CONTEXTUAL ADVERTISING:
THE NEW FRONTIER

The Drum Studios

in association with

gumgum

Welcome to Contextual 2.0

Contextual targeting, where ads online are targeted to people based on the context of what they're looking at on page, is looking not just appealing but also safer. Triggered not only by the European privacy law GDPR but also increasing privacy concerns due to behavioral tracking globally, a soaring demand for personalized marketing strategies and the rise of mobile usage, contextual advertising is making a resurgence. And long gone are the days when contextual targeting was based on a simplistic reliance on a single keyword. With advances in computer vision, it's now possible to decipher the visual content of a publisher's page. Contextual targeting is the only targeting left.

7 THE BEGINNING

In the beginning, there were only two types of targeting: demographic and contextual. Reader surveys told you what sort of people, on average, consumed a particular media property, and context did the rest. Cars were advertised on the motoring pages, holidays in travel sections, and sales next to the news.

The internet changed all that. Being able to track where people had been online at a site, network or even - briefly - ISP level created behavioural targeting, allowing brands to advertise out of context by assuming that the interest that had taken someone to a car page persisted when they started reading about travel. Publishers won because they could sell previously unpopular inventory. Advertisers won because that previously unpopular inventory was still cheaper than the prime, contextually relevant stuff.

This was the beginning of the online advertising industry's obsession with audience, and the corresponding diminution of the importance of context. Behavioral targeting was progressively automated and online advertising became programmatically traded based on the attributes of each individual visitor to a page, rather than the content of the page they were visiting.

But now the industry finds itself at a turning point. The EU's General Data Protection Regulation, which came into force on 25 May, is the latest and most significant piece of legislation to make tracking internet users via cookies more difficult, and therefore hamper audience-based targeting. There are also concerns that the programmatic pursuit of audiences at the lowest possible cost is annoying customers and compromising brand value and trust.

And all the while technology has been advancing, reaching the point now where we no longer have to rely on tagging to convey the content of a page, but can ask machines to categorize it according to factors such as sentiment, tone-of-voice, reading age and so on.

So, this report looks at the current state of contextual advertising to understand how it's seen by advertisers and agencies. We look at how they're using it in the targeting mix and why. And we look at how emerging technologies, such as computer vision and semantic analysis, are changing how they might use it in the future. And let us put it out there – this is no mission to Mars. It is an exciting prospect, and it is very much for real.

Methodology

This report is based on a survey of 116 senior executives in the UK and US with responsibility for digital advertising within their company, carried out in June 2018 by YouGov.

The Drum would also like to thank the following for their contribution to the report.

IN THE UK:

Jean-Paul Edwards,
strategy and product
development director
EMEA,
OMD

Alexis Faulkner,
head of FAST UK,
Mindshare

Hannah Lury,
head of comms,
strategy and media,
Three UK

IN THE US:

Cheryl Huckabay,
principal,
The Richards Group

Terrance Nixon,
media supervisor,
SapientRazorfish

David L Smith,
CEO and founder,
Mediasmith

37% UK

25% US

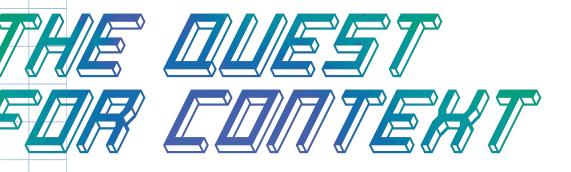Most popular targeting types in the US

46% demographic

44% geo-location

25% behavioral

THE QUEST FOR CONTEXT

5%
SA

Respondents not using targeting in their online advertising

49%
Contextual targeting

Precisely targeted advertising was one of the early promises of the commercial internet, and it's always tempting to think that everyone is using all the advantages the internet has to offer. However, targeting is an area where businesses still seem to be lagging behind the capabilities of technology. Our research found that 37% of UK business respondents and 25% of those from the US were not using any targeting in their online advertising.

We also found that US companies are noticeably more likely to target their ads, and that the popularity of different types of targeting varies between the two countries. Contextual targeting was the most widely used form in the US, being carried out by almost half (49%) of respondents, followed by demographic (46%), geo-location (44%) and behavioral (25%). Demographic targeting is most popular in the UK, being used by 36% of respondents, followed by contextual (32%), and geo-location and behavioral (both 29%).

However, it was clear that for most firms, targeting is cumulative. In both the US and the UK, roughly two thirds of respondents (61% and 65% respectively) said that they wouldn't consider using contextual targeting on its own in the future. The research also showed that 28% of respondents use contextual targeting all the time, 40% use it often and 25% sometimes use it.

This was borne out by the agency experts we spoke to. They agreed that, although the industry emphasis in the past few years has been on audiences, contextual has never gone away.

Rather, it has been used as another layer of targeting, as Mediasmith founder and CEO David L Smith explained: "This is not a return of contextual targeting, it's a reminder. The new tools enable us to do that overlay, and we're reminded why contextual was a good idea."

Most popular targeting types in the UK

46% demographic

32% Contextual targeting

29% behavioral

29% geo-location

THE RISE TO THE TOP

So what does contextual add to the targeting mix? We investigated what advertisers think contextual targeting delivers by asking respondents to score its performance on a scale of one to ten for a number of attributes.

On both sides of the Atlantic the technique's main virtue was seen as its ability to increase the relevance of advertising. Respondents from both the UK and the US were most impressed with contextual targeting's ability to increase the relevance of advertising. Both also gave second place to its ability to improve the user experience. Then views diverged, US respondents being noticeably more impressed with the way contextual targeting improves campaign planning and brand perception than their UK counterparts. But what's interesting is that increasing relevance was the only aspect of contextual targeting that really stirred the enthusiasm of our respondents, with an average of 44% rating it 8, 9 or 10 out of 10. Only a third gave a high rating to its ability to improve the user experience.

44%

of respondents rated contextual targeting 8 or above for increasing relevance

THE REBIRTH OF QUALITY

Our agency experts identified another benefit that contextual delivers; it's ability to deliver quality outcomes. Faulkner at Fast UK summed it up:

"The industry has gone down the audience targeting route in the past few years, but while we still think audience targeting is really important, as an industry we've almost forgotten about quality. At Mindshare, we believe quality outcomes are often associated with quality media, and we regularly see that curated content with longer dwell-time on page drives better brand recognition and consumer positivity."

This view is echoed by Terrance Nixon, media supervisor at digital agency SapientRazorfish in Chicago. "Advertisers are limiting the amounts of impressions they're serving on the open web, and opting for more premium and more high-quality content. That means deeper learnings about the consumers to guarantee that this audience is who they're actually looking for. Then, on the flip side, the audience is putting more trust in these high-quality publishers to make sure that the brands advertising on their site are actually relevant to them, are matching the type of content that they're looking for, and the message of these ads resonates with the content on the page.

"Measurements like click-through rate are actually going up when contextual targeting is overlaid. Users feel it and they see it, and it feels natural to them and it triggers a level of trust in relation to the brand that they actually know who they're talking to versus someone casting out a wide net and hoping to capture somebody's interest. The brand knows what you're interested in, and they've made the effort to align themselves there for you, which is a better approach."

CONTENT LOG
FAULKNER, FAST UK

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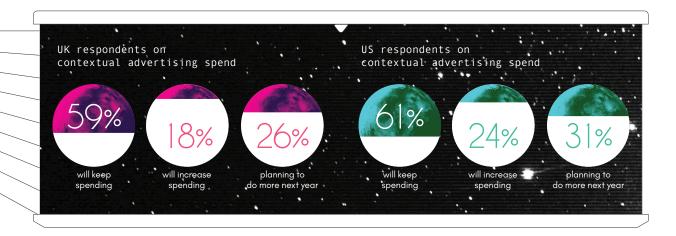
BLAST OFF
THE CHANGING TARGETING M

There is a definite upturn in investment when it comes to contextual advertising. Our research suggests it's taking off in a significant way. Our research certainly indicates there's an upturn in investment in contextual advertising: 59% of our UK respondents told us they'd kept spending on contextual constant last year, while 18% said they'd increased it. But looking forward, 26% said they planned to do more contextually targeted advertising next year.

The figures were similar in the US. There 61% had kept spending on contextual constant last year, and 24% had increased it. Next year 31% said they planned to do more. And in both cases this increased spend runs slightly ahead of planned budget increases for targeted advertising in general.

We looked at this in another way, by asking our survey respondents whether they thought approaches to targeting were changing and, if so, why. The vast majority of our survey respondents seem to think they were. Only 8% of UK respondents and 7% of those in the US said they didn't think companies were changing their advertising strategies, while around two thirds of companies in both countries (70% in the US and 64% in the UK) agreed that change was being driven by technological factors ("Changes in the ways advertising can be targeted to consumers"). Unsurprisingly, UK respondents thought GDPR was having a greater impact than their US counterparts. GDPR was the second most important factor for UK companies, whereas it was ranked fourth in the US, behind cost, and changes in the audience.

UK respondents on
contextual advertising spend

59%	18%	26%
will keep spending	will increase spending	planning to do more next year

US respondents on
contextual advertising spend

61%	24%	31%
will keep spending	will increase spending	planning to do more next year

FORWARD THINKING: THE MARCH OF MACHINES

Computer vision is the technology that allows computers to analyze and understand pictures. A key change in the ability of contextual advertising to target customers is the rise of semantic technology that uses AI to make sense of what's going on in images on a massive scale, enabling advertisers to create much more sophisticated links between the content and the advertising.

For example, analysis of the sentiment of the content of a page can help marketers be far more precise in their choice of context for their advertising, and therefore take advantage of more opportunities, as Faulkner at FAST UK explains:

"We have always used context when buying traditionally from our publisher partners in press and digitally. Now we can continue that or overlay contextual data in a bid environment to buy media with our programmatic methods. This approach allows us to control the buy in a way that wasn't possible previously. Firstly, you can vary the price bid by how specific the context is. This allows for different pricing strategies to optimise where spend is allocated at a more granular level. Secondly, you can scan the page for sentiment, not just relevance, which gives you a lot more power around targeting."

Another technological improvement, mentioned by Smith at Mediasmith, is the increased speed at which today's targeting systems operate, which in turn is reducing the latency issues that used to damage the customer experience.

"Ten or 12 years ago, filtering for fraud, bots, viewability etc caused a lot of latency, and that in turn could cause customers to bail. Today, technology is fast enough that we're talking milliseconds to be able to look at all that stuff and to make the decision whether we want to serve that ad or not. So technology is definitely our friend in being able to apply many more filters, including brand safety."

THE VOYAGE OF CONTEXTUAL TARGETING POST-GDPR

Agency experts agree that GDPR is a key driver behind changing approaches to targeting in the UK, although the extent of its impact is unclear.

"Contextual targeting never went away, but its value has been made more tangible by GDPR," said Jean-Paul Edwards, strategy and product development director EMEA at OMD. "Context has always been a filter, it's just grown in importance."

CONTENT LOG
EDWARDS,OMD

_ Contextual targeting never went away, but its value has been made more tangible by GDPR. Context has always been a filter, it's just grown in importance

His view was echoed by Faulkner.

"The demand for contextual targeting has jumped a little post-GDPR, when data on some audiences has dropped, as certain vendors are more confident they can deliver volumes using contextual data than audience overlays. That said, we aren't seeing a mass-scale change, and personalisation is still the main directive from advertisers."

Agency interviewees suggest the discrepancy between UK and US attitudes to GDPR is simply a question of timing. GDPR may not be top-of-mind for US companies at the moment, but Nixon at SapientRazorfish warned its implications will inevitably be felt across the Atlantic.

"It's going to go global. It started in Europe, it's already rippling here in the US, and I have no doubt that within the next five years our entire digital environment and approach will be completely different. Consumers will be smarter, brands will have to be even smarter than they are, and contextual advertising is going to play the biggest role in that."

RESOLVING THE CMO'S WORST FEAR

Of all the issues with online advertising, brand safety is perhaps the most frightening for marketers. While poor campaign results usually stay within the business, an ad appearing next to inappropriate, illegal or offensive content can result in a social media storm around the brand, or an appearance in the national media.

Certainly our research showed marketers are still approaching brand safety with extreme caution. When asked whether the advertisers who pulled their advertising from YouTube in the wake of The Times investigation in 2017 had made the right decision, 79% of UK respondents said yes. In the US that figure was 65%.

Smith at Mediasmith believes this is another reason why contextual targeting is enjoying a resurgence.

"Safety has always been an issue for brands. Now they've learned a lot more about digital, they're paying more attention to what's going on with their advertising, and some have even taken back possession of the buying. There is a greater awareness on the part of brands as to what they're doing and where they're doing it."

Brand safety is a complex issue, and no brand wants to be associated with terrorism or extreme political views. But as we've already seen, the new contextual advertising tools offer the ability to examine the content of a page in far more detail, opening up more opportunities while reducing risk. Advertisers can now balance the need for reach with the quality of content that matches their brand, as Faulkner explains:

"News sites, for example, are often avoided because advertisers may not want to be next to bad news. Contextual approaches allow you to be more specific about terms to target or avoid. We can cut out the pieces we don't want to be associated with."

CONTENT LOG
FAULKNER, FAST UK

_ Contextual approaches allow you to be more specific about terms to target or avoid. We can cut out the pieces we don't want to be associated with

YES

Were advertisers right to pull advertising from YouTube in the wake of The Times investigation in 2017?

79%
UK

65%
US

Sentiment analysis is also allowing brands to take advantage of content that would once have been rejected, according to Huckabay from The Richards Group:

"We had a client called Boudreaux's Butt Paste, which is a diaper rash cream. When people talk about diaper rash, they're talking about pain and discomfort for their child, which old-school contextual advertising would have excluded. But those are components of the content that we actually need and are relevant to our product. AI technology better understands what an article's about and that it's not referring to pain in a way that would make it something we would want to exclude."

Nixon at SapientRazorfish agreed, suggesting advertisers may now be able to be more robust in the way they approach ad targeting, based on a deeper understanding of the customer.

"When it comes to context, there's negative and there's positive. And as a brand, I wouldn't necessarily say it's bad to be on either side. What you don't want to do is be dead middle. You don't want to be bland when it comes to context. You have to take

a stand or have a strong position and be true to the brand, knowing what it is that you're providing, and understanding the people and how they're actually using you, even if the environment isn't what the brands imagine themselves ideally being in, contextually speaking. It comes back to 'how does my brand fit into their lifestyle?', and actually focusing on the consumer's life versus just being a space in their cabinet or a spot on their shelf.

"Maybe it's a branding switch that needs to happen, being surfaced in that relevant content when the context is right for the consumer, not necessarily for the brand. When that context is right for the consumer and your brand shows up, that's when it connects with them at the heart, and that's when it triggers them to invest in investigating."

All this perhaps gets even more exciting when computers get a human-level understanding of pictures. A computer vision.

When Google Display Network or AdSense is embedded on a site, what is it that people see? A text or an image that's either relevant to the text or, of course, based on retargeting data of that person. But technology is now available that allows ads to be displayed over images. It contextually identifies what is in the image and displays relevant ads on the image itself.

This is computer vision. And in a world flooded with computer images – it would take a person 10 years to look at all the photos shared on Snapchat – the impact of this technology will be far-reaching.

Computer vision is an academic term that describes the ability of a machine to receive and analyze visual data on its own, and then make decisions about it. That can include photos and videos, but more broadly might include "images" from thermal, or infrared sensor, detectors and other sources.

Without computer vision, a marketer simply cannot comprehend the full content of the page. For example, an image featuring mountain bikes might be a good place to advertise energy drinks, or an image of a tropical beach will lend itself to holiday rentals in the Bahamas. Just imagine how powerful it would be for brands to connect their message with that image in a very contextual way and tap into the emotion that somebody's experiencing when they're looking at a photo.

Jeremy Kaplan, senior vice-president of sales at GumGum, calls it the most powerful and compelling kind of AI. According to GumGum, the computer vision and hardware market is expected to reach $48.6bn by 2022, so the sector is growing.

GumGum's computer vision technology allows contextually relevant ads to appear where users are most likely to see them. The bonus is that with contextual relevance comes brand safety: GumGum's AI blocks anywhere from 24-238% more pages than other brand safety providers.

> How does it work?

Computer vision is at the core of GumGum's contextual advertising capabilities. Here's a better look at how their technology understands images: it processes billions of images every month using machine-learning techniques to determine the content of those images. The technology looks for elements such as automobiles, faces, animals, skin, hair, locations, logos and much more. In addition, natural language processing is used to extract keywords and classifications from the textual content available on the page. All of this results in semantic understanding of content available in real time, and this technology is constantly learning how to classify more and more things.

Conclusion

CONTEXTUAL ADVERTISING

A number of factors have come together in recent months to increase the value contextual targeting brings to online advertising. The headline story has been GDPR, but our research suggests that deeper trends, such as advertisers' desire to associate themselves with better-quality content ito improve brand metrics, are playing a bigger role.

However, we also discovered that contextual targeting is seen as part of the broader mix of targeting technologies, adding an extra layer to audience-based targeting. Whether this will change as the effects of GDPR become clearer - and as GDPR-type regulation spreads to other areas beyond the EU - remains to be seen.

The other key element in the story is the development of technology to analyse content at a semantic level. This has meant brands are better able to balance reach with quality in their advertising. The new tools give advertisers the ability to view

content through many different lenses - sentiment, tone-of-voice, reading age etc - meaning they can slice and dice content across a site, advertising on sites that they might previously have deemed too risky by avoiding specific pieces of inappropriate content.

Because the technology allows a deeper understanding of content, it also opens up new possibilities for contextual links beyond the traditional "ads for cars on the motoring page" approach. Adding that to other targeting methods - both old and new - opens up some very exciting opportunities for marketers.

The Drum, in association with GumGum, hosted two roundtables – in New York and in London - with senior executives to understand the resurgence of contextual marketing and how it is seen by advertisers and agencies. The following are the summaries of the roundtables

US ROUNDTABLE

Call it a renaissance, a rebirth, or a reinvigoration of the field: contextual is making a comeback. To understand the rise, fall and rise again, a bit of context is needed. The roundtable of experts came together to understand what is driving the reversion to a method many assumed had had its day.

Jeremy Kaplan, senior vice-president of sales at GumGum, is witnessing the renaissance first hand, which he attributes partly to brand safety concerns born from the YouTube scandal in 2017.

But it's not brand safety alone driving the change, according to Jocelyn Lee, head of media strategy and ad tech at Deloitte Heat. "There's a lot of things that are happening in our marketplace with technology, with conversations, with data practicing laws, and it's really pushing contextual into a whole different place from when it came out a few years ago."

To understand why contextual is making a comeback, it is worth understanding why it fell out of favor in the first place. New tools came along promising greater accuracy through personalized, audience-based ad targeting, alleviating contextual's propensity for mistargeting, creating wastage, and engendering negative brand association.

CONTENT LOG
KEVIN FLOOD

_ I think media targeting using context has to be complemented by equally precise analytics and insight tech and tools

Technology has, thankfully, moved on, says Kevin Flood, chief executive of Powerlinks Flood. "I think media targeting using context has to be complemented by equally precise analytics and insight tech and tools."

The participants around the table all agreed that contextual targeting isn't just keyword targeting anymore. They concluded that the future of advertising is images, not just keywords. So being able to identify additional metrics and channels for brands to apply targeting tactics in a post-GDPR world will be a huge development.

UK ROUNDTABLE

It's been a difficult year so far for advertisers, with targeting methods and measurement coming under scrutiny like never before. Has the digital marketing industry's obsession with audience resulted in a corresponding diminution of the importance of context? Does adland have a blinkered approach to understanding "who" over understanding "why"? These were some of the key questions discussed on the day.

"As an industry we focus too much on the 'who,' " said Sam Fenton-Elstone, CEO at Anything Is Possible. "The audience targeting approach is often about 'find that person' and that's all that matters. If I know this person's age and location and salary, then that's all I need to know to serve them the right message, when in fact they have different states of mind and moments in their day - and some messages are more appropriate in different context, than others."

Does the fallout from GDPR (the EU legislation) mean that audience targeting as we know it will become a thing of the past?

Anand Narayanan, manager (digital platforms & innovations) at Panasonic, believes it has created an opportunity, rather than a challenge, for brands. "I have lots of debates internally about [GDPR]. Yes, we need to be more contextual and more granular in our targeting, but there's a huge role in understanding whether you are adding value to your customers lives. It is too often a case of 'here I am, listen to me'. If you walk into a party, you don't want to be the person shouting in the centre of the room, you want to be the person people want to talk to. If the content we make is emotional and connecting with the audience in the right context - the right person is going to come and talk to you. It's a pull strategy rather than push."

CONTENT LOG
ANAND NARAYANAN

_ Yes, we need to be more contextual and more granular in our targeting, but there's a huge role in understanding whether you are adding value to your customers lives

CONTENT LOG
OLI MARLOW THOMAS

_ I don't think we've realised the true opportunity of audience targeting. When aligned correctly with context - that's the Holy Grail

Having access to granular data is of course extremely valuable from both an insight and targeting perspective. Has the legislation change forced companies to take a closer look at their data infrastructure? Will we see a drastic change in the ways companies choose to target their audiences?
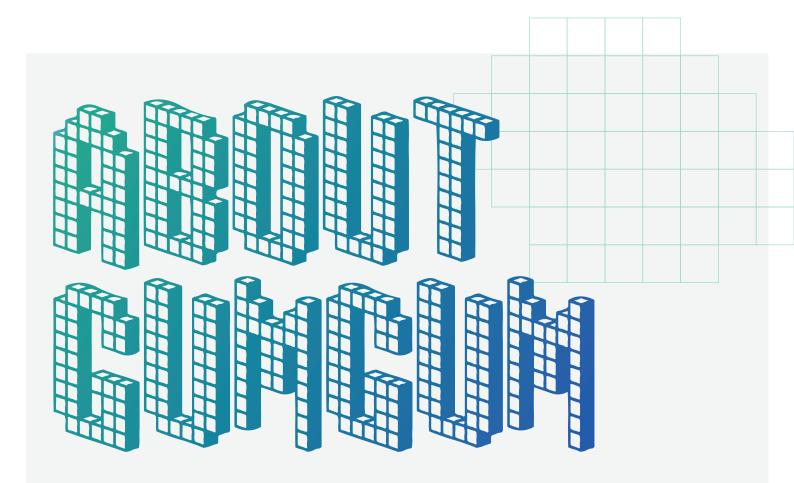
"A lot of brands aren't as targeted as they potentially could be," says Oli Marlow Thomas, founder of AdLib.

"I don't think we've realised the true opportunity of audience targeting. When aligned correctly with context - that's the Holy Grail. Finding media-buying houses that can look at audience, they can overlay keywords so the context is correct, can look at creative to make sure that the execution is aligned to the buying strategy and context

of the website - that's really where we need to get to. But we're a long, long way from there for most big brands."

If we're a long way away from brands truly getting the balance right between audience and context, what will the tipping point be? GumGum commercial director Peter Wallace stressed the importance of creating ad units in the context of how people consume content. "If you overlay an ad that's contextually relevant, you will get better results for all of those involved, whether it be the consumer, publisher or brand" he explained. "It is about understanding how best to integrate your brand seamlessly. As a brand how do you pop up in an image or a video without interrupting?"

With platforms and technologies emerging at a rapidly increasing rate, how can advertisers better understand what to use and what not to use as part of their marketing arsenal? Can context provide advertisers with a way to better understand the moments in a consumer's day where messages will be valuable, as opposed to an irritation?

"The fact that we have more ways to connect with people, and that we'll see more platforms and tech and services over the years, doesn't mean you should use them all," says Nick Constantinou, managing director at Doner. "It's not just about audience but more tying everything back to what is the core business objective, what are the commercial KPI's - and then layer on the audiences and mediums."

ABOUT GUMGUM

Founded in 2008 in Santa Monica, California, GumGum is a company dedicated to teaching machines to see in order to solve hard problems across a variety of industries. Our proprietary computer vision technology uncovers key contextual information from text and image content on premium publishers all over the world. By unlocking this hidden value, we enable advertisers to deliver highly relevant messages to their most valuable consumers. And with our highly visible, deeply engaging ad units, we make sure every customer enjoys the quality user experience they deserve. Together, the GumGum advertising suite has all the integrated options you need for an effective digital marketing strategy. For more info, visit **gumgum.com**.
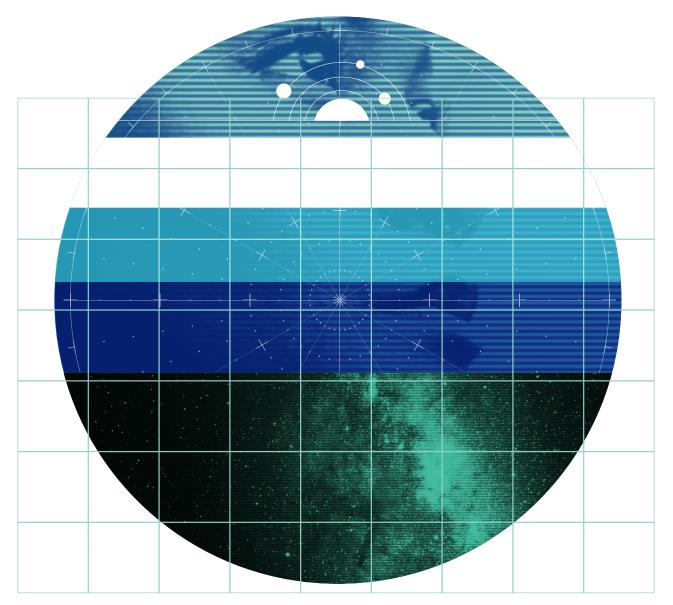
gumgum

Watch the animated short

A WALK DOWN CONTEXTUAL LANE

at **gumgum.com/contextual-walk**

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