Winterberry Group

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COLLABORATIVE DATA SOLUTIONS:

The Evolution of Identity in a Privacy-First, Post-Cookie World

INFOSUM LiveRamp TransUnion Wiland

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PATH 2 RESPONSE

In the process of developing this paper on data collaboration, Winterberry Group spoke to more than 50 senior industry experts from both the US and Europe. These experts represented 26 companies involved in the use of data and data collaboration, ranging from technology providers, data companies and cooperatives to media owners and end user clients. To complement the video interviews, WG ran an online survey of senior brand marketers in November 2020 across the US and UK.

The objective of this paper is to facilitate better understanding of this rapidly changing market, currently being driven by a mixture of technological innovation, privacy evolution, brand and media owner transformation and data availability. The market challenge remains for brand and media owners to continue to better understand and serve their customers, both independently and through collaboration.

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EXECUTIVE SUMMARY

It is not just the death of the cookie that is driving the adoption of both familiar and evolving collaborative data solutions. It is the combination of a push from regulators, the projection of further restriction of identifiers by the browsers, the competition for revenue between media owners, walled gardens and marketplaces and the continued demand for marketing ROI with consistent consumer interaction.

While the cookie made marketing and advertising easier, the new post-cookie era is forcing a "re-think" on how best to optimize revenue and deliver consistent consumer interaction across channels. Within the set of market participants – including brands, media owners and the collaborative data solution providers – there is a desire to provide an effective set of alternatives delivering scale in targeting, ease of measurement and deeper insights, all under the umbrella of privacy compliance and data security and delivered at scale.

Given a rapidly shrinking time horizon, the normal inertia that solution providers face is being replaced by a significant expansion of testing and experimentation as we enter 2021.

> "It appears that brands are taking the idea of collaboration seriously. This winter has been super heavy on education on different solutions."

– VP Identity Products, Data Solutions Provider

The **COLLABORATIVE DATA SOLUTIONS** that many are turning to in Europe, and which are increasingly seeing adoption in the US, go past the new post-cookie identity replacements and encompass more holistic approaches to partnering among brands, media owners, data owners and the technology companies that serve them. These solutions span:

- **DATA COOPERATIVES (DATA CO-OPS)** where multiple brands provide their 1st party data for combination, with the ability to derive 2nd party data for insights and measurement; in some models, a co-op may apply those insights and models to 3rd party data for use in targeting. The construct here is based on permissions sourced from both the consumer and the contributing brand, with data oversight managed by the cooperative. Originally devised for offline use cases, with a foundation based on upon rich transaction data from member companies, the ability to ingest digital signals to add to predictive models and to extract data across thousands of companies provides a powerful opportunity to find new prospects both online and offline.
- **DATA MARKETPLACES AND EXCHANGES** where data may be exchanged by owners for the use of third party targeting solutions or for further analysis outside of the marketing use cases. Exchange or licensing is again based on permission and extracted either on a one-to-one basis or co-mingled and exported as a recompiled file. The expansion in the number of exchanges, with management by data companies, adtech and martech platforms, data management solutions and recently the cloud providers, will create flexibility in how data may be distributed among partners and the broad media buying ecosystem, extending utilization across channels and market segments.
- **TECHNICAL DATA ENVIRONMENTS** which are designed to facilitate the highest level of privacy and security when companies come together to partner. These solutions, often grouped together as "clean rooms", come in several models including, 1) those where the data moves to a third party hosted environment where permissions are applied and governance managed, and 2) those solutions where data does not move, and a "key" is applied to facilitate the analysis and exchange of the data.

  The range of approaches here may provide pseudonymization or complete anonymization of the data. These data environments are not designed to replace CDPs, which act as primary storage for 1st party data, but to complement them and provide neutral solutions to allow sharing between partners.

In line with these options for collaboration is a requirement for new thinking around the definitions and roles of 1st party data – the data, signals and cookies that are owned by the party collecting them with permission – the 2nd party data that is assembled by partners with a broad and differentiated set of permissions and use rights and finally the 3rd party data and identity that is available for license in the market. The key to leveraging both old and new collaborative solutions is tied to trust.

> "Next year there is going be acceleration in the market because companies now realize they cannot wait for digital anymore. Those that are smart are going to find a solution that sets them up for the post-cookie world. I wouldn't expect every company to get into this, but there is going to be significantly more demand across technologies that allow you to better collect and connect your data."

– CEO, Customer Data Platform

> The true challenge in the past was "trusting" each other, and you cannot underestimate those trust issues. Our main use case is: How can people collaborate with each other to gain more share/reach?

– Director of Data, TV Network

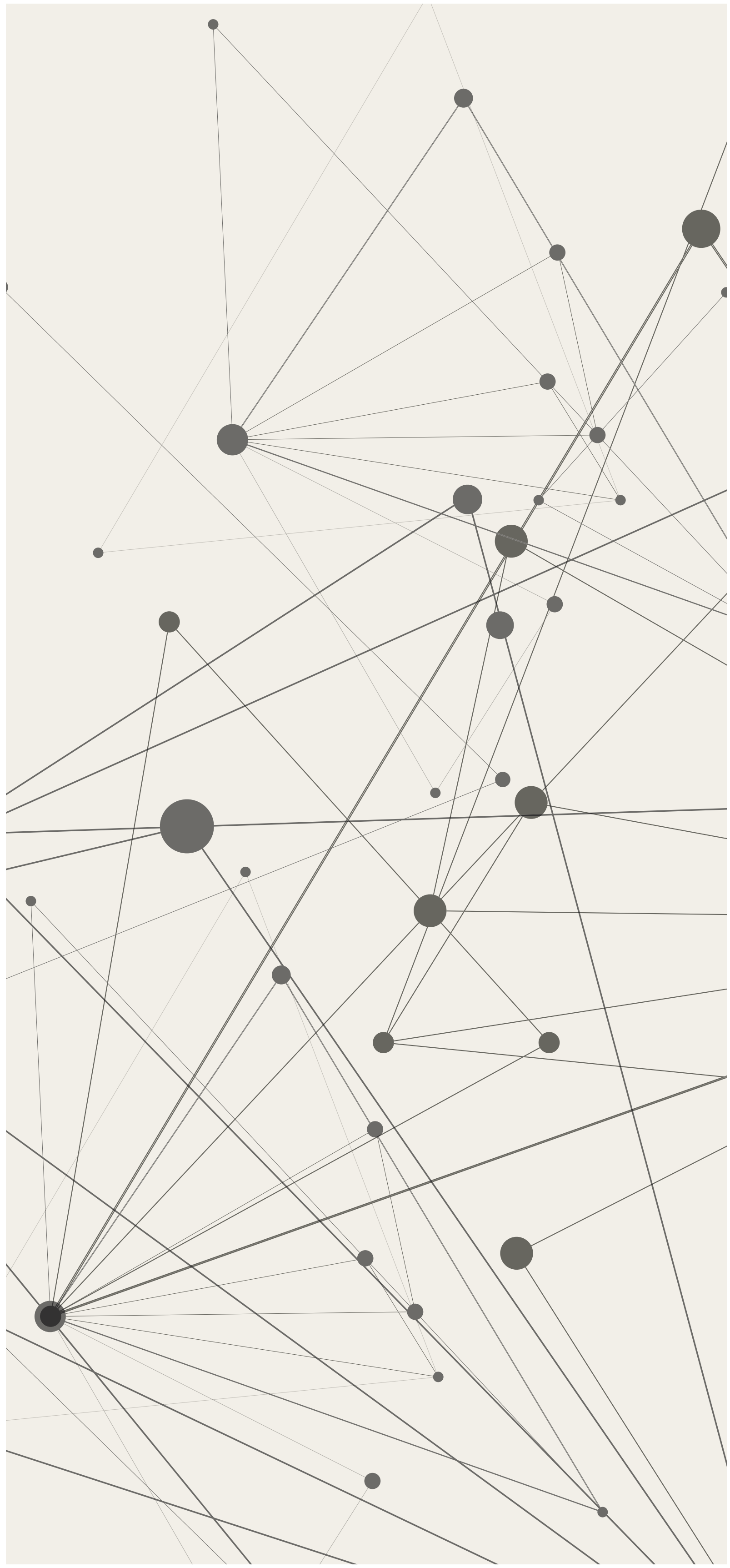
The surveys and interviews conducted as part of this study indicate that "trust" is enabled through a combination of **PERMISSION, PROVENANCE AND GOVERNANCE** as the determining factors, along with the "state" of the data, where it is held, by whom it is held and whether it is moving, which together help to dictate the ability for the data to be leveraged for commercialization in activation and measurement.

> The size of the challenge and the opportunity can be overwhelming to some companies, and many are not good with partnerships. If you want to be an innovative company, you must get started today, not wait.

– C-level Executive, Technology Solutions Provider

Partnering and collaboration are not new. Our November 2020 Brand Marketer survey indicated that 81% in the US and 70% in the UK are either currently sharing data or intend to share data, showing a market that is moving fully in the direction of collaboration. We expect that the indication of intent to share in the UK is being driven by the increasing options for collaboration and a more limited amount of regulatory resistance when appropriate encryption and/or pseudonymization is applied.

As the market continues to adopt collaborative solutions, we are seeing an expansion of use cases. If we put the brand (or media owner) at the center, the model may in fact look similar to the diagram to the right.



In summary, the research indicates that going forward there will a surge in collaborative solutions and collaboration across and within companies and a surge to match the rate of change in the digital marketplace. We expect to see six primary themes drive the infrastructure of marketing and advertising and the discussions that need to be held between brands, media owners and solution providers will include:

MULTI-LEVEL PERMISSIONING – Including consumer to brand, brand to brand, and brand to media owner. These will define market adoption.

MULTI-PARTY PARTNERING – With better organization and understanding of permissioning, Winterberry Group expects to see an expansion of partnering by and between brands, media owners, technology providers and service providers. With the increasing flexibility of solutions, multiple use cases, the desire to gain scale and the need for accuracy across online and offline touchpoints, partnering becomes a requirement, not an option.

MULTIPLE SOLUTIONS IN PARALLEL – The fragmentation of the advertising and marketing ecosystem, the onboarding of new use cases and the benefits that may be unique to different types of solutions and identity approaches will lead to market participants implementing multiple solutions in parallel. Winterberry Group expects that no fewer than three to five solutions will be adopted at brands and media owners.

SOLUTION APPLICATIONS WILL LIVE ACROSS CLOUDS – As the market continues to expand there is a need to make the solutions exist in a state that is cloud neutral and API-driven, increasing connectivity and the speed with which data moves between applications. This shift will allow the delivery of real time intent through shared environments.

ORGANIZATIONAL ADAPTATION – Overlaying collaborative adoption, there will be a need to consider that regulation will continue to evolve (forcing more market change), and therefore solutions should be configured by the organization so that flexibility is built into their design to allow for course correction and adoption of emerging solutions.

STEADY RATE OF ADOPTION – Given the growing maturity of data management, it is widely accepted that 1st party data assets will be a key to long term sustainability, yet it will take many participants several years to reach the scale of data assets desired. The gap between data "haves" and "have-less" will be bridged through partnering and a more extensive use of modeling to achieve targeting/activation outcomes.

With the clock ticking, we expect to experience a near continuous process of testing for the next 36 months. In the near term, collaborative data solutions, including new ID systems, will see a surge of adoption throughout 2021 and then be enhanced or replaced over the following two years as the market resets in the post-cookie, GDPR and coming CPRA period.

THE EXPANDING DATA PARTNERING MODEL

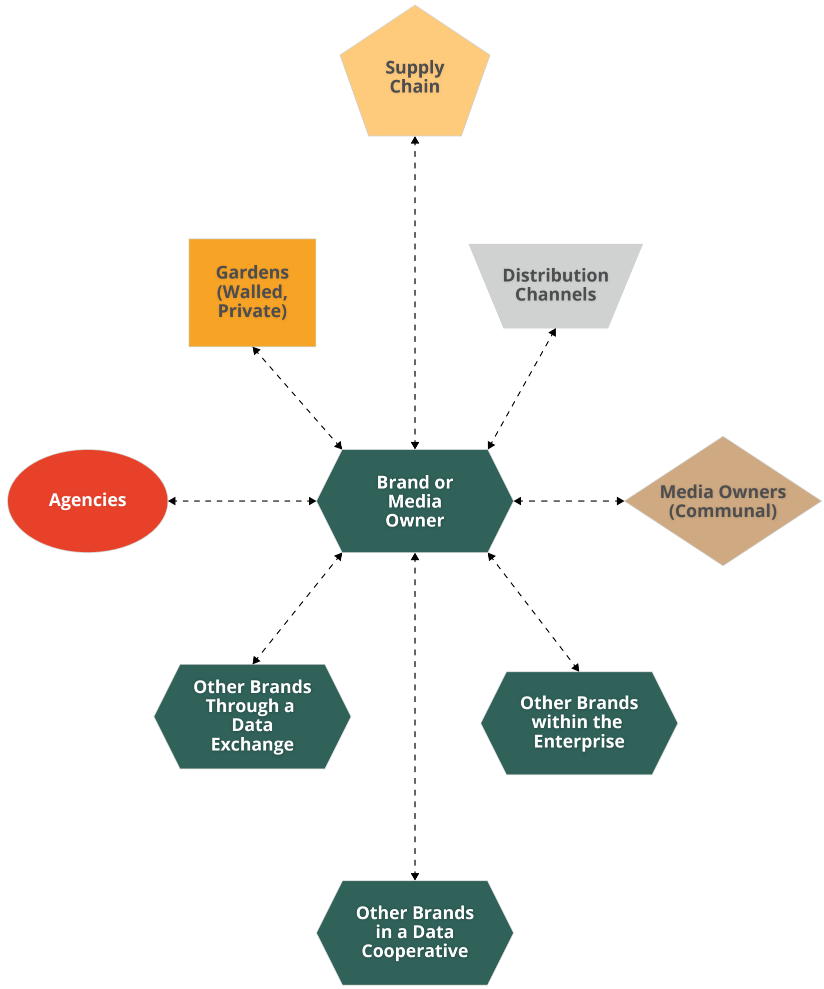


FIGURE 8

> "I think it is going to be two to three years until the issues around collaboration are figured out. Overall, I think there needs to be a more agile way of marketing and understanding what truly defines success."

– Director, Data, Data Provider