![eMarketer logo]

Why Isn't Blockchain Preventing Ad Fraud?

ARTICLE | **JANUARY 24, 2019**

Ross Benes

With fraud plaguing the digital advertising ecosystem, many advertisers hoped that blockchain's open and distributed ledger would improve the way they filter and detect unscrupulous activity. But we don't yet know if that's possible. Why? Because not enough parties are using blockchain.

For blockchain to effectively combat ad fraud, all parties to a programmatic transaction must agree to use it—and use the same system. But only 11% of the 300 US agency and marketing professionals polled by Advertiser Perceptions in May 2018 had ever completed a transaction using blockchain. One reason for the low adoption, according to 55% of those surveyed is that the technology is too slow to manage media transactions.

Because blockchain's open ledger can give advertisers more visibility into who is taking a chunk out of their ad dollars before reaching publishers, some advertisers are looking to blockchain as a solution to cutting out unneeded middlemen. Unnecessary vendors not only siphon off ad dollars, but their complex reselling schemes can also expose advertisers to fraud. About half of the 100 US senior advertising executives polled in Q3 2018 by Adledger and TV[R]EV believed that blockchain will help reduce the number of intermediaries in the ad supply chain.

Do US Senior Ad Executives Think Blockchain Will Reduce the Number of Intermediaries in the Supply Chain?
% of respondents, Q3 2018

Don't know 11.6%
Maybe 34.8%
Yes 50.7%
No 2.9%
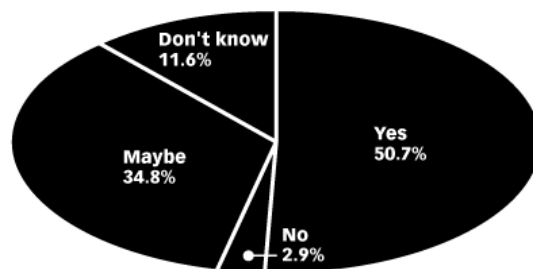
Note: n=100
Source: AdLedger, "Blockchain & Advertising Special Report" in partnership with TV[R]EV, Nov 8, 2018
244744 www.eMarketer.com

As part of our upcoming "Ad Fraud 2019" report, we spoke to experts at several advertising and technology firms to get their take on how blockchain is affecting ad fraud.

Stefano Vegnaduzzo, Senior Vice President of Data Science, Integral Ad Science: The most efficient and effective way to prevent and detect ad fraud is by using sophisticated machine learning techniques and not blockchain technology. The main challenge with blockchain that needs to be addressed before it can be adopted at scale is latency. Blockchain is limited in the number of real-time transactions it is able to process due to the distributed nature of the consensus mechanisms needed to verify a transaction. This is a challenge especially in digital advertising given the giant number of daily transactions that are processed in real time.

Dan Slivjanovski, CMO, DoubleVerify: There's been a lot of hype around the use of blockchain as a panacea for the ad industry's fraud problem. At the moment, blockchain's use for ad fraud prevention is more aspirational than actual. It's a great tool for validation after the fact. The early application of blockchain within ad tech has been to offer margin or fee transparency among intermediaries within the value chain, which can be used for billing and reconciliation purposes. To prevent ad fraud, however, it's necessary to operate in virtual real time. Digital advertising transactions require a 10 millisecond response interval. The fastest blockchain transaction takes 1.5 seconds. If latency

issues could be overcome, the technology might have a more material role in combating fraud.

Shailin Dhar, CEO, Method Media Intelligence: Even if you have a blockchain for fraud, where the advertiser is now contributing in their report how many invalid impressions they have, you don't know how that works out because of sampling. The issue is that there is no standard for what is considered invalid, and we don't have 100% measurement across the board. The supply-side platform [SSP] will say, for this campaign, we got 1% fraud. The demand-side platform [DSP] will say 2% fraud. And the advertiser will say 4% fraud. Now, what do you do? You're contributing conflicting things to a common ledger.

Michael Tiffany, Co-Founder, President, White Ops: Blockchain, in its current form and use, will have about as much impact on preventing fraud as Bitcoin has had on the credit card industry. However, if a blockchain is ultimately used to record unforgeable, non-repudiable attestations about a billable advertising event from multiple parties, then the culpable parties involved in the supply chain could more easily be pinpointed, held accountable and deprived of fraud-driven revenue. That would change the risk-reward incentives for those committing fraud and for those who would turn a blind eye to it being committed on their platforms. That's a future worth working toward.

Grant Simmons, Head of Client Analytics, Kochava: Can this [ad fraud] problem somewhat be solved with blockchain? The short answer is no. But the long answer is yes, in that if you can have a bevy of third parties validating ad delivery on a transparent basis, there's a huge industry win there. The biggest challenge here will be standardizing the whole thing so that it works for the largest part of the industry. That's challenging because publishers, DSPs and SSPs want to be able to hold that information close to their vest. I'm hopeful for blockchain. But, I'm not sure 2019 is going to be the year [it breaks through].

Manny Puentes, Founder, CEO, Rebel AI: Blockchain is a fundamental change to how digital advertising works. It's not a silver bullet for all fraud happening inside advertising, but it does solve

auditing and identity. The biggest barrier to entry is getting people to understand how it works in real world use cases.

eMarketer PRO subscribers can read the full Ad Fraud 2019: Current State and Solutions report when it comes out in February.

Not sure if your company subscribes? You can find out here.

eMarketer.