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Behavioral Advertising Might Not Be As Crucial As You Think

Why Are We Fighting Regulation on This?

Published: February 25, 2014

While Edward Snowden and the NSA have dominated the privacy discussion as of late, privacy isn't a new topic in the digital media industry. The business of Online Behavioral Advertising has been a brewing privacy storm for nearly a decade. Despite the industry being under siege, it has actually done a good job of controlling the discussion, leading many to believe OBA funds most of the free services on the web as it tracks and targets users across the web. Despite Dictionary.com declaring "privacy" the word of 2013, the industry has resisted any changes with its full might.

Mike Zaneis, executive VP, public policy and general counsel at the IAB, went as far as saying a restriction on OBA would be a "nuclear first-strike against [the] ad industry."

With such dramatic claims in mind, I eagerly awaited the Digital Advertising Alliance's [study](#) that promised to support why these ads, that are dependent on the infamous "third-party cookie", are so vital to the lifeblood of our web. After poring over the research, I was left with nothing but disappointment.

In one test, the research found that cookie-based data increased CPMs by just north of \$0.30 higher than the sample mean of \$0.47 to \$0.77.

Is this \$.30 increase in CPMs really why the industry is throwing rocks at each other in a fight to prevent regulation of any form? Considering the 50% of impressions classified as OBA are sold at rock-bottom prices, do publishers of all sizes really understand how little this matters to them? Is this why the industry has done little but dig in its heels since promising at the White House in February 2012 that it would make it simpler for users to not be tracked?

Ultimately, trust matters greatly to an industry evolving and developing at the speed of digital. Truste recently released a [study](#) showing 92% of internet users are worried about their privacy with the significant source of mistrust being businesses rather than

government surveillance.

Since the web browser cookie has become enemy du jour in the privacy debate, it's critical to understand cookies come in two "flavors" - the first-party and third-party cookies. There is little controversy about the workings of first-party cookies which are tied only to the sites you visit and bring you fabulous features such as personalizing CNN, recommending movies on Netflix or watching games on ESPN.

But then we get to the third-party cookie. Some of these third-party cookies are also benign and contracted by website publishers, or first-parties, to audit on ad delivery, measure audience, or analyze a website's usage. The remaining typically fall into the business of OBA - now being redubbed by industry lobbyists as "interest-based ads." These third-party cookies blanket the web and allow other companies to both track and target users based on what they do on the web. It's these third party cookies which the DAA study intended to defend.

There are two main problems with the report as I see it:

Myth #1: Third-Party Cookie Data Makes Ads More Valuable

Yes, the study purports that layering on user data boosted CPMs by 60% in one case, but in real dollars ad prices moved from a measly \$.47 to \$.77. This is not brand advertising. It is inventory being bought and sold based on bottom of the funnel, performance metrics. Let's be clear. You cannot fund the billions of dollars of content on the web through \$.47 or \$.77 CPMs. If you want the web to exist merely as a direct response platform or you're in a business that in any way delivers these ads then by all means these are important to you.

Myth #2: Publishers, Particularly Small Publishers, Depend on Interest-Based Ads

The research paper, a dry academic report published in January, suggests that data gathering for ad targeting has particular significance to small, long-tail sites.

The report suggests publishers typically only sell 50% of their ads direct at high prices but the other 50% -- or as much as 60% for small websites according to the study -- sell for those rock-bottom \$.77 CPMs if they sell at all. The real value of those ads is tremendously lower when measured in revenue. In my experience it's extremely rare for any publisher to get more than 10% of their ad revenue from OBA.

Where does most of that money go? Much of the revenue from these behaviorally targeted ads goes to the myriad firms documented by the famous LumaScape. And let's not forget that Facebook and Google vacuum up lots of ad dollars.

In conclusion, I hope this fairly highlighted where this study fell short. If anything, the study proves one thing which is that much of your privacy is tied to OBA policy which

amounts to very little revenue and rock-bottom prices. It's also the main challenge to our industry as we insure against the current race to the bottom. And to be clear, a more nefarious cookie replacement won't change the economics or help consumers. The most important voices in this debate are the consumers and the marketers as this is how content is paid for and without it, we won't have the delightful experiences for consumers. These same experiences that brands depend on to bring their message to the world or the individual.

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