ID5

>THE STATE OF DIGITAL IDENTITY 2022<

ID5.io

>EXECUTIVE SUMMARY<

As we near the end of 2022, it's safe to say (in the usual fashion of the digital media industry) that this has been a year of significant change. We have seen Google push back its third-party cookie deprecation deadline yet again, the ramping up of privacy regulations, and the most effective identity alternatives start to rise above the rest.

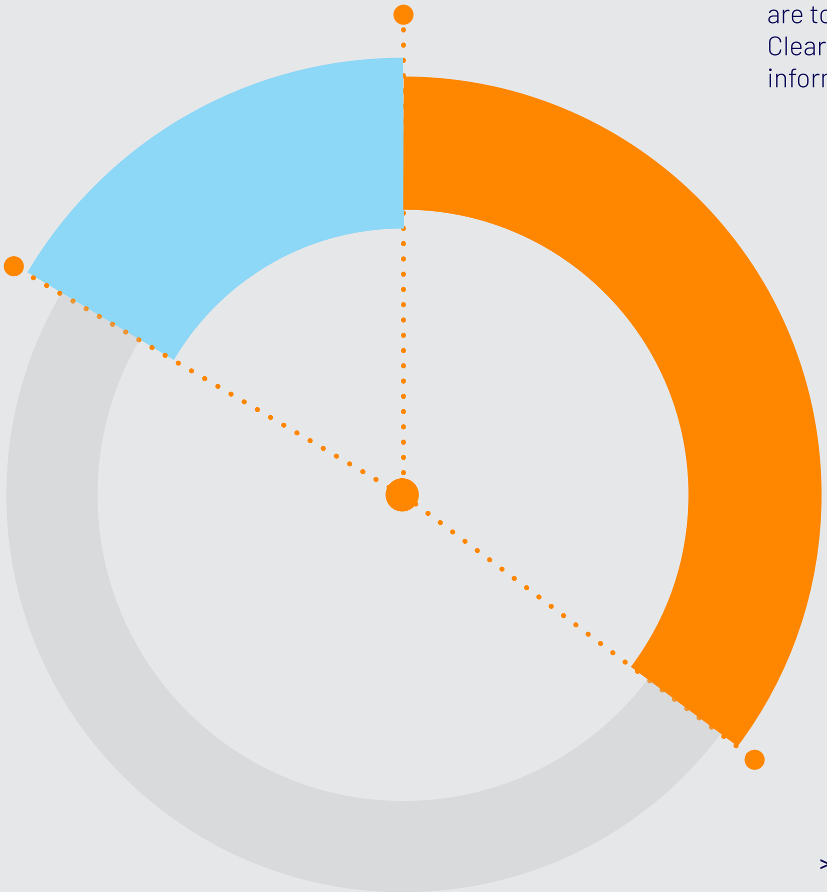
With it being over a year since The State of Digital Identity 2021, we wanted to understand how the developments of 2022 are affecting the industry today, and how businesses are progressing in their preparations for the cookieless world. We turned to the industry once again to learn about the journeys publishers, advertisers, and adtech platforms are experiencing as they develop their identity strategies.

Today, approximately **30% of global traffic is unaddressable because of cookieless browsers such as Safari and Firefox.** Additionally, a further **20% cannot be reached due to match-rate issues** between platforms and users refusing cookies on publisher websites. As a result, brands around the world are missing out on reaching valuable audiences and are restricted to competing for the same, limited audiences in Chrome. Don't just take our word for it - **69% of advertiser respondents want to be able to reach cookieless audiences today, and 87% believe that they are missing out on the opportunity of reaching them.**

So, what is the rest of the industry doing to support this?

The adoption of alternative identity solutions is on the rise industry-wide. **63% of respondents report having adopted one solution or more.** In particular, DSPs and SSPs are very much ahead with **81% of DSPs and 79% of SSPs having done so.**

This is indeed promising, but there is still a long way to go in migrating an entire industry to a new way of working. What is holding us back? **For those respondents who have not adopted any solutions, 57% of them claim this is because it is still unclear how these alternatives work.** This is closely followed by 'choice overload' - many companies think there are too many options and don't know where to start. Clearly, there is still room for further education and information sharing to be done.



30%

of global traffic is unaddressable in cookieless browsers

20%

cannot be reached due to match-rate issues between platforms and users on publisher sites

Despite this, the vast majority of the industry is well underway with testing the value of various solutions. **50% of respondents have already conducted tests, and a further 35% are currently testing** or are in the planning stage. **Data platforms have been testing more than any other group, with 71% having already run one or more tests.**

So, we know that everyone is testing alternative solutions in order to make the most of the cookieless present and ensure they remain ahead of the curve in preparing for a world without traditional identifiers. But how satisfied have businesses been with these tests? **75% of respondents report being satisfied with their results.**

This success in testing across the industry provides hope that we are coming close to determining the solutions that have proven themselves as industry standards. When asked which type of solutions it is believed are viable and scalable enough to replace third-party cookies, **first-party universal identifiers came out on top with 38% of respondents opting for these solutions.**

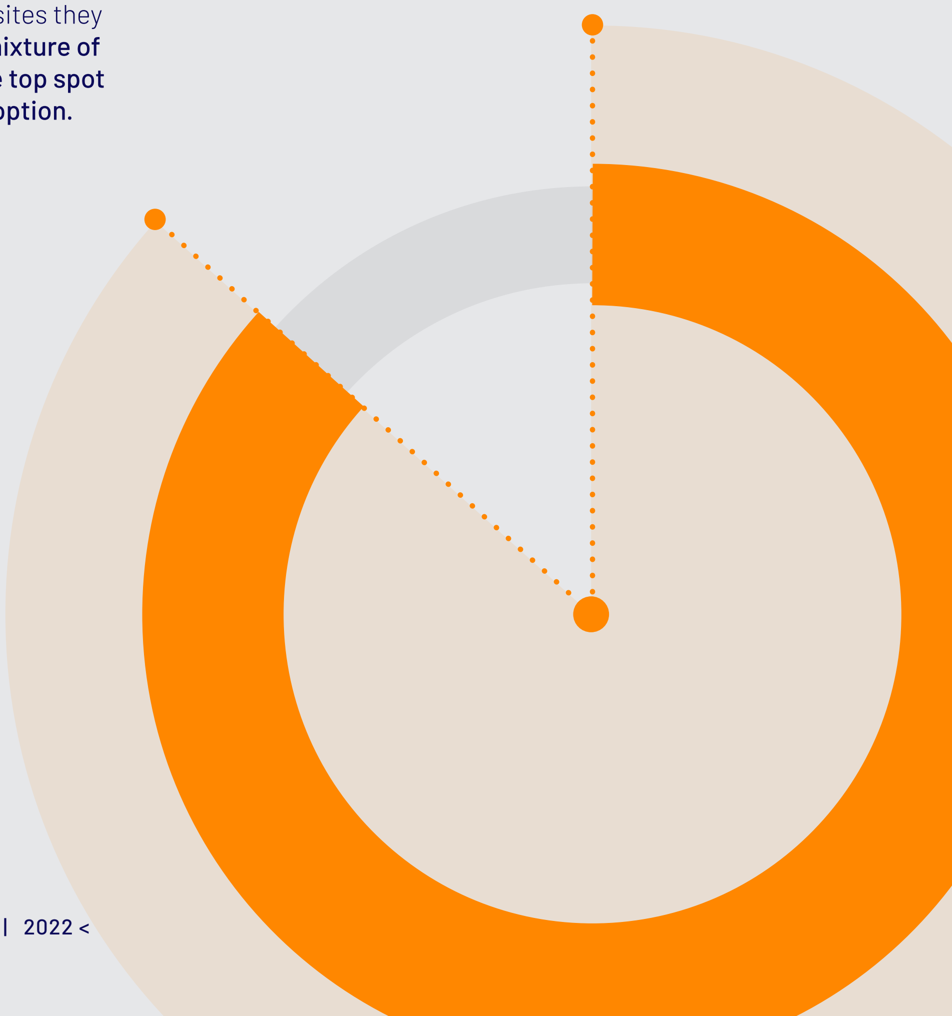
When thinking about first-party universal identifiers, we asked respondents which methodology used to generate and reconcile ad ID across websites they believe provides the best alternative. **A mixture of deterministic and probabilistic takes the top spot with 54% of respondents choosing this option.**

Clearly, relying on deterministic alone, as many have previously suggested, is not feasible for the industry. This becomes apparent when looking at publishers' responses. When asked about the size of their authenticated traffic, **59% reported having less than 10% of users logged in.** Relying on deterministic methods with such a small percentage of logged-in traffic is also unattainable for advertisers, who can only reach a small portion of their audience.

At this stage, we as an industry have come a long way. So much so that for those who do not yet have a plan in place, **49% of them claim that they will have a cookieless strategy in place by the end of the year.** On top of this, the other **29% of respondents claim they will have finalized their strategy by this time next year.** These numbers are positive, and prove that many companies are taking the future of identity seriously in 2022.

87%

of advertisers believe they are missing out on the opportunity to reach cookieless audiences

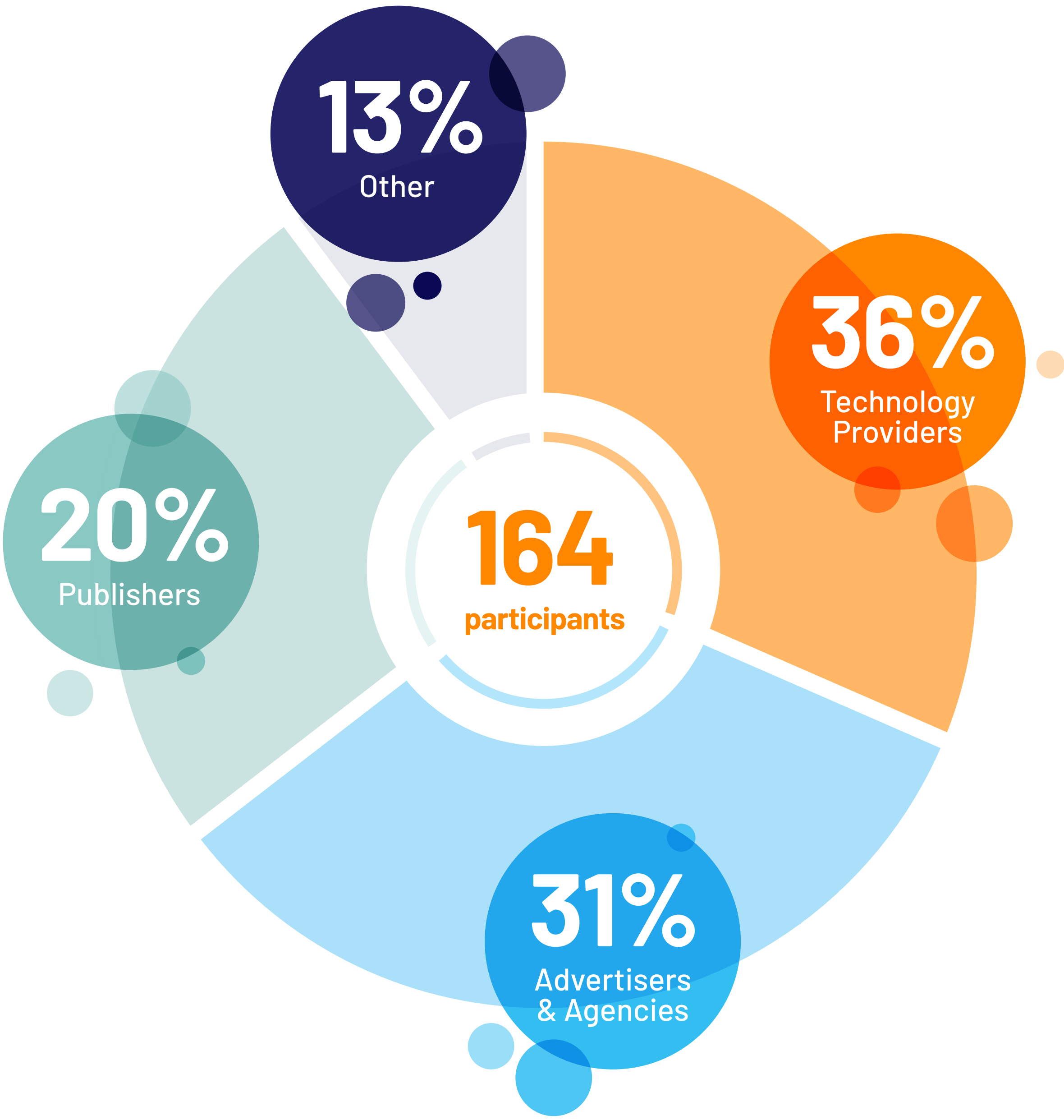


>METHODOLOGY<

ID5 analyzed the answers of 164 participants who took part in the State of Digital Identity survey throughout August 2022. The sample consisted of advertisers and agencies (31%), publishers (20%), technology providers (36%) and other (13%).

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 a cookieless world, including updates on testing and which solutions and methodologies are proving most effective.

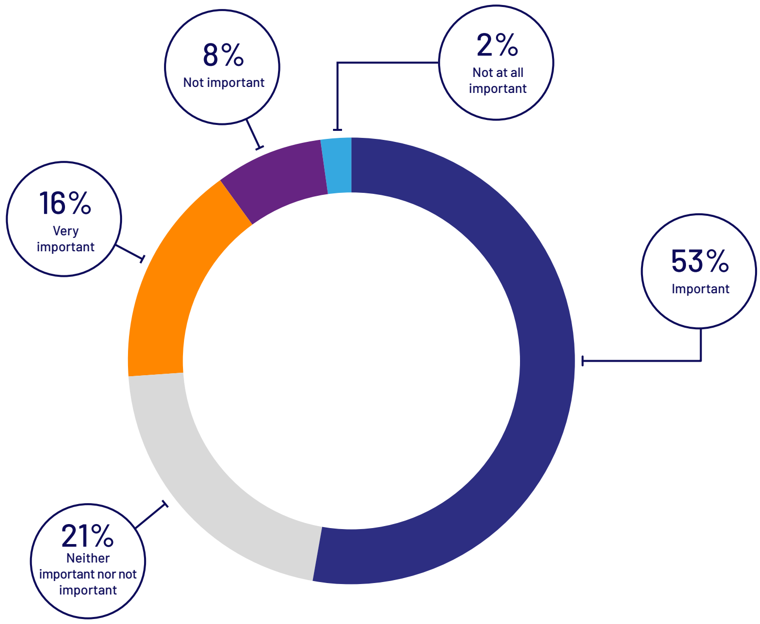


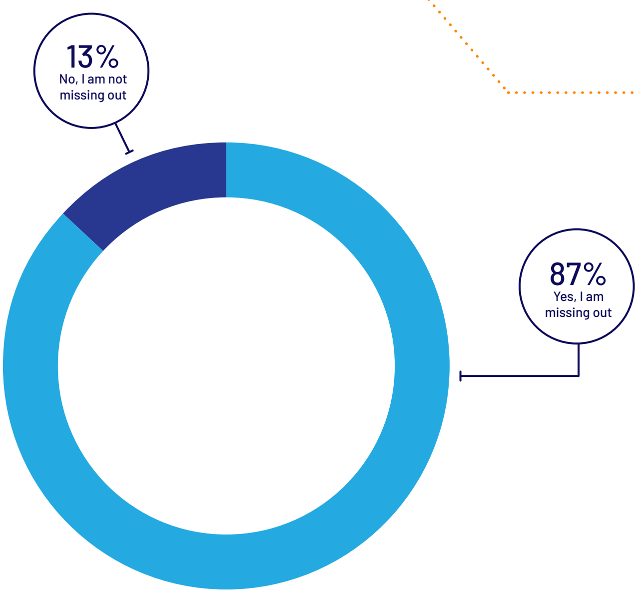
>INDUSTRY OVERVIEW<

Many of us are aware of the importance of preparing for the cookieless future. Once Google follows suit in blocking third-party cookies, as other major browsers have done before it, publishers and advertisers will have no other choice than to seek out alternative solutions in order to continue monetizing their inventory and delivering campaign objectives.

The cookieless future is one thing, but more and more players are also becoming aware of the value of taking action on the cookieless present. There is already a huge portion of traffic that is unaddressable because of cookieless browsers such as Safari and Firefox. Advertisers, in particular, are aware that they are missing out on reaching these audiences and want to begin leveraging technologies that will allow them to do so.

69% of advertiser respondents say that being able to reach cookieless audiences today is important to them

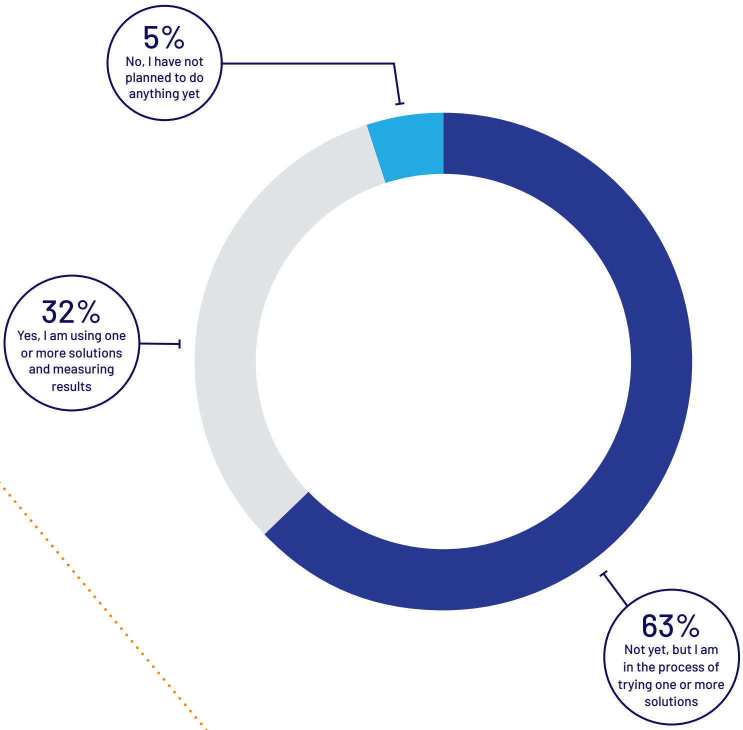




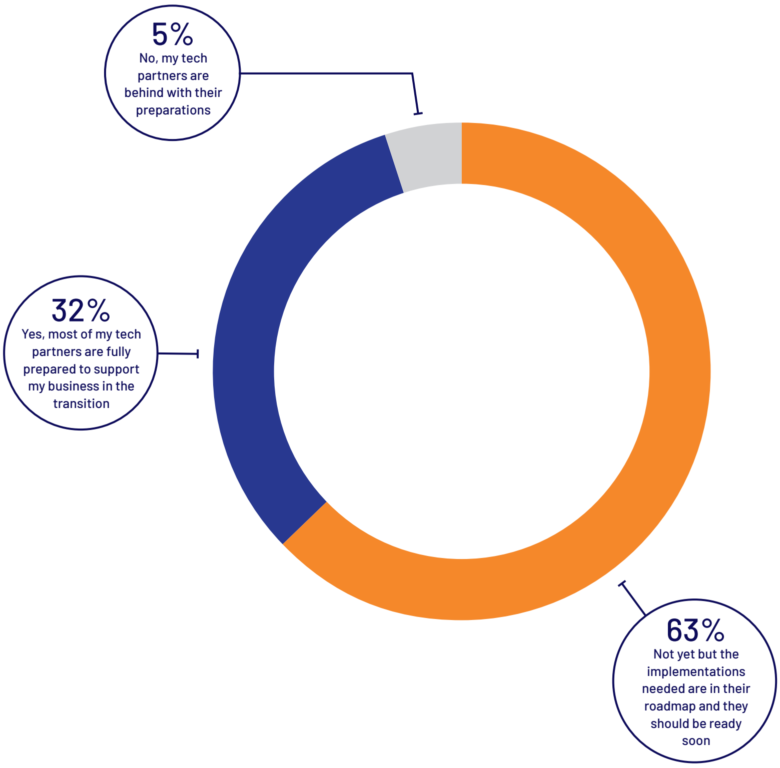
87% of advertiser respondents believe that they are missing out on the opportunity of reaching cookieless audiences today

So, brands are wanting to take action on their cookieless present. But what progress have they made so far? We asked the advertisers whether they are, or plan to, experiment with solutions that will enable them to address cookieless traffic today.

63% of advertiser respondents say that they are in the process of trying out one or more



We also asked whether they believe that their tech partners have implemented solutions and alternatives that will support them in the transition to the cookieless world.

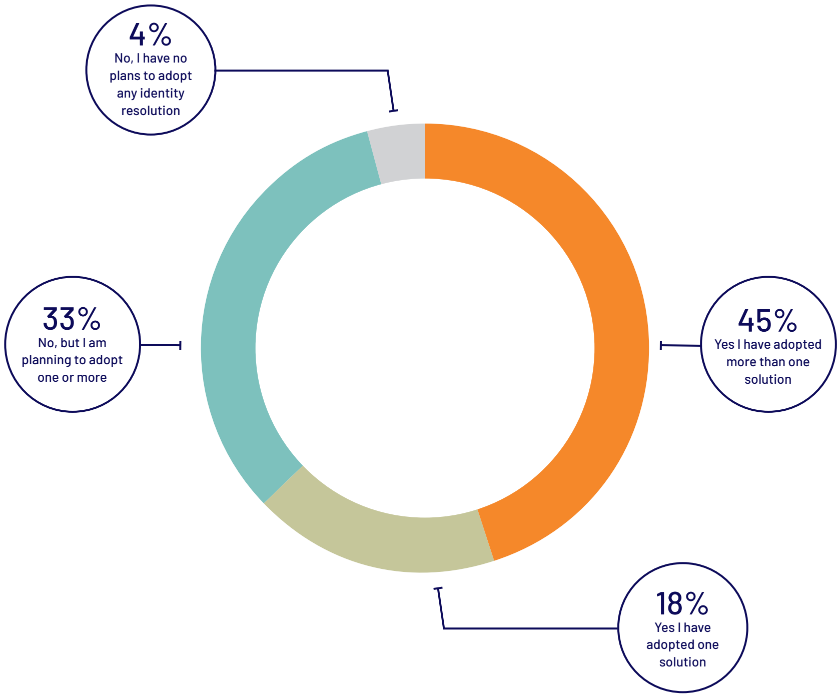


32% of advertiser respondents reported that their tech partners have made the implementations needed to support them and 63% of them said that such implementations are in their partner's roadmap and they should be ready soon.

The buy side is clearly making progress in integrating solutions and setting out their roadmaps, but these actions may not be moving fast enough to meet the expectations of the 87% of advertisers that believe they are missing out on the cookieless present.

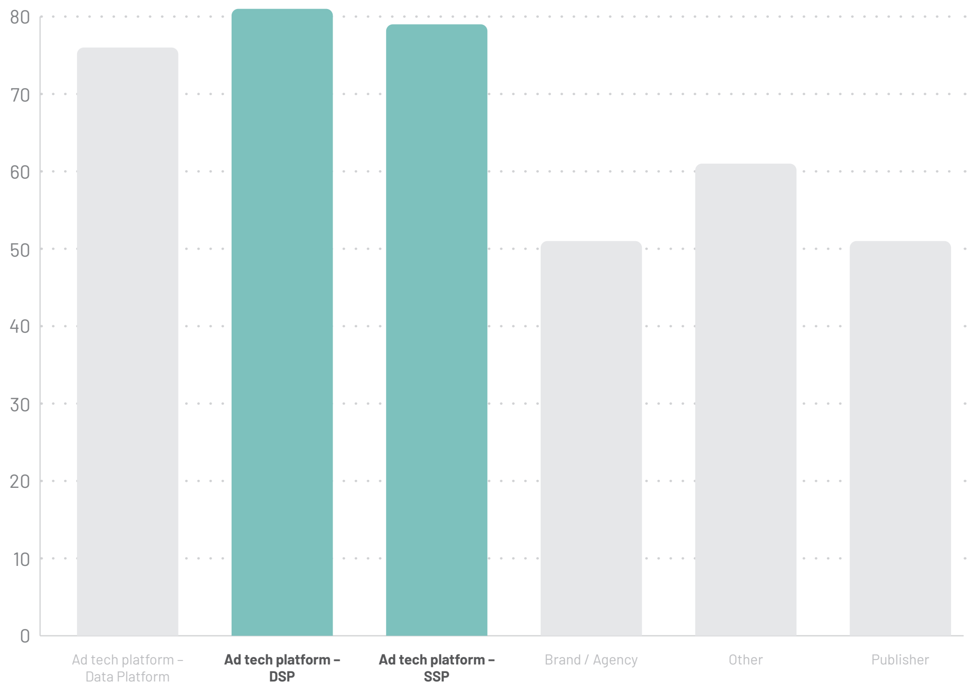
How is the rest of the industry working to move things forward? It is safe to say that all players are taking identity more seriously in 2022, with many more adopting various solutions.

63% of respondents report having adopted one solution or more



DSPs and SSPs, in particular, have made lots of progress in the last year.

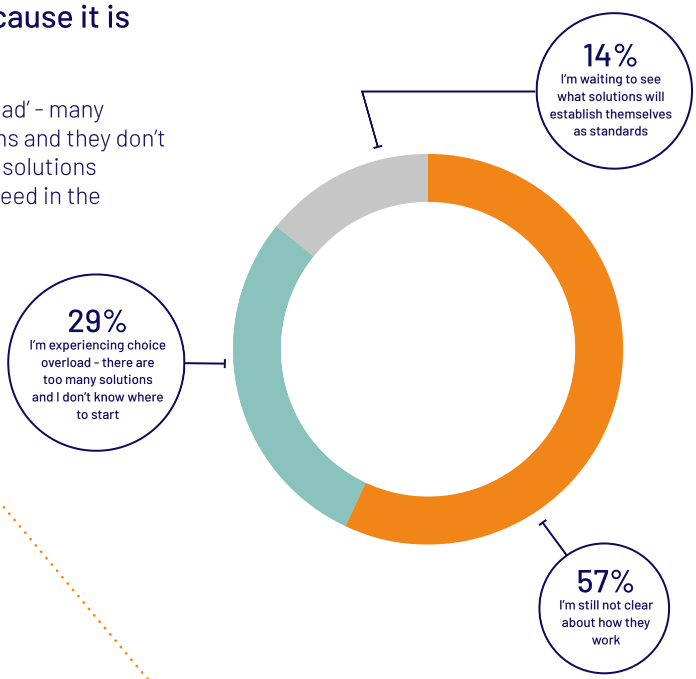
81% of DSPs and 79% of SSPs have adopted one solution or more



Companies across the industry are implementing solutions to tackle the identity crisis. But what about those who haven't? What is holding them back?

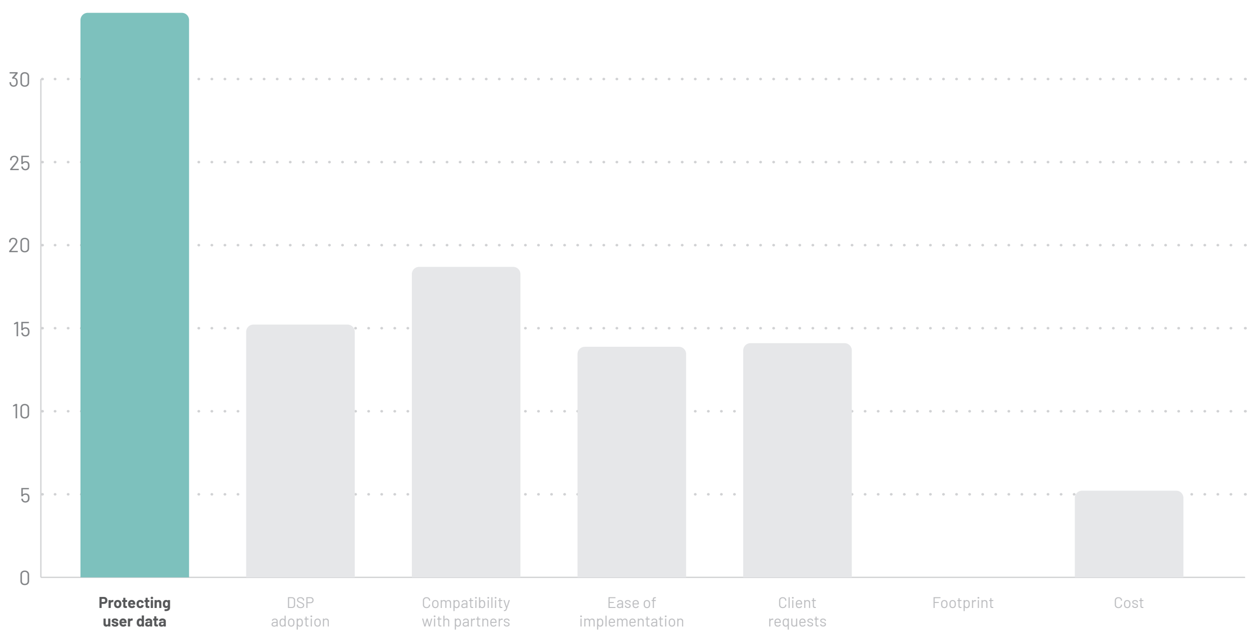
For those respondents who have not adopted any solutions, 57% of them claim this is because it is still unclear how they work

This answer takes the top spot, followed by 'choice overload' - many respondents also believe that there are too many solutions and they don't know where to begin. More education on identity and the solutions available must be done in order for all businesses to succeed in the cookieless world.



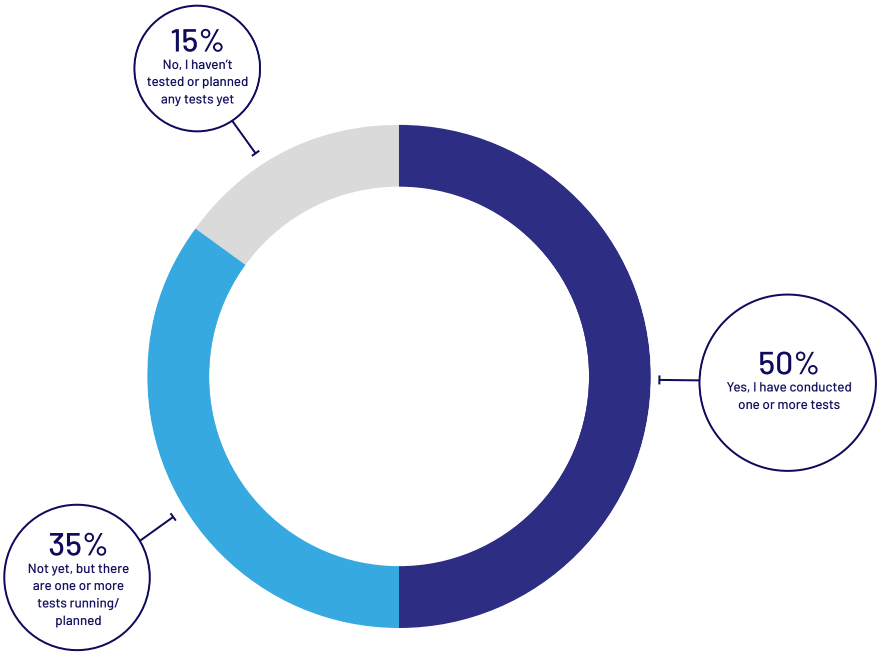
Players can take steps to overcome choice overload by evaluating their business priorities alongside the available solutions in order to determine which tools are aligned with their goals. For instance, we asked publishers what are the top characteristics they look for when assessing which first-party universal identifiers to work with.

33% of publishers chose 'protecting user data' as the top characteristic they look for when evaluating first-party universal identifiers



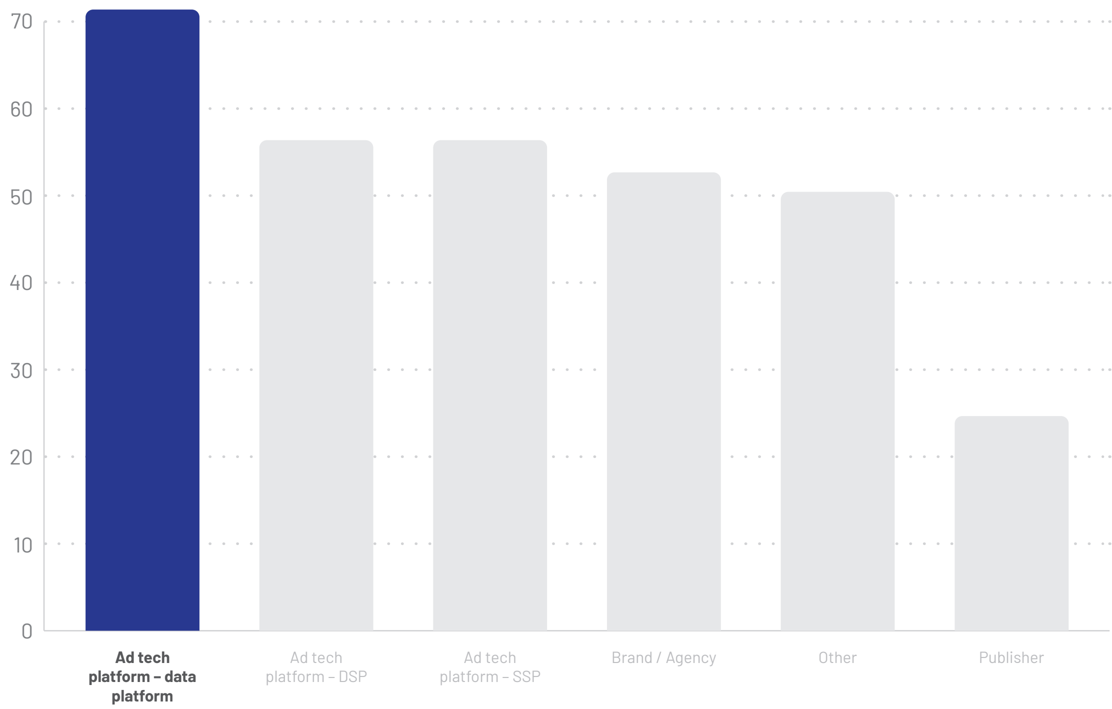
Despite elements such as confusion and choice overload holding some companies back, the vast majority of the industry is making significant progress with the adoption and testing of alternative identity solutions.

50% of respondents have already conducted tests, and a further 35% are currently testing



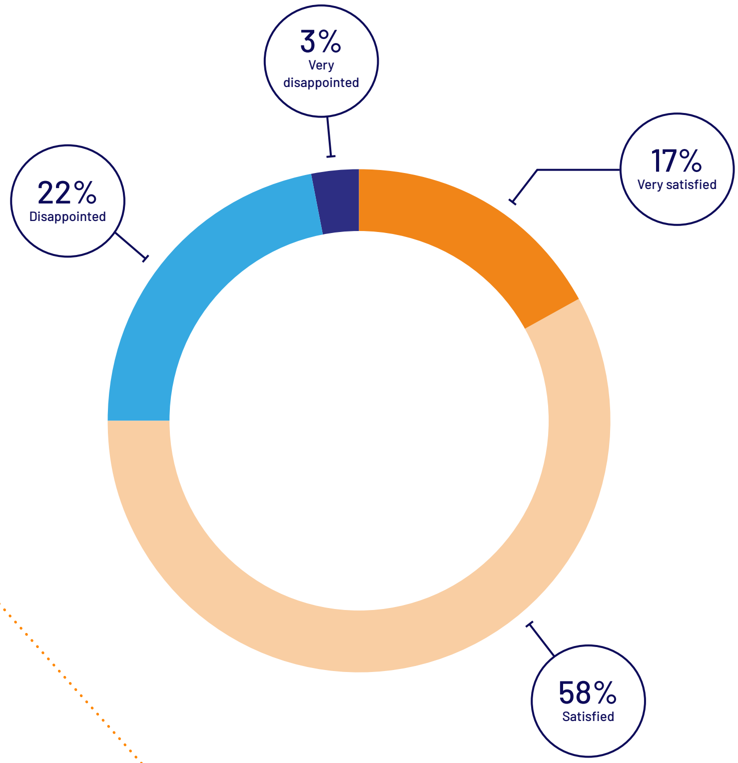
When assessing this by company time, data platforms have been testing the most

71% of data platforms having already conducted one or more tests



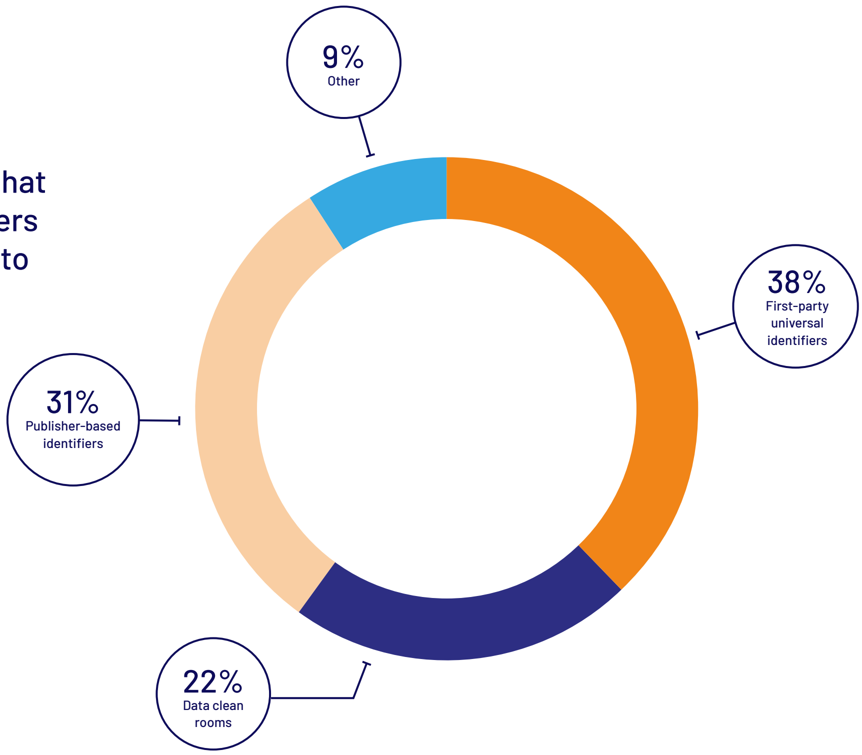
It's positive to see that substantial testing is taking place across the board - but what do businesses actually think of the results these tests are producing?

75% of respondents report being satisfied with their test results

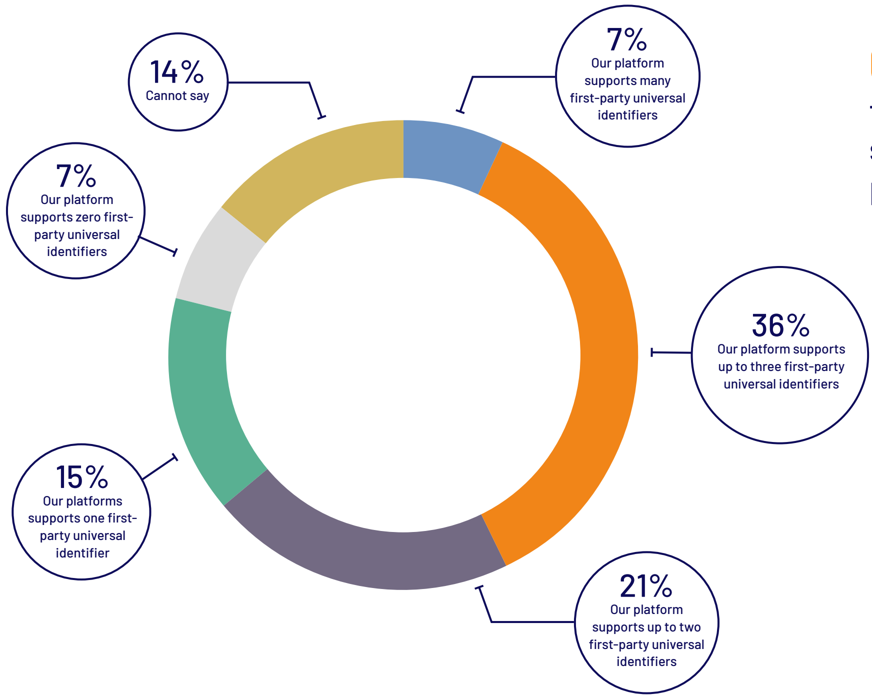


This overarching success in testing suggests that we are close to finding the solutions that will rise above the rest in providing real value across the industry both now and in the future. When asked which type of solution it is believed is effective enough to replace third-party cookies, first-party universal identifiers came out on top.

38% of respondents say that first-party universal identifiers are the most viable solution to replace third-party cookies



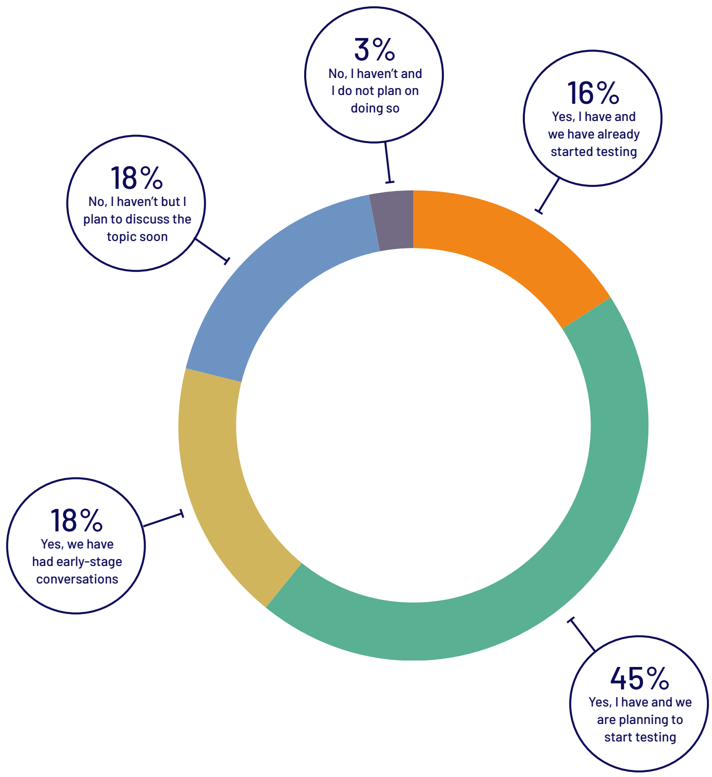
So, first-party universal identifiers have taken the top spot for all players when assessing which tools to implement as part of their identity strategies. Let's now take a look at how this clear growth in favor is being applied in the real world so far in 2022. Firstly, we can see that publishers, in particular, are in good hands with many SSPs ensuring that their platforms support first-party universal identifiers so that they can continue to bring value to their clients.



64% of SSPs report that their platforms currently support two or more first-party universal identifiers

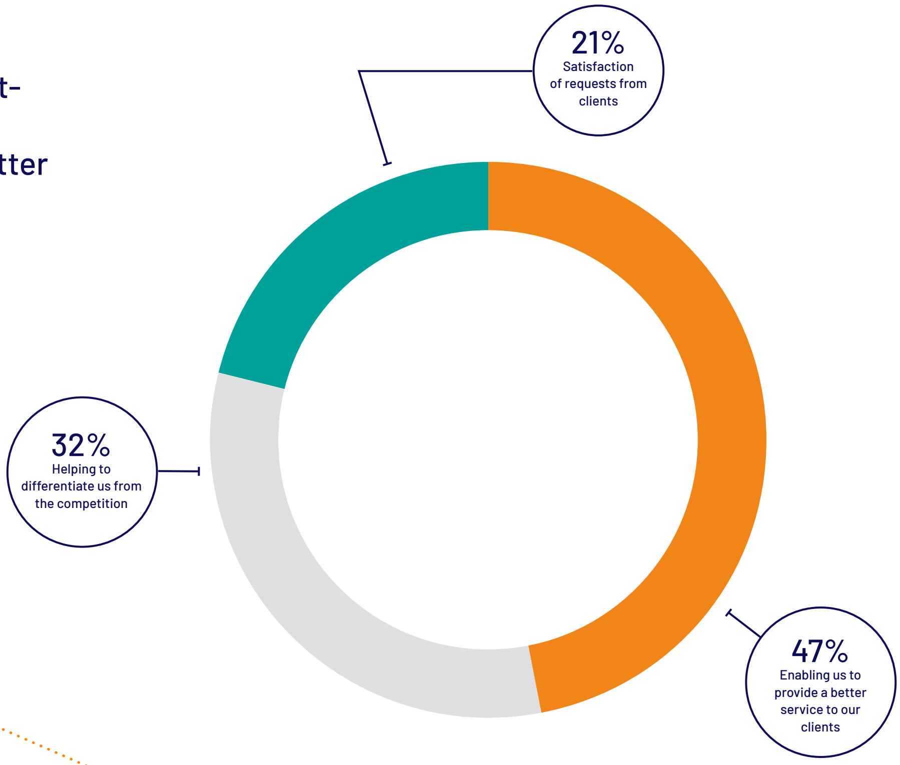
But what about the buy side's support for first-party universal identifiers? We asked the advertiser respondents whether they have had conversations with their ad tech partners about testing first-party universal identifiers.

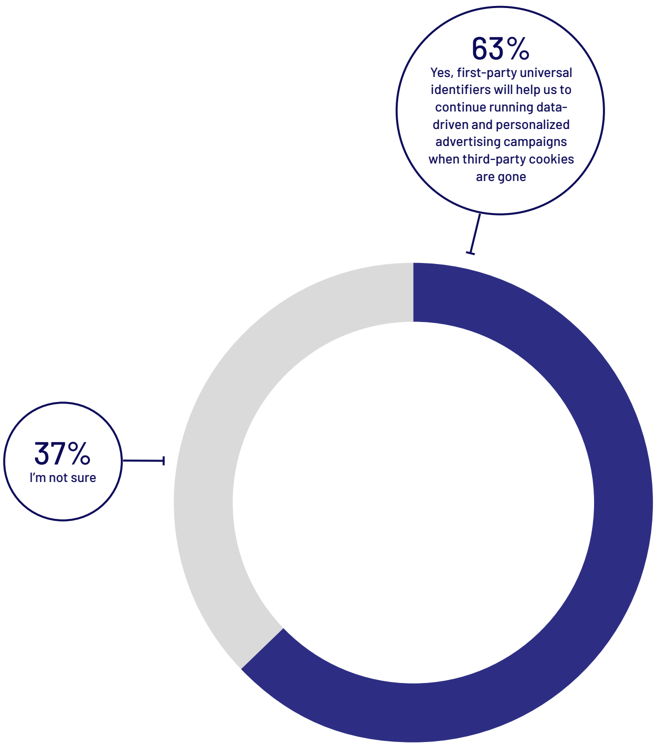
45% of advertisers say that yes, they have had conversations with their tech partners about testing first-party universal identifiers, and that they plan to start testing soon. Another 16% have already started testing



We also asked the DSPs what role first-party universal identifiers play in the profitability of their platforms.

47% of DSPs say that first-party universal identifiers enable them to provide a better service to their clients



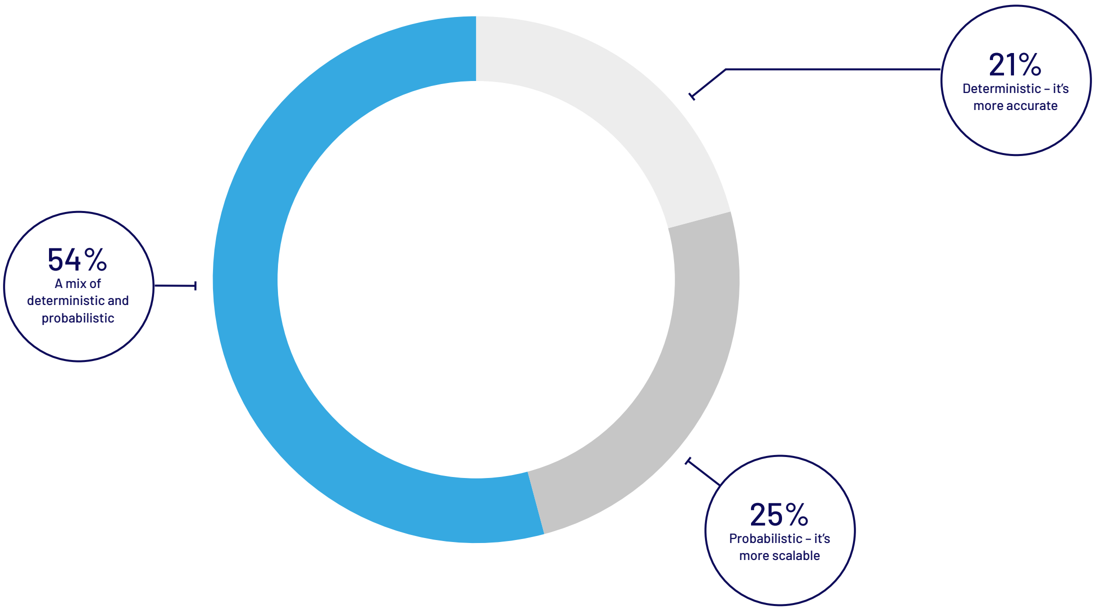


The buy-side is starting to realize the value of investing in first-party universal IDs, but it will need to fasten the pace to keep up with advertisers' demand. We asked advertisers whether they think first-party universal identifiers will help them continue running data-driven and personalized advertising campaigns when third-party cookies aren't available anymore.

63% of advertiser respondents said yes, first-party universal identifiers will help to continue running data-driven and personalized advertising campaigns when third-party cookies are gone

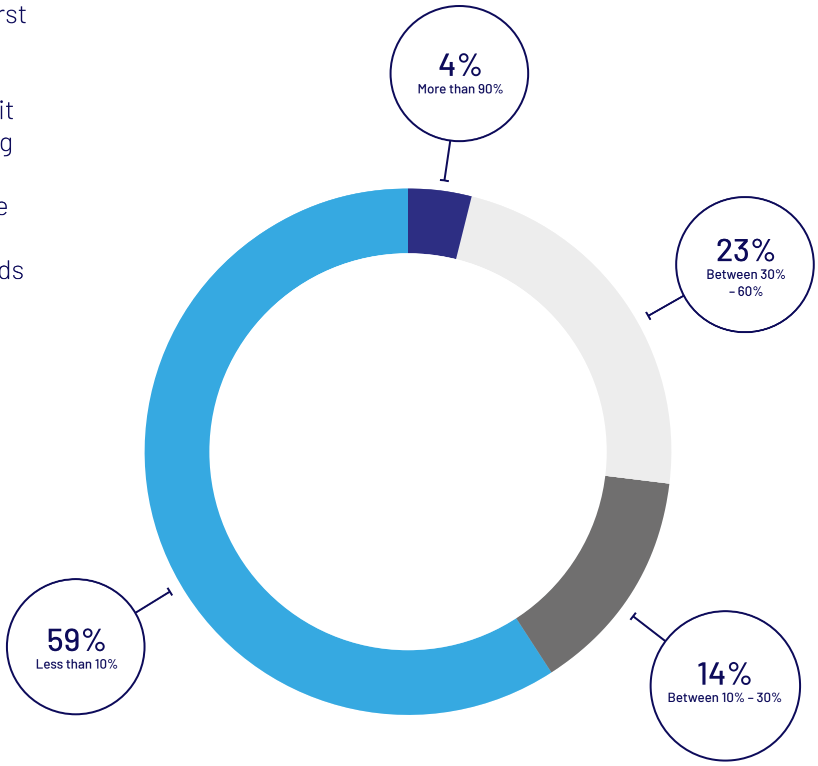
Not all first-party universal identifiers are the same, however, as they differ in the methodologies used to generate and reconcile ad ID across websites. When comparing deterministic, probabilistic, and a mixture of the two, we asked all respondents what methodology they believe provides the most value.

54% of respondents chose a mixture of deterministic and probabilistic methodologies



Even if deterministic methods and first party data have been pushed as the most viable alternative to third-party cookies for the past couple of years, it is clear from these results that relying on deterministic only is not what the industry is looking for. That's because most publishers don't have enough authenticated traffic for such methods to scale.
We asked the publishers about the percentage of users that are logged into their websites.

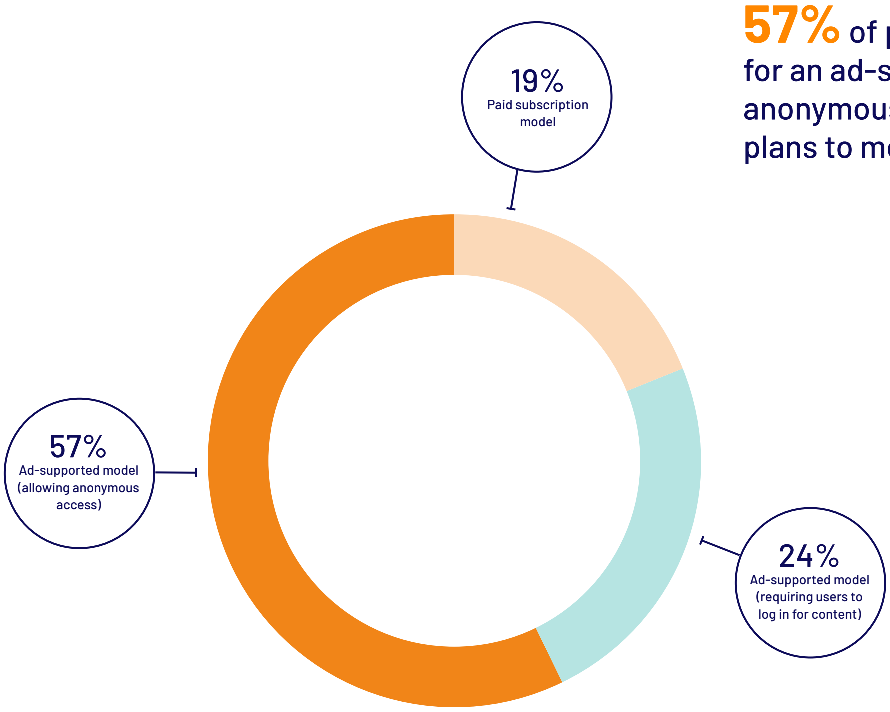
59% of publisher respondents reported having less than 10% of users logged in



With such a small percentage of logged-in traffic, relying on deterministic methods alone also spells bad news for advertisers, who can only reach a small portion of their audience.

From this result, it comes as no surprise that when asked how they would rank their plans to monetize in the future, the majority of publishers opted for an ad-supported model allowing for anonymous access, rather than requiring users to log in.

57% of publisher respondents opted for an ad-supported model allowing for anonymous access when ranking their plans to monetize in the future



Overall, significant progress has been made with the testing and adoption of identity solutions and tools as we head towards the end of 2022. Many companies have their plans ready to go, or are in the process of finalizing them.

For those respondents who do not yet have a plan in place, 49% claim that they will have a cookieless strategy in place by the end of the year. A further 29% also report that they will have their strategy in place by this time next year.

>CONCLUSION<

The State of Digital Identity 2022 survey results clearly illustrate how the entire industry is taking identity more seriously in 2022. This statement is especially true for advertisers.

In our 2021 report, we saw that identity was of growing importance for publishers, with there being a 10% increase in the number of media owners ranking identity as a top priority. This year, the buy side has caught up. With 69% of advertisers wanting to reach cookieless audiences and 87% believing that they are missing out on the opportunity to do so - we can see that brands have realized the value of taking action on cookieless today.

The reasoning behind this surge in awareness might lie with the increase in the testing of various identity technologies and tools, as well as the satisfaction rate of these tests. With more and more brands wanting to reap the rewards of the cookieless present - survey results have also shown how the rest of the industry is working to solidify the most efficient identity strategies and make this a reality.

And, despite some companies still holding back due to confusion or choice overload, the rise in adoption, testing, positive results, and eagerness from the buy side suggests we are making good progress in this migration to a new way of working.

With more companies understanding which solutions work best for them and their businesses, we may be coming closer to seeing which solutions are most championed by the industry at large, and which ones will come out on top as industry standards. This is likely to make the process more streamlined for those experiencing too much choice.

2023 is set to be a year of education sharing, increased testing, strategy finalization, and more advertisers making the most of the opportunities offered by the cookieless present. The State of Digital Identity in 2022 is promising, and the future is looking bright.

>ABOUT ID5<

ID5 was created to improve online advertising for consumers, media owners, and advertisers, with the ultimate goal to help publishers grow sustainable revenue. ID5 provides the advertising ecosystem with a transparent, scalable, and privacy-compliant identity infrastructure. Its solution improves user recognition and match rates and provides a stable, consented, and encrypted user ID to replace third-party cookies and MAIDs. This enables publishers 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**

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