The digital ad industry's overreliance on cookies could create a crisis
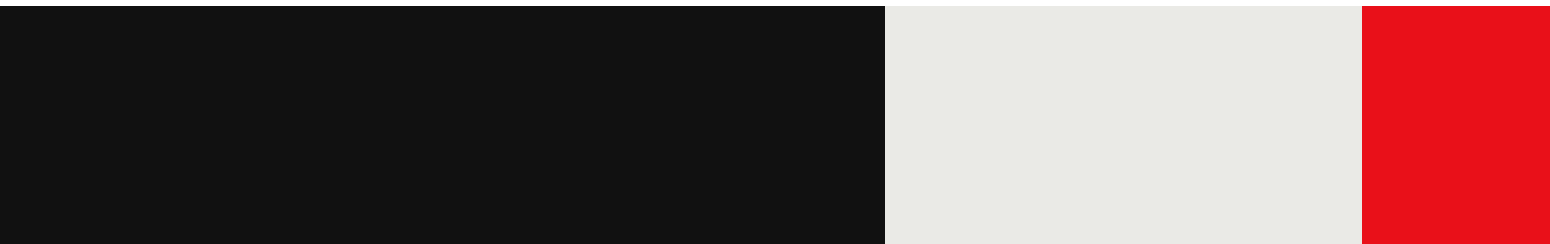
Article

The news: A **Wired** <u>analysis of the 10,000 most popular sites</u> on the web found that "dozens" share user data with more than 1,000 companies, while thousands of others pass data to hundreds.

- Wired was able to determine the number of data-sharing partners per website by examining each site's cookie-tracking disclosure, a pop-up that became more common at the end of 2023 due to legislation like the **General Data Protection Regulation** in key markets.

  Scope of the problem: Wired's report highlights two key issues with the digital advertising industry.
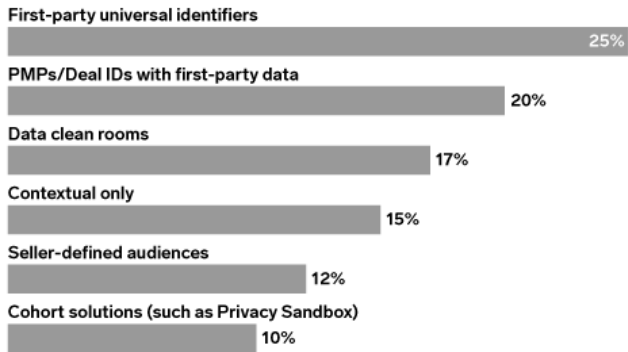
- First, consumers do not have a coherent understanding of how their data is tracked and sold online. Despite the prevalence of cookie tracking requests on websites, disclosures are opaque and lack specifics about how data will be used. Wired further highlighted instances in which these requests contain dark patterns or do not properly adjust to the user's response.

- The report also highlights **data brokers and publishers' extreme dependence on cookie tracking**. Publishers—who are already competing for a shrinking pool of ad revenues—and thousands of data brokerages rely on a system that will soon be phased out, sending a worrying sign about adoption of post-cookie solutions.

  It's time to swap: Google is (so far) sticking to its plan to fully block third-party cookies on **Chrome** this year. That means data brokers and publishers need to begin adopting new, privacy-oriented tracking solutions before the rug is pulled out from under them.

- Despite Google delaying its phaseout several times, advertisers still felt unprepared when the company shut off third-party cookies for just 1% of Chrome users—that's 30 million people.

- The Privacy Sandbox, Google's post-cookie solution, has been criticized by advertisers for lacking the robust tracking capabilities of third-party cookies. Google has conceded that Privacy Sandbox will not offer the same capabilities because those capabilities do not align with changing privacy standards.

- The dissatisfaction with Privacy Sandbox is opening up space for competitors to get in the mix. **The Trade Desk** is building a post-cookie solution called **Unified ID 2.0** which, like Privacy Sandbox, is gaining support among major brands.

Types of Identity Solutions Marketing Professionals Worldwide Consider Most Viable Solution to Deprecation of Third-Party Cookies, Aug 2023

% of respondents

Solution	%
First-party universal identifiers	25%
PMPs/Deal IDs with first-party data	20%
Data clean rooms	17%
Contextual only	15%
Seller-defined audiences	12%
Cohort solutions (such as Privacy Sandbox)	10%

Note: numbers may not add up to 100% due to rounding
Source: ID5, "The State of Digital Identity 2023," Oct 31, 2023

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