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The Ad-Fraud Report

This report analyses the long term implications of Covid-19 on the ad-fraud issue and how its going to trend in near future

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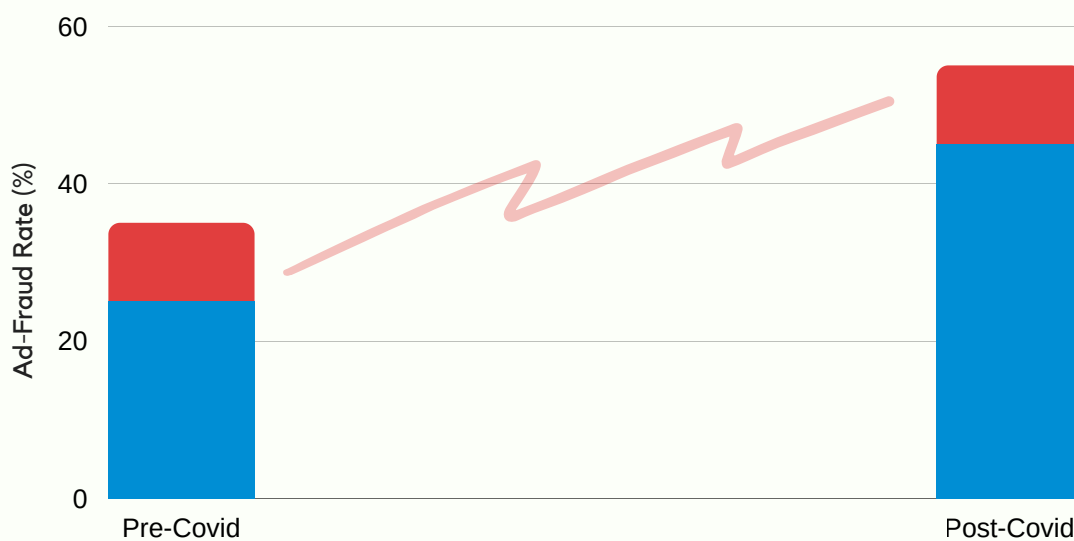## mFilterIt
Adding Trust to Digital

Aug 2020

About the Report

This report is based on the trends derived from the internal data analysis of mFilterIt, as well as secondary and primary research conducted by techARC. The report powered by mFilterIt identifies some of the key trends that have emerged during Covid-19 situation impacting the digital advertising and how that is going to shape up the ad-fraud in near future.

Executive Brief

The bottom line is ad-fraud is likely to grow from the present average 25-35% to 45-55%. Organisations that have been pushed to 'digital jump-start' are vulnerable to ad-fraud potentially risking losing more than half of their ad-spends to ad-fraud.

Key Findings

- Companies have curtailed overall advertising budget by 30-50%. At the same time have at least doubled their digital advertising spends.
- Brand building activities take a backstage. Priority is all about getting leads and generating business.
- Re-engagement and Retargeting campaigns are on the rise to generate business out of existing users wherever possible.
- New sectors and businesses are embracing digital as a medium of business than marketing exposing their spends to ad-fraud.

The Changing Digital Expectations

Expectations out of Digital Marketing have changed across the industries and sectors. Rather than a backstage actor for many organisations, Digital has become the frontline warrior to keep the businesses up. Consequently, marketers see a paradigm shift in their roles where RoI becomes even more important measure.

Redefining Digital for Matures
Digital only or Digital first businesses are inherently high on the awareness, understanding and capabilities of handling the digital ecosystem well. It is for this reason that 8 out of 10 such organisations are already aware of a lesser known issue like ad-fraud and have solutions in place to tackle it.

However, with the new normal, digital has become the frontline warrior for such organisations resulting in a paradigm shift in the way it is being considered now.

In such organisations, digital was already essential to the overall strategy. However, the focus within digital has changed. It has narrowed down altogether to performance, increasing efficiency, minimising pilferages and generating business. So, from a position where digital advertising was a cost centre and RoI was opaque, it has become the business development engine and has very definite revenue targets. In many organisations the digital contribution of revenue was in a single digit number percentage of the total revenue (6-8%), which is now vice-versa, especially in B2B environment. Since, business travel and interpersonal selling has come to near zero, many such services are being sold digitally either through SaaS or a hybrid model (pre-SaaS).

As a consequence, it has resulted in digital marketing becoming

performance heavy. This implies the following changes in the overall digital advertising strategy.

- The sole objective of campaigns is the result in business generation.
- There is even higher significance for inorganic growth as organisations want to quickly secure potential business with no geographic competitive advantage, meaning a potential client can be serviced from anywhere in the world.
- Wherever possible, the first preference is given to increasing engagement with the existing customers / users. This brings down significantly the cost of client / customer acquisition. Also, it is culturally a bit difficult to acquire new customers virtually in many situations. So re-engagement and retargeting becomes

important. Even for B2C businesses, the priority is to start engagement with existing customers first.

- The tolerance for any inefficiency and losses is near zero. Advertisers are attempting to plug in any small gap even worth a penny.
- The conventional cycles of lead generation are squeezing. Hence, marketers are looking for solutions which give them validated leads where some due diligence process has been done.
- Due to generally weaker economic sentiments, there is a rise in overall cheating and frauds over digital platform. This is increasing the need of having 'digital policing' by the brands to keep a real-time vigil on an imposters which not only takes away revenue but also brings down the reputation.

Black Hole for New Entrants

Covid-19 has not pushed fence sitters into digital but even got businesses and organisations adopt digital which were never expected to come on digital. Some sectors like education are not going to be online only and will eventually adopt a hybrid model. However, digital has forayed almost in every domain.

Some of the challenges faced by this block of new entrants include

- Many of the digital assets including apps have been done in haste. So there is high possibility of some of them having vulnerabilities which can be exploited by fraudsters not only for ad-fraud by data privacy as well.
- The users of these businesses are also not accustomed with purchasing online. The challenge for these businesses is not only in getting users but its about their quality and genuineness.
- The awareness level of ad-fraud and the trust issues in the digital ecosystem is far too low in these late entrants. They are completely unaware of issues like BOT traffic, click spam, click injection, SDK spoofing and other emerging ad-fraud challenges.
- There is an urge for quick results. As digital is an alternative to restore business, these new comers want to reach to the previous levels of business through digital in shortest possible time. So, they are prone to land amongst fraudsters and lose their money as well as not get the desired results.

Whether existing mature entities or the learning new comers, for both the expectations from digital have changed. While they are adjusting to this new normal, ad-fraud threat is on a high.

Impact on Ad-Fraud

Within the digitally matured businesses, the proportion of digital spends is increasing primarily to drive the performance campaigns. This means spends on CPI, CPV, CPL, CPA and CPS type of campaigns are increasing. Though the standard ad-fraud rate for such businesses shall be contained within 25-35% of the range, they will still lose more money for ad-fraud as the base increases exponentially. This interprets in the 25-35% ad-fraud percentage translating into many more millions of dollars. As per data analysed, the same percentage could mean 3-4 times more money being based on ad-fraud through performance campaigns.

On the other side, the late entrant organisations and sectors in the digital domain are expected to have a higher rate of ad-fraud percentage. This is because of lack of awareness, beginning of the learning curve and absence of tools and solutions to tackle ad-fraud. These businesses will have ad-fraud as high as in the range of 60-70% of their spends.

The blended impact of the two trends means pushing the industry benchmark up by at least 15-20 percent points. Instead of the 25-35% of the industry ratio of ad-fraud, it is likely to go up to 45-55%.

The other impact is that ad-fraud will not remain confined to a single platform of app or web alone. Many businesses are going with web mode foraying into digital as app needs a mature understanding. This means businesses will have to look at ad-fraud holistically rather than just focusing on app or web alone.

Best Practices to Implement

The good thing is ad-fraud is tameable. There is a lot of learning available with the ecosystem, especially ad-fraud protection and elimination solution experts who can counsel new entrants about effectively designing and implementing digital transformation. At the same time, these best practices can give digitally mature brands confidence in spending more as the shifts towards digital are inevitable.

Some of the prescribed best practices include
- Perform a third-party due diligence of affiliates before partnering with them.
- Run a trial campaign along with an ad-fraud protection solution and check out the true performance of the campaigns including the fraud rate.
- Keep a track of incent walls and other undesired digital places where you would never want your brand to be. Being there could be counterproductive and hit the brand image just when its begun to build.
- Do a deep data analysis of the campaign performance. You will find lot many patterns prescribing the future course. Set a data driven approach from the beginning.
- While its prudent to seek third-party independent support, also train your team around ad-fraud so that you have an expert in house to interface with the ad-fraud ecosystem.
- Going for a particular platform does not guarantee a fraud-free campaign. Ad-Fraud is omni-present. Do not think advertising over Facebook or Google can assure you genuine results. The degree can be relatively less, but no platform must go unchecked.

- Keyword / Search advertising is an important enabler of brand's discovery in the online space. Advertisers need to be cognizant of any search abuse which will make them spend more for little results. This also results in stealing of organic traffic leading to demotivation of internal digital marketing team.
- Brand Marketing and Performance Marketing are two different techniques of digital marketing having their own objectives, methods and expected results. For the purpose, the tools and solutions have also been build specifically. Marketers must ensure that they are using campaign specific tools to achieve the best RoI as well as interpret the performance accurately.

Whether Digitally Mature or New Entrant organisations, Digital Marketing is now essential part of the new normal ecosystem. The orientation is increasingly getting driven by performance and KPIs. There are two tails of the equation - advertiser and the agency, which can only come to a common ground through a neutral third-party enabler which validates the spends and the performance against those spends in an unbiased manner.

Changing the fundamentals of digital ecosystem is a challenging task, but one can definitely align and augment the strategy, processes, tools and measurements to get the best out of the complex digital maze.

About

mFilterIt

mFilterIt (www.mfilterit.com) is a trust enabler in the digital ecosystem validating the digital advertising spends and the results of Performance Marketing campaigns. Operating in over 15 countries, the company offers holistic fraud-free experience over mobile/app and web platforms.

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techARC (www.techarc.net) is a technology analytics, research and consulting services firm offering insights and information about markets, trends, technology and consumers in Consumer Tech, Security, Digital Marketing & E-commerce and Electronics System Design and Manufacturing (ESDM).

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