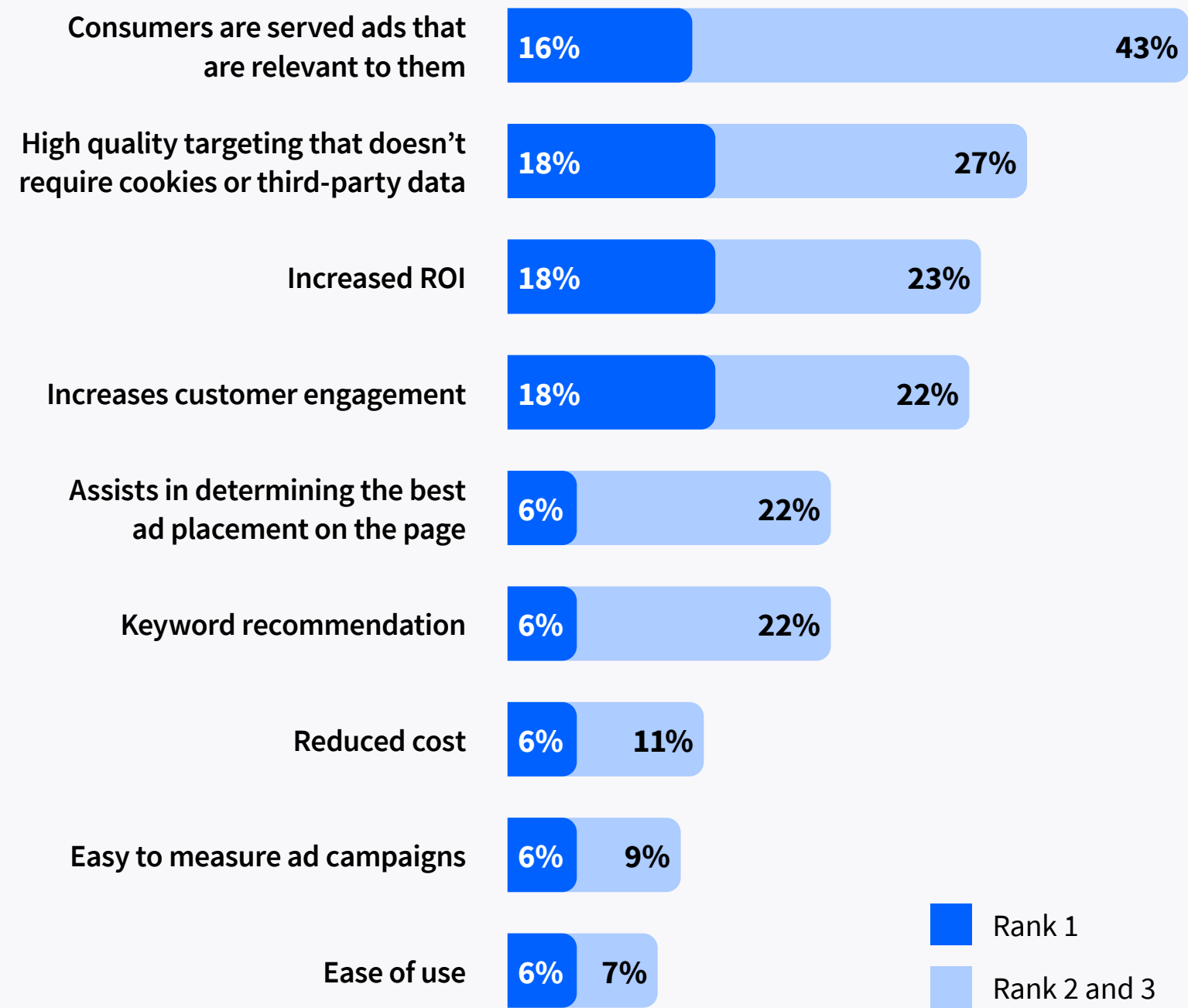
Respondents agree the top 3 benefits of machine learning and AI is the relevancy of the ads, the high quality targeting and increased ROI.

Leveraging a platform that puts a priority on the right technology to drive high-performing contextual ads will ensure the best possible performance and high campaign success. Starting your contextual campaigns early provides the best opportunity to take advantage of these benefits.



Machine learning and AI’s top contextual targeting benefit is that consumers are more likely exposed to relevant ads.

Top Benefits of Machine Learning and AI to Contextual Targeting
Among Those Currently Using Contextual Targeting and Currently/Plan to Use Machine Learning and AI, Sorted by Rank 1-3



KEY TAKEAWAYS

Key Takeaways

The need for contextual advertising is clear, and the benefit of machine learning and AI is widely recognized. So what should digital marketers do to get started? Take a bite out of cookieless advertising, sooner rather than later.

We have summarized key actions you should take to ensure you are well-equipped to integrate contextual solutions in your media plans.

KEY TAKEAWAYS

Prioritize Implementation

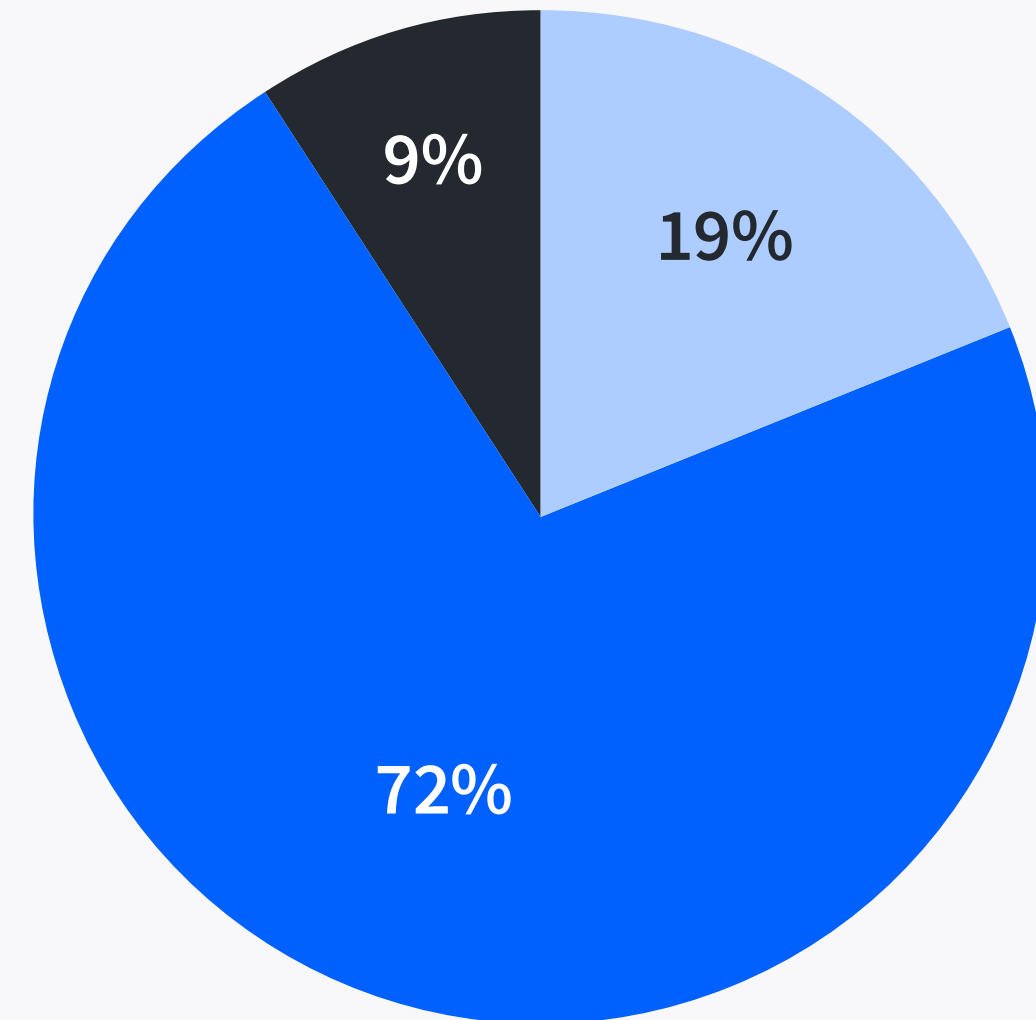
Advertisers and marketers understand the need for contextual advertising adoption, yet there is a gap between that acknowledgment and speed to market. With such a dominant trend in prioritizing this tactic, widespread usage is expected.

Only 19% of advertisers have implemented contextual solutions, and 72% are exploring various solutions to implement in the next 12 months. This gap in implementation could be the single biggest challenge when trying to ramp up quickly with new targeting strategies. Programmatic advertising is dependent on testing, and the sooner you can test and optimize contextual targeting, the better off your campaigns will be in the long run.

About 1-in-5 advertisers have implemented solutions.
A majority are exploring potential solutions.

Preparing for the Cookieless Future

Percent of Respondents

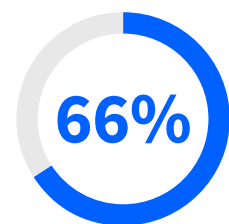


- Have implemented solutions to prepare for these changes
- Are exploring various solutions; plan to implement in next 12 months
- Not taken any steps

KEY TAKEAWAYS

Advertisers need to prepare for any digital environment, cookieless or not. The best way to ensure a seamless transition is to reset and implement contextual strategies now. Two-thirds of advertisers agree that contextual targeting will be more important in a cookieless environment, meaning the competition will be high.

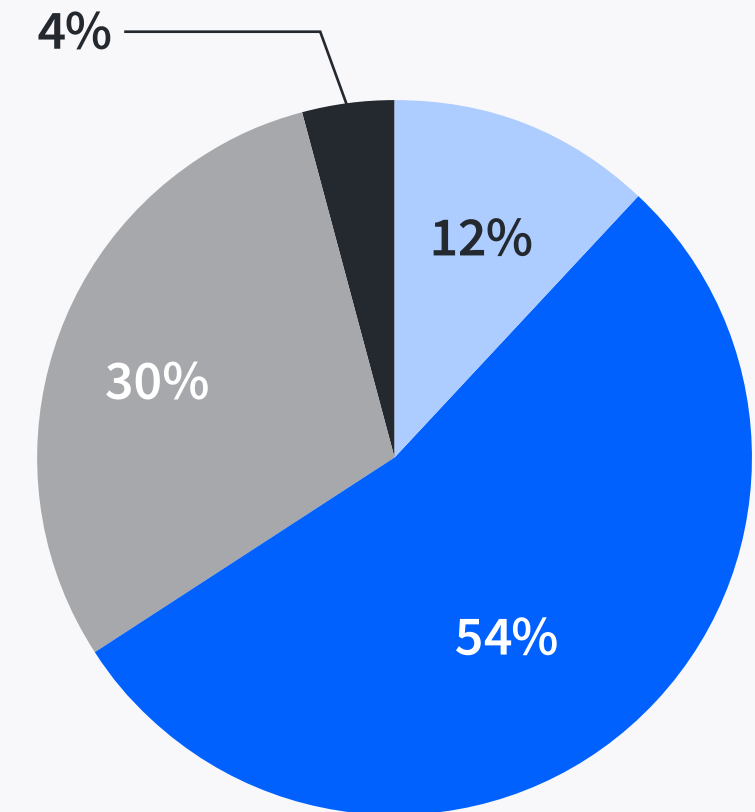
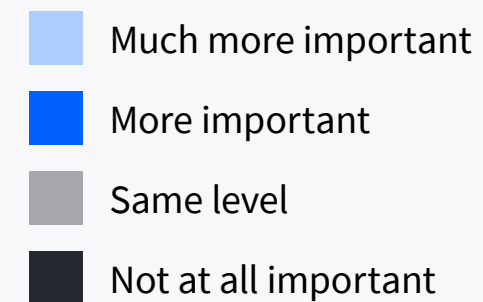
Identify what keywords and tactics are most beneficial for your campaigns, and use these strategies in tandem with audience targeting for a well-rounded approach. In fact, 4 out of 5 advertisers are planning to use contextual targeting in conjunction with behavioral targeting.



66% of advertisers believe that contextual targeting will be more important in a cookieless environment.

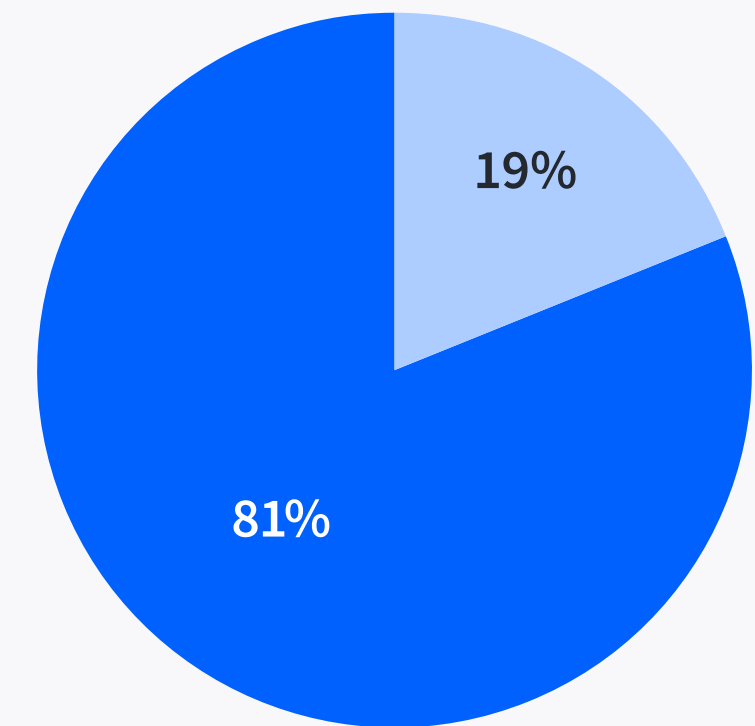
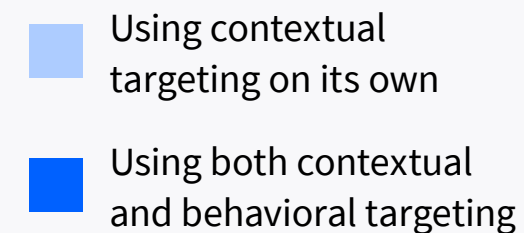
Importance of Contextual Targeting in Cookieless Environments

Percent of Respondents



Use of Contextual Targeting in Conjunction with Behavioral Targeting

Percent of Respondents



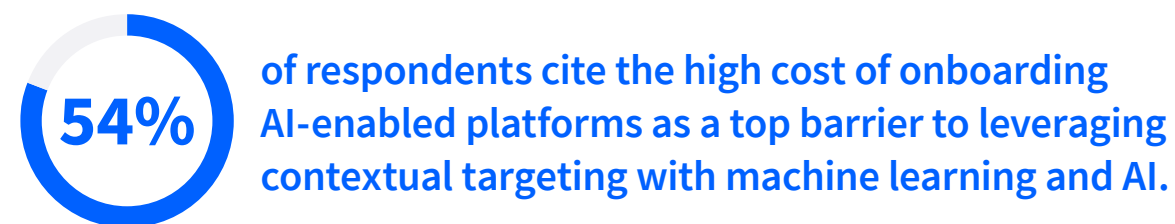
KEY TAKEAWAYS

Identify Areas for Learning

The best way to get ahead of industry changes and implementation ramp up periods is to invest time in learning and development. Finding time to educate your media buyers on how they can be successful in cookieless environments will be the difference between campaigns continuing to perform with ease and a dip in performance.

Programmatic platforms that leverage machine learning and AI should not be viewed as a barrier, but rather as a benefit—as they offer highly relevant and accurate targeting capabilities. If the unknown surrounding the technology is seen as a challenge, this can be easily overcome with education, and the right technology partner.

Having the right training can make all the difference when implementing a new platform, tactic or strategy. Access to resources and onboarding materials are critical to success, and having the right partner to lean on for this training is crucial.



Transparency, cost and education are the top barriers of applying contextual powered by machine learning and AI.

Top Challenges of Machine Learning and AI to Contextual Targeting

Among Those Currently Using Contextual Targeting and Currently/Plan to Use Machine Learning and AI, Sorted by Rank 1-3

Limited transparency into how it works



High cost of onboarding AI-enabled platforms



Lack of internal training/education



Lack of control



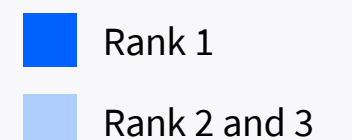
Do not understand the technology



No buy-in from management



Difficult to use



KEY TAKEAWAYS

Lean on the Right Partner

Programmatic platforms that provide contextual strategies, including those that leverage machine learning and AI, are the best resources in times of uncertainty. They understand how to use the features available, and the best way to learn and ramp up.

Respondents agree that programmatic advertising platforms like demand-side platforms (DSPs) are excellent for learning. Seventy-one percent of respondents cited that these platforms are the top resources for guidance on how to approach cookieless environments.

It is highly beneficial for advertisers and marketers to lean on their programmatic platform producers

for information and support not only for contextual, but for all digital advertising strategies.

Your technology provider should be a partner when it comes to understanding nuances in the industry, and how to foster success. Typically, DSPs will have expertise in all areas of digital advertising, including the channels that work well, the data providers that should be leveraged and the formats that yield high engagement. Tapping into this knowledge set for programmatic solutions is the best way to break into the contextual space efficiently.

Programmatic platforms, measurement and martech partners are the top resources for guidance to address a cookieless future.

Resources to Address the Cookieless Future

Percent of Respondents

Programmatic advertising platforms like DSPs

71%

Measurement partners

65%

Martech partners

63%

Industry trade organizations

61%

Ad networks/exchanges

47%

Advertising agencies (marketers only)

31%

Advertisers (agencies only)

17%

KEY TAKEAWAYS

Execute Cookieless Tactics

The findings in this report indicate that it's time to execute cookieless tactics in your digital campaigns. As you prepare for advertising in cookieless environments, and determine what strategies to implement for success, consider the following:

- While nearly all advertisers prioritize finding solutions for the cookieless future, the majority have not implemented any solutions.
- Most advertisers believe contextual targeting will be more important in cookieless environments.
- A commonly cited benefit of contextual targeting is alignment with audience interests.
- Contextual targeting aligns with brand safety, a critical advertiser consideration.
- Nearly all advertisers have some knowledge of machine learning and AI technologies.
- There is a significant opportunity to provide greater transparency into how AI-driven targeting works and more education and training.





CONCLUSION

Introducing Contextual Advertising to Your Digital Strategy

Based on our research, it is clear that cookieless is upon us and contextual advertising has already established itself as a prime tactic for success. The best way to prepare is to implement contextual strategies now, and learn how they complement your other audience tactics for high performance.

About StackAdapt

StackAdapt is a self-serve programmatic advertising platform used by the most exceptional digital marketers. This state-of-the-art platform is where some of the most progressive work in machine learning meets cutting-edge user experience. Ad buyers plan, execute, and manage data-driven digital advertising campaigns across all devices, leveraging proprietary data, inventory, and publisher partners.

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