

STATE OF AD FRAUD

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Industry Overview & Market Outlook

Online advertising fraud account to a sizable share of all digital media supply chain economic activity. The size varies between 30% and 50% depending on the source.

Trends in digitalization and cybercrime drive ad fraud to grow at a faster rate than the ability to counter it, even when the ability to counter is growing significantly. Resources and knowledge base for countering ad fraud are fragmented and proprietary, making it harder to create a collective effort in tackling ad fraud. So far no open community-led knowledge, data or software initiatives exist.

In other fields that have tried to deal with similar problems, such as email spam filtering and internet defense software, wider success has depended on availability of community driven open approaches. According to one source, in 2016 ad fraud will be bigger than the 5 biggest cybercrime combined [1][2]. Because countering methods for other forms of cybercrime are more sophisticated, ad fraud attracts an increasing number of cybercriminals to “try the waters”.

It is without question that digital marketing has the potential for positively disrupting marketing in a way that benefits both the business and consumers . Studies have shown that if applied in an intended manner, digital marketing will produce highest efficacy and efficiency in comparison to any other forms of traditional marketing such as TV or outdoor. Even without compromising users’ right to privacy, digital technologies provide the option with the least intrusive and the most engaging way of commercial communications. But the extent of fraud is significantly lowering the impact and potential of digital marketing, both in the eyes of businesses and people.

One indication of this is the performance of publicly listed adtech companies. Partially as a direct result of exposure to ad fraud in the system, adtech is one of the more poorly performing sectors in the stock market over the past 12 months.

Name	Symbol	Gain %
Criteo SA (ADR)	CRTO	9.09
Rocket Fuel Inc	FUEL	-94.56
The Rubicon Project Inc	RUBI	-30.98
TubeMogul Inc	TUBE	-1.48
Matomy Media Group Ltd	MTMY	-54.17
Millennial Media, Inc.	MM	-92.55
YuMe Inc	YUME	-62.65
Tremor Video Inc	TRMR	-78.89
Sizmek Inc	SZMK	-66.17

PERFORMANCE OF LISTED ADTECH COMPANIES

Our virtual adtech portfolio consist of 9 companies that were listed at least since April 2015. The portfolio has a holding of close to \$10,000 worth of shares for each company at opening price. The portfolio has by today lost more than half of its value, with many companies deep in double-digit negatives.

In a recent World Federation of Advertisers member survey respondents agree that the structure and systems in place in the digital media ecosystem play a large role in perpetuating the ad fraud issue [3]. It may be that for the first time some media investors are beginning to take action towards taking money away from digital [4], and putting it back to TV advertising where it is not under the threat of fraud in the same way it often is in digital networks.

Research and Software Foundation

botlab.io is a non-profit foundation that works independently to provide knowledge and software based open resources for researchers, vendors, policy makers and authorities. botlab.io volunteer team consist of well-known media technology, data science and information security experts.

As its first industry program - M5K, botlab.io is starting an open software initiative. M5K, started and curated by botlab.io, is calling for community-led decentralized quality scoring of websites, that runs without any possibility of downtime, fraud or third party interference. (<http://botlab.io/media5k/>)

This Activity is Possible Only With Your Help

If you would like to a more transparent and trustworthy eco-system, starting with community-led decentralized quality scoring of websites, consider becoming a contributor to botlab.io *Annual Fund* (<http://botlab.io/annual-research-fund/>).

Your contribution to the *Annual Fund*, is crucial in sustaining open research initiatives aimed towards making your eco-system safer, and more efficient. A detailed list of current and planned activities can be received upon request from:

EUROPE	Mikko Kotila	mailme@mikkokotila.com
US	Amit Phansalkar	amitphan@gmail.com
APAC	Paul Dovas	paul@dovasdigital.com.au

Botlab.io is a 501(c) non profit organizations and all contributions will be tax exempt for US tax purposes. For EU entities, donations can be made in to a Finland based non-profit foundation.

To receive a contribution statement for payment purposes, please provide your:

Company Name:

Company Address:

Contact Person:

Amount of Contribution:

Further Reading (references)

[1] Report: For Every \$3 Spent on Digital Ads, Fraud Takes \$1

<http://adage.com/article/digital/ad-fraud-eating-digital-advertising-revenue/301017/>

[2] THE TOP 5 CYBERCRIME

<https://www.aicpa.org/InterestAreas/ForensicAndValuation/Resources/ElectronicDataAnalysis/DownloadableDocuments/Top-5-CyberCrimes.pdf>

[3] Lack of scrutiny has given ad fraud criminals a head start

<http://www.campaignasia.com/Article/405627,Lack+of+scrutiny+has+given+ad+fraud+criminals+a+head+start.aspx>

[4] WPP urges Google to tackle problem of fake ad views

<http://www.ft.com/intl/cms/s/0/f9da727c-6207-11e5-9846-de406ccb37f2.html>