

The State of Contextual Targeting

Tactics, Technology
and Revenue in 2021

 Connatix | **DIGIDAY**



The state of contextual targeting:

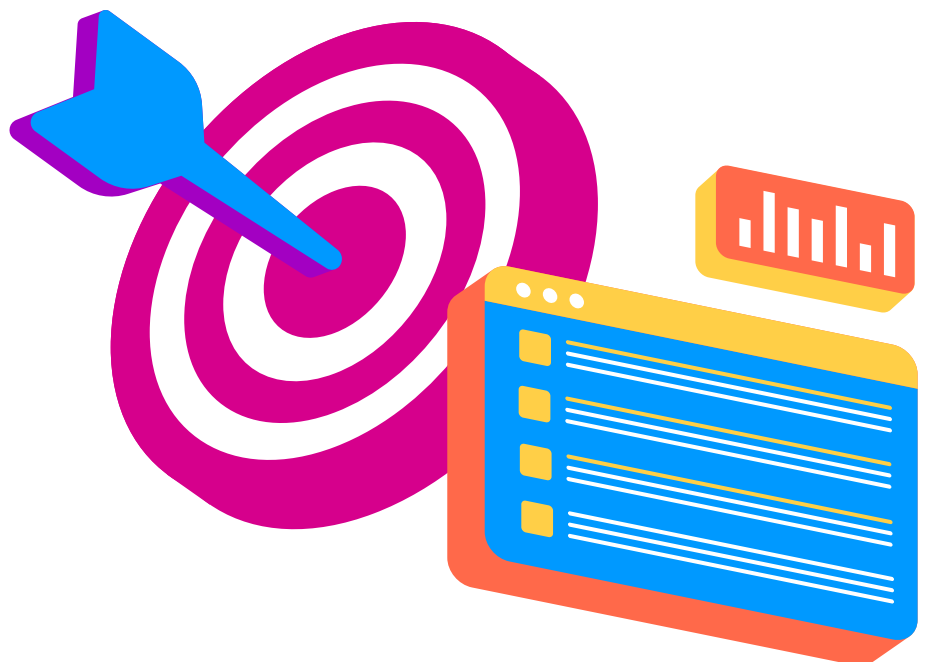
Expanding roles for contextual video in 2021

With Google's third-party cookie timeline once again setting the stage for the final deprecation of the tracking technology, the word "contextual" is on the mind of every publisher and advertiser thinking about data and targeting. The solutions that will continue to enable marketers to reach audiences with ads in the right ways at the right time have become increasingly complex, especially as stakeholders shift from behavioral targeting to contextual approaches.

To better understand the state of the contextual ecosystem in a time of change, Connatix and Digiday surveyed more than 100 publishers, brands and agencies. We explored how publishers match content,

audiences and ads with the help of contextual data and what brands and agencies expect of publishers as the industry shifts from targeting based on behavior to focusing on contextual solutions.

Our research also puts a spotlight on contextual video. Respondents told us how they're optimizing for contextual video campaigns as demand increases and how they're driving performance for the video ads their brand and agency partners create. In the following pages, this new survey, along with experts' insights, highlights the state of contextual targeting and contextual video — the tactics and technology driving publisher revenue and advertiser returns in 2021.



What's in this report?

[Publishers are planning contextual programs against ad revenue shifts](#)

[Advertisers are looking to contextual video – and publishers are too](#)

[Publishers are making contextual video wins, pricing confidently – and innovating](#)

[Challenges in play: What advertisers say they need next](#)

[Next steps for contextual targeting: Why publishers and advertisers are optimistic](#)



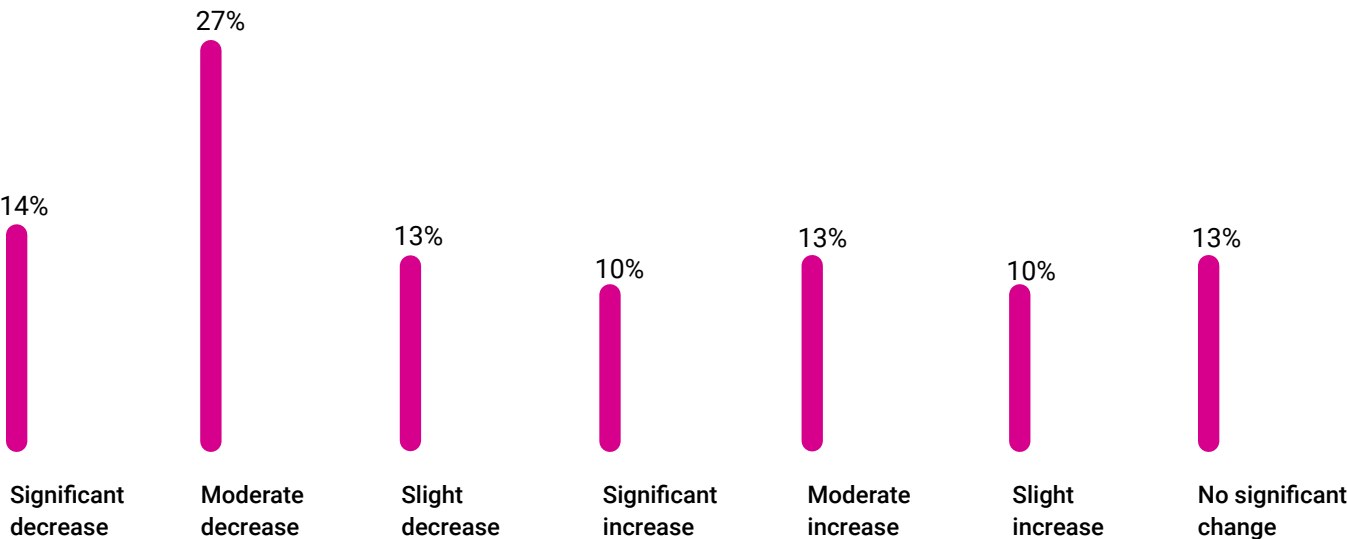
Publishers are planning contextual programs against ad revenue shifts

The transforming role of data in advertising has set the stage for non-standardized approaches to targeting — a tapestry of solutions and tactics that will replace the third-party cookie. This change comes at a time of significant stakes, as publishers navigating the unprecedented challenges of 2020

saw advertising revenue dip due to paused budgets and a general wave of conservative marketing spend in response to the pandemic and quarantine. In our survey, 67% of publishers saw ad revenue plateau or decline in 2020 — and 41% evaluated the reduction of ad revenue to be a moderate to a significant drop.

For our publishers, ad revenue edged into a 2020 decline

Q. Overall, how did advertising revenue change in 2020?



And while [revenue did start to rebound](#) by the end of 2020, and it looks to rebound even further in 2021 and 2022, uncertainties increased yet again as the lifecycle of the third-party cookie entered its final phase. Now,

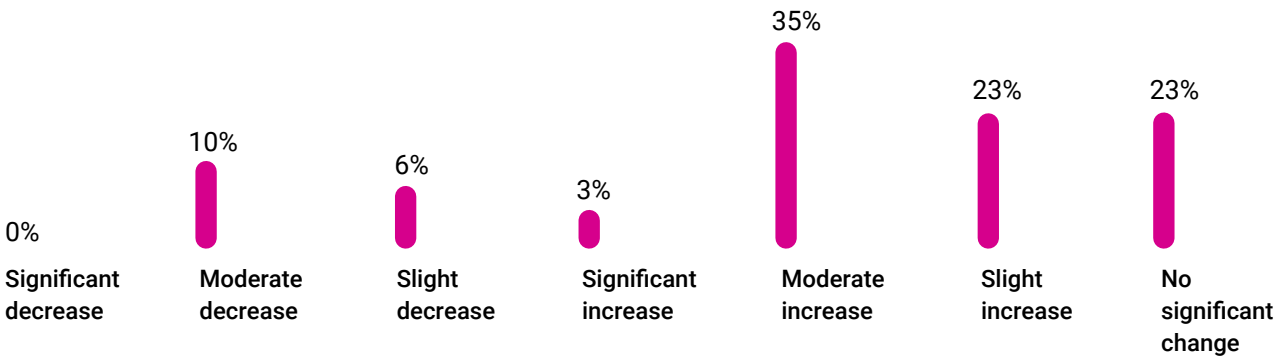
publishers must not only recover from a period of crisis, but they must also implement still-evolving strategies for matching content and ads to relevant audiences.

The solutions will rely on contextual data. Our survey shows a significant outcome of the cookie's disappearance: Publishers are expecting a year of rising demand — and advertiser spend — in the area of contextual targeting.

Among our respondents, **84% expect advertiser spend to sustain current levels or grow — and on the growth front, 61% expect to see an increase in buy-side budgeting for contextual-based campaigns.**

Publishers see rising spend on contextual-based solutions

Q. Publishers: What is the dominant trend you see in terms of advertiser spend on contextual-based campaigns in 2021?

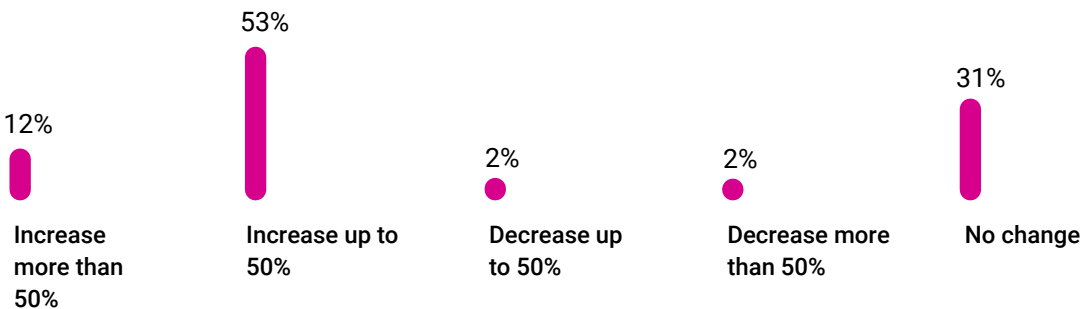


Advertisers confirmed our publishers' assessment. When surveyed, 96% of our brand and agency respondents said they are planning to spend as much

or more on contextual advertising in 2021. On the side of the increase, **65% of advertisers will be adding to their contextual-based budgets.**

'We're increasing contextual budgets in 2021'

Q. Advertisers: How will your budget for contextual-based campaigns change in 2021?



Along with brands driving dollars into contextual targeting in 2021 comes the realization that competition for those budgets will increase, and there will be new challenges in play. Which approaches generate the most value? How can publishers win advertiser buy-in for the solutions they – and their technology partners – create?

In the way of answers, one way publishers can win a share of campaign budgets is by responding quickly and effectively to what their advertising partners want next. And in 2021, our survey shows that advertiser demand is expanding for contextual video.

96%

of advertisers in our survey are increasing contextual spend or keeping it locked-in at current levels

Advertisers and publishers are looking to contextual video

When it comes to winning advertiser buy-in, publishers in our survey see the most success at this stage with text-based editorial (77%). However, when we asked advertisers how well their experiences with contextual targeting have turned out, what we discovered is a different channel that publishers may be overlooking. While most advertisers we polled said that, yes, text-based content is a powerhouse for contextual wins, **nearly 40% of brands and agencies said video had been the most effective channel for their context-driven campaigns.**

Advertisers: Video is a significant space for contextual campaign wins

Q. What types of contextual advertising campaigns have you found to be most effective ?



■ Editorial text-based: 62%
■ Video: 39%
■ Audio: 0%

Comparing the preceding chart with our publishers' responses — i.e., 15% say video is their most effective contextual channel — helps spotlight a strategic opening. Publishers competing to claim buyers' contextual spend in the coming months would be well advised to open a new contextual video front, investing and partnering with technology experts to offer increasingly effective solutions. They'll be getting in front of a demand for a channel that advertisers say works best.

"I think one of the really powerful arenas, where contextual data will be pivotal, is CTV, and more and more people are shifting to an addressable approach with their linear television as well," said Katie Price, programmatic media lead at the agency PMG. "As contextual data gets more powerful from a digital

buying perspective, we will be able to mesh together the efficiencies of programmatic buying and digital buying with that contextual relevance that has been such an advantage for TV advertisers and linear advertising in general."

The significance of contextual video's role in a real-time, agile-buying environment was especially evident during a time of pandemic, quarantine and social unrest, Price said. For her team, what's important is the ability "to adapt to the times, to adapt to the headlines, to everything that's happening — with the power of contextual data, we can get security and an alignment with the specific place, time, content, everything like that, in addition to the efficiencies that are afforded through digital buying."



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Katie Price

programmatic media lead, PMG



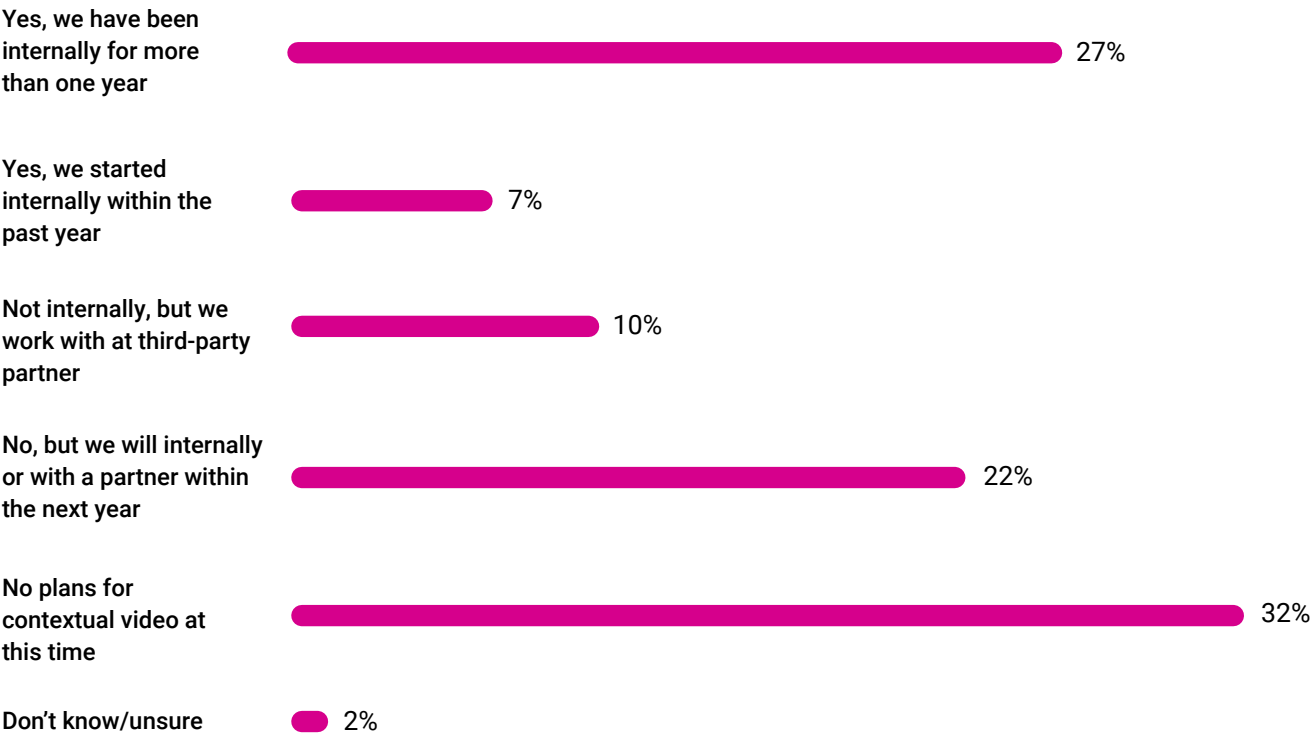
Publishers are getting the contextual video message.

In response to the advertiser demand, **nearly half (44%) of our publisher respondents are already using context-based video ad tools themselves,**

or they're working with a third-party partner on contextual video solutions. And nearly one-quarter of our publishers are planning to work with contextual video in the year to come.

Publishers are focusing on contextual video

Q. Publishers: Are you using context-based video advertising tools?



Overall, based on this data, **66% of those surveyed said they're engaging with or soon moving to contextual video campaigns** via either in-house teams or partnerships. The ways they're working to ensure the effectiveness of these offerings range from unlocking contextual targeting options for advertisers in the first place — that approach tops publishers' plans at 77% — to improving audience experiences (i.e., better and more efficiently matching their content to users; 69%

said so). Our publishers also said they'd explore roles for artificial intelligence to match ads and content to audiences (15%).

For those who've gotten their contextual video programs underway, our survey helped break out some results. As the next section reveals, contextual video is driving wins for campaigns in several ways.

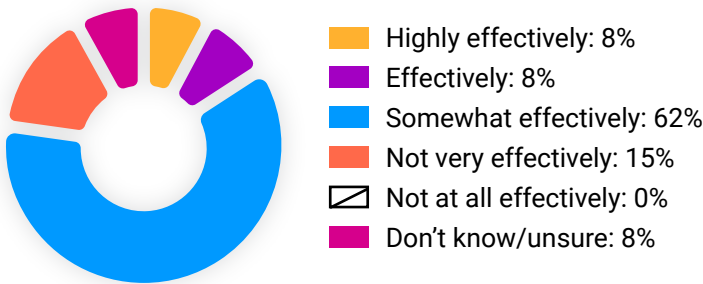
Publishers are making contextual video wins, pricing confidently — and innovating

As they plan and implement contextual-based solutions, our respondent publishers tell us they're making strides, pricing offerings aggressively and working on new products and optimizations.

The KPIs publishers rely upon most for measuring **contextual targeting success are threefold — time on page (61%), the number of views (31%) and the number of returning visitors (8%)**. Their story is one of progress with these metrics in three ways as well. First, 78% of those surveyed said their initiatives are proving somewhat to highly effective.

Publishers are (mostly) succeeding at contextual matching with video

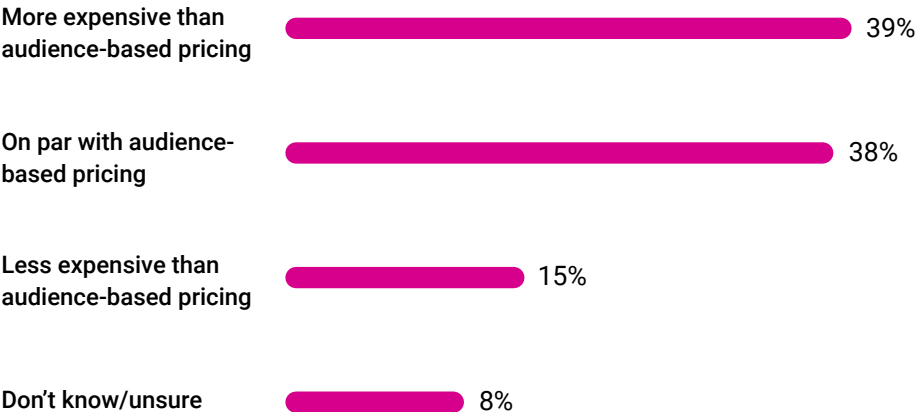
Q. How effectively do you deliver contextually matched video ad campaigns?



The second factor highlighting the progress publishers are making is that of pricing — 77% are putting contextual video solutions on the market at prices that match audience-based products or represent a premium above and beyond those solutions.

Publishers are communicating contextual video's value with pricing

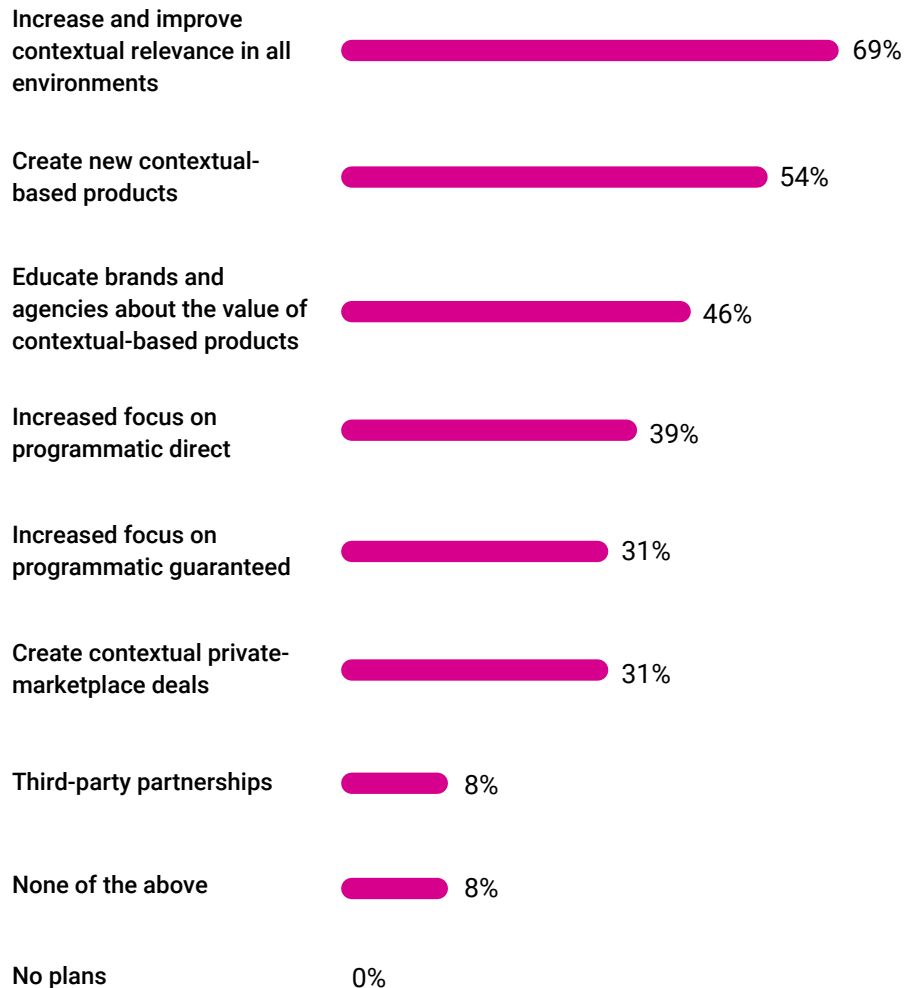
Q. In general, how are you pricing your contextual video products?



Finally, third on our list of ways that publishers are making progress with contextual video: They are working to increase the relevance of the ads to audiences in all environments — and, even more concretely, they’re building new products and educating buyers about them.

New products and education top publishers’ contextual video plans

Q. In the next year, in what ways will you generate more demand for contextual video from buyers? Select all that apply.



When it comes to innovation and new approaches, as Digiday recently reported, The New York Times [has built five proprietary contextual ad products](#) since 2018. In 2020, the company ran 100 campaigns using at least one of these tools. The Times brought in as much revenue from those five new products at the top of 2020 as it did with them in all of 2019.

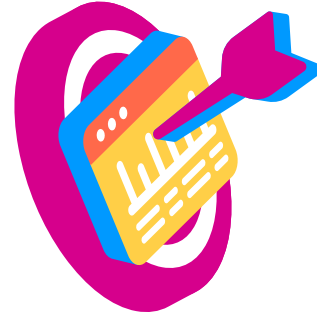
“That’s an exciting milestone for us and speaks to the groundswell and growing demand from advertisers and our team who are educating clients in the market,” said

the publisher’s senior vice president of ad innovation, Allison Murphy, in the article.

Of course, as is the case with most transformations, the shift from audience-based targeting to contextual strategies comes with challenges.

In the next section, we’ll explore what publishers and advertisers face in the way of obstacles — and how they’re working to solve them as they build contextual solutions in 2021.

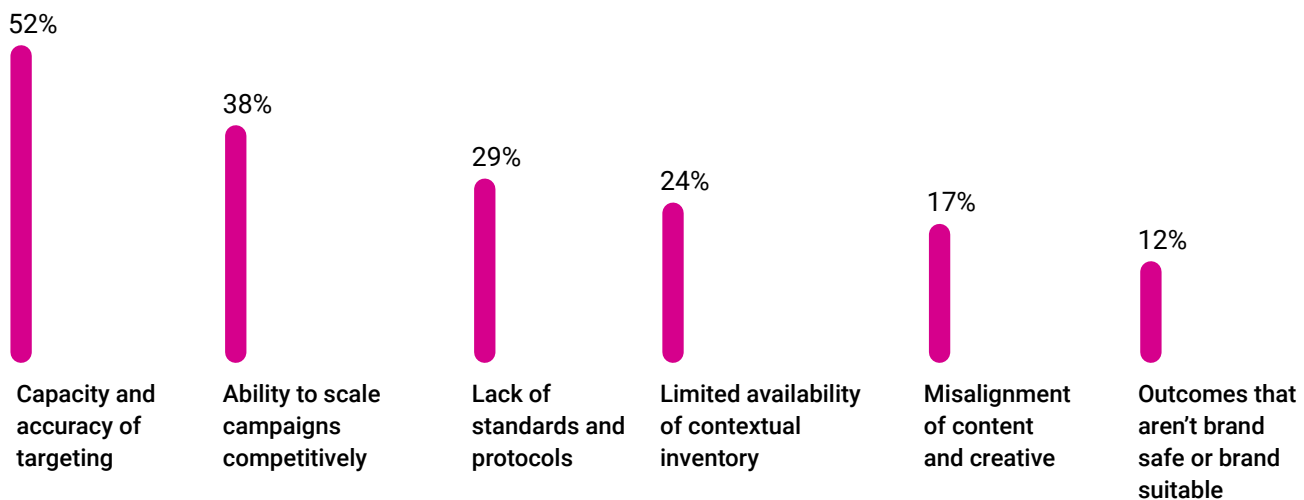
Challenges in play: What advertisers say they need next



In our survey, we asked advertisers about the challenges they face regarding contextual targeting and the tools their publisher partners are putting into play.

Advertisers primarily seek greater contextual accuracy and scale

Q. Advertisers: What have been your biggest challenges when working with publishers on the shift from audience-based to contextual targeting? Select all that apply.



Capacity, accuracy and scale top the list of challenges. These are outcomes, some say, of years in which contextual data received less attention and investment than the more acute audience-tracking tactics that cookies reinforced.

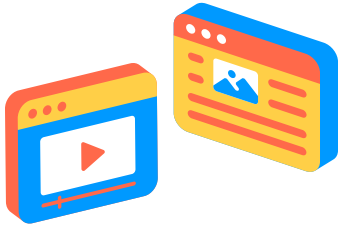
"Everyone stopped talking about contextual technology for a while; it only works if implemented on-page and on-site," said Samir Shah, managing partner of data, technology and programmatic at Zenith, in a recent [Digiday](#) report. "So it was kind of forgotten about as a solution by publishers, and growth, where the

technology was implemented, had stagnated. That creates a scalability issue."

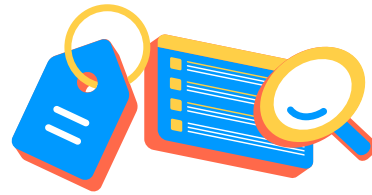
The challenge is scalability, experts told us, and standardization, especially in the programmatic advertising space. "The breadth of opportunity now is far higher for contextual targeting [tracking] opportunities," Matt McIntyre, head of programmatic, EMEA for Essence, [told Digiday](#). "But there isn't a very structured way to know what type of information we will get in order to reach a decision based on what the context is."

For example, several types of contextual approaches are underway, and marketers can categorize them in the following ways.

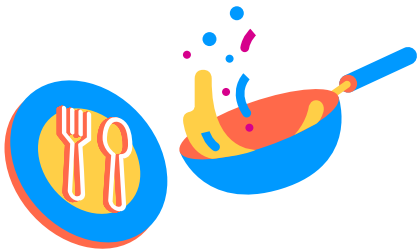
IAB-type categories: Publishers are classifying pages along the lines of established industry standards — video, display, text and images being key categories.



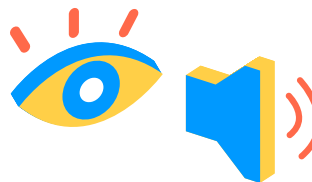
Technology-assisted categories: Publishers are also bringing in tagging, auto-tagging and other automated ways to scrape and analyze their pages for contextual data categories.



Publisher categories: Editorial teams and business teams categorize their pages along specific lines, such as food blogs, home cooking, restaurant food (versus travel food) and the like.



Sight, sound and motion: Publishers are diving deep into video and audio files — from VTTs to proprietary analytics solutions. There are contextual signals and tactics to be captured and deployed in these spaces as well.

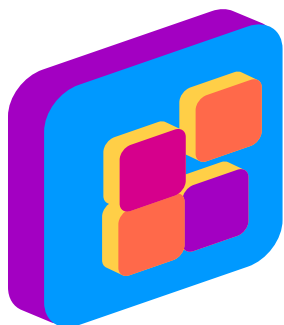


Yet, if all this categorized information is not yet consistent from the publisher side to the buyer side, and buyers are not sure what signals publishers are reading or what signals they're getting, then challenges compound. One critical question emerges: **What counts as performance?**

"One of the biggest hurdles is defining what performance means in a cookieless world," said Jenn Chen, Chief Revenue Officer at Connatix. "There are

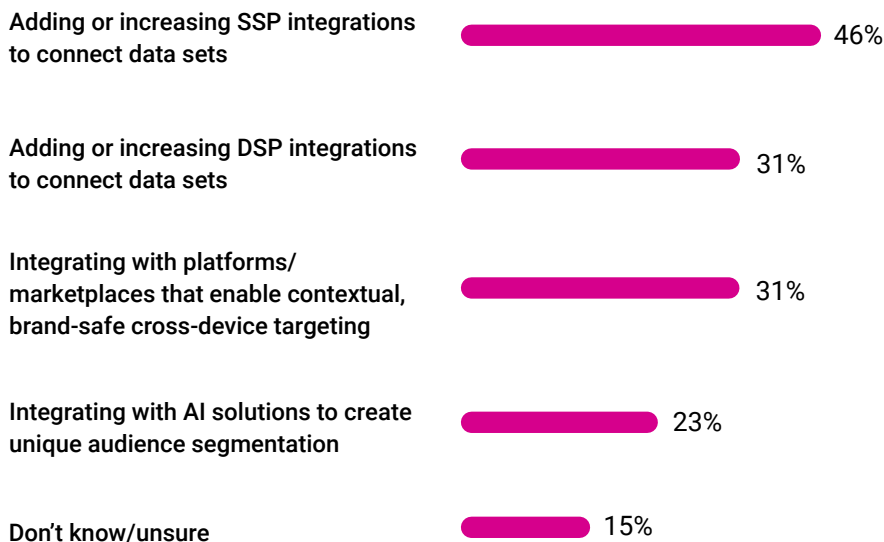
multiple categories of alternatives to the cookie, from Google and W3C's cohort analysis techniques to identity replacement methodologies and contextual. But right now, performance means something different in each category. For the industry to adopt cookieless solutions at scale, and for buyers to push their money and capital to them, we need a standard for performance."

Our survey showed us what publishers are already doing to boost their contextual video efforts in the way of scale. Key to their approach: integrations.



From platforms to AI — publishers are building contextual integrations

Q. What tactics are you using to scale the delivery of relevant video to your audiences? Select all that apply.



The survey highlights a series of steps: Publishers are connecting data sets, and they're sorting out cross-device operability for targeting. All of those are absolutely in line with what Chen at Connatix pointed out: standardization and the quest for verifiable and environment-agnostic performance are high on the list of priorities for publishers right now.

And then there is AI — **nearly one-quarter of our publisher respondents (23%) are already integrating with machine learning and artificial intelligence** to identify and match audiences to content and advertising in relevant ways.

"What are machines better at than humans? Trend detection," Chen said. "They can index big data, detect anomalies, identify patterns and help publishers understand what content will resonate and what should be taken down, all in real time."

Not only does AI make those matches at scale and the speed of competition, Chen noted, but it also goes to the heart of the efficiencies that publishers in our survey (69%) are pursuing.

"What does the future hold?" said Chen, considering the publisher's editorial team and the way budgets and staffing can change in times of crisis (for which 2020 was a painful reminder). "One larger trend we're seeing is that by integrating AI into contextual solutions, publishers can automate some of the operational elements while keeping creativity and human discretion in the newsroom. If budget cuts have to be made, they can keep the most unique parts of a newsroom intact and use machines to do the rest."

Challenges break out in different ways as well. In some cases, obstacles arise for publishers that have prioritized last-click attribution models — contextual targeting doesn't work well with these approaches. Challenges could also result from longstanding organizational thinking that is slow to change — for example, some publishers have been slow to buy into the idea that contextual targeting will replace the revenue generated by audience-based targeting on the open marketplace.

However, others suggest that the impending changes to how audience-based targeting works will revise those perceptions. In their eyes, contextual

approaches will generate a new wave of revenue once the changes of 2021 and 2022 lock into place.

"If 'segmenting and retargeting' across the long tail of the open marketplace becomes hard, or impossible, then that is a lot of spend that would be shifting to contextual," said Bedir Aydemir, head of audience and data, commercial at News UK, in a recent [Digiday](#) report.

Those words represent optimism. And, indeed, as the next section highlights, there is optimism to be found in the contextual targeting space.

Next steps for contextual targeting: Why publishers and advertisers are optimistic



Based on the data in this report and what experts told us, the good news is that contextual targeting challenges haven't slowed down spend on either side. The opposite is the case, investment is increasing, and it's fueling publishers' efforts to improve contextual targeting across all environments as they educate stakeholders on the approaches and tactics that work best. Contextual targeting is squarely back on the industry's map in these regards.

Meanwhile, **the longstanding challenge of brand safety — and its more recently emerging cousin, brand suitability — are at the very bottom (12%) of advertisers' challenges when it comes to contextual**

approaches. This insight comes as no surprise to Price at PMG — she sees outcomes around privacy and personally identifiable information as central to the promise of contextual strategies going forward.

"We're not moving away from the cookie for an arbitrary reason," Price said. "We're moving away from that as a piece of respect for people when they are online. The shift to contextual approaches is a way to show that a brand is using these other means to appear within relevant customer experiences without relying on murky behavioral data ... If anything, it really opens up a new way of white-listing and reaching certain categories of content."

It is a brand of optimism that both advertisers and publishers echo. Looking ahead, advertisers in our survey said the future for contextual-based

campaigns looks bright, and publishers predicted that contextual-based revenue would not only match their expectations, but exceed them.

Most advertisers are bullish — or unworried — about contextual targeting

Q. Advertisers: What is your level of optimism about contextual targeting as a post-cookies advertising solution?



- Extremely optimistic: 0%
- Very optimistic: 43%
- Not very optimistic: 24%
- Not at all optimistic: 2%
- No strong opinion: 31%

Publishers predict positive contextual revenue outcomes

Q. Publishers: How do you predict 2021 contextual-targeting revenue will compared to your expectations?



- Significantly exceed expectations: 7%
- Match expectations: 55%
- Significantly fall short of expectations: 3%
- No contextual targeting or don't know: 35%

A key reason for optimism, according to Chen at Connatix, lies in the very nature of the demand and outcomes in play. She compared the evolution of the space to the explosive growth and evident promise of connected TV, especially in the past year and a half.

“CTV doesn’t have the same type of one-to-one audience targeting, and yet, all anyone can talk about is how CTV is going to explode,” said Chen. “If you peel that back a little bit: Why are advertisers buying CTV? And what are they buying? They’re buying channels. They’re buying the brands and the publishers’ names that are behind an episode, and they’re buying the show.

“And so, publishers that have a line on this kind of first-party data can extract and use sophisticated technology to build and sell these audience segments,” she continued. “That approach will be no different with contextual data. It’s just a matter of getting alignment across the industry.”

As our publishers’ responses in this report show, the buy-in is coming with investment, and the investment is driving revenue and returns for all players, including the technology partners that are helping stakeholders on both the buy and sell sides build the future — and most recently a future that includes new focus on contextual video — of successful post-cookies campaigns.



