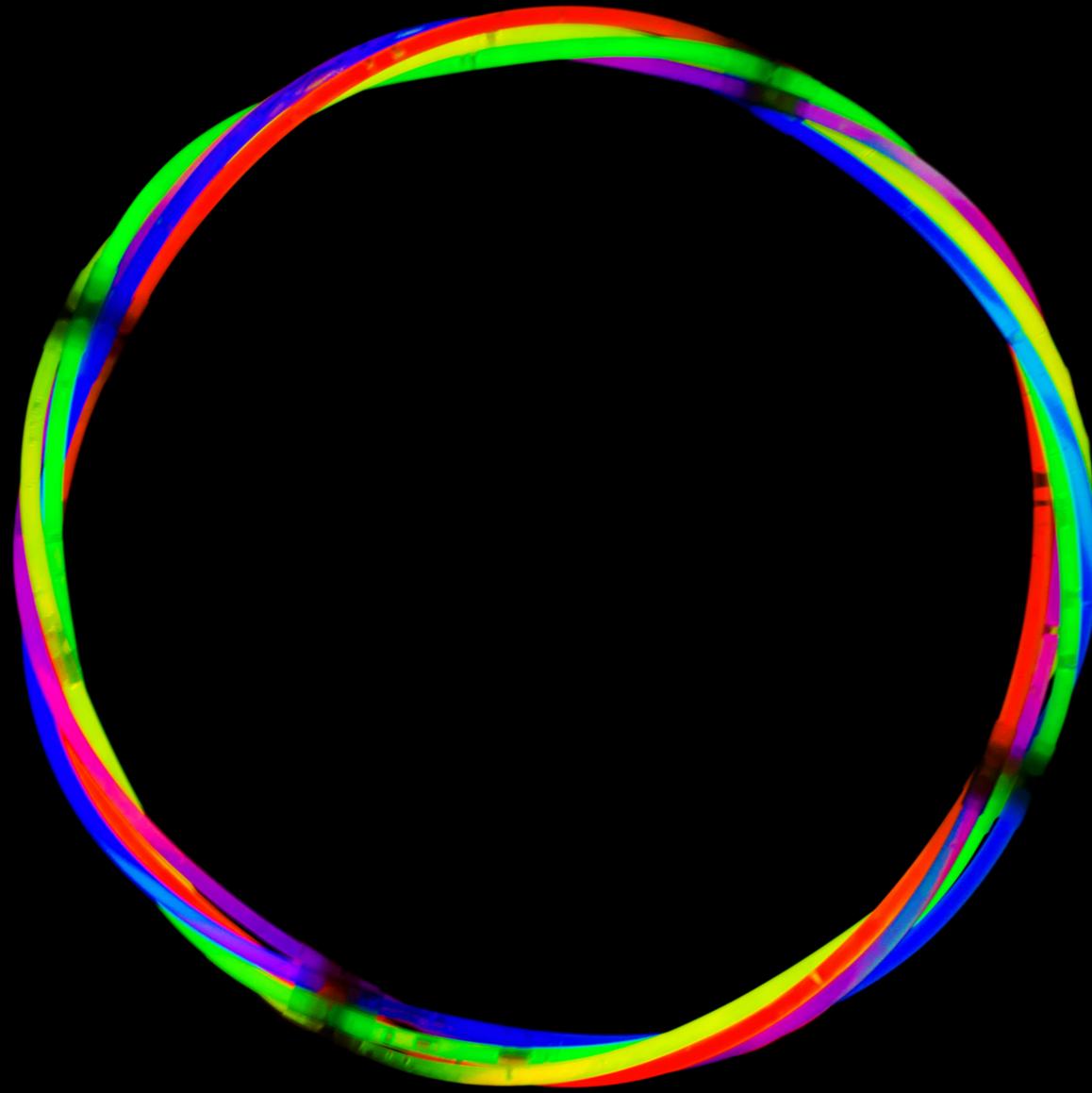


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Flashpoint

The digital advertising ecosystem

Overcoming new barriers to achieve better results

Evolving and persistent challenges in the advertising ecosystem

Digital advertising has been around for a couple of decades, but it's far from mature. Many corners of the landscape today resemble the Wild West. Advertising fraud is a significant concern—with ad visits from unwelcome bots exaggerating the data and inflating prices for advertisers. Meanwhile, consumers arm their browsers with ad-blocking extensions and other tools that can prevent the display of digital ads altogether. Add in ongoing competition from traditional advertising channels and the prospects for players in the digital space become even wilder.

Confronted with evolving and persistent challenges, digital stakeholders face a series of questions that can be difficult to answer.

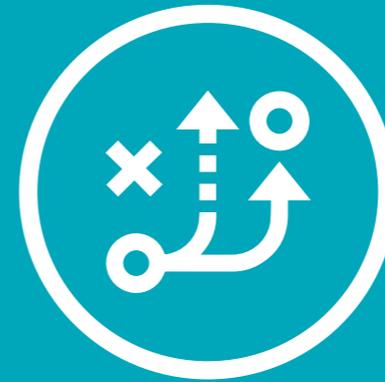
How do I ensure advertising dollars are well-spent? What resources can I deploy to help address advertising fraud? How can I neutralize or lessen the impact of ad-blocking software? How can I better control where my organization's brand shows up? How can I slice through digital advertising barriers to get results?

As the story of digital advertising continues to unfold, many organizations can struggle to respond effectively—whether advertisers, agencies, or publishers. Delivering meaningful results amid the current landscape will require stakeholders to develop new perspectives, think creatively, and act strategically. Here's a look at some key issues at play in today's digital advertising landscape.

About *Flashpoints*

Every day brings new ideas and possibilities to the Technology, Media, and Telecommunications sectors. *Flashpoints* is your tool for gaining the context you need to make sense of these critical developments—as they emerge.

Key observations



Acknowledging fraud complexity and risk

Bots running unchecked can affect the reliability of information about whether ads are getting to their intended audience, not just delivered—meaning they lack insight into the value they're getting for digital ads.

Demanding accountability

Faced with rising fraud as well as other obstacles, such as ad-blocking software, advertisers may realize the need for greater accountability.

Rethinking digital strategies

Many advertisers should start to think strategically about where they put their ad dollars, and they'll look for new avenues that can allow them to start conversations with prospects.

Navigating uncertainties

Despite many unknowns, new services and organizations will likely emerge to help stakeholders overcome digital advertising obstacles.

Acknowledging fraud complexity and risk

Despite the bot-related fraud rate remaining relatively consistent in recent years, advertising fraud is a big deal—and one that stands to become bigger. In 2016, losses attributable to bots could total close to \$7.2 billion globally.¹ As the digital advertising ecosystem expands and as bots—often deployed via malware—continue to generate bogus ad clicks and impressions, figuring out which ads are being served up to actual humans (legitimate prospective buyers) becomes increasingly critical.

With many advertisers now focused on the viewability of their ads—rather

than whether their ads are just being delivered—real dollars will continue to trickle through the cracks. An ad shown to a bot on a tab that is out of view, for example, represents a “viewable” ad, not one that delivers legitimate value for the advertiser.

To address the increasingly complex fraud picture and inject fresh reliability, some publishers and ad networks are taking drastic measures—including “house cleaning” measures to eliminate significant amounts of junk traffic, even when it ends up reducing traffic ultimately by 50 percent or more.



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¹ 2015 Bot Baseline: Fraud in Digital Advertising. Association and National Advertisers (ANA) and White Ops, Inc.

Demanding accountability

In addition to ad fraud growth, the use of ad-blocking software is growing. More than a quarter of US consumers report using ad-blocking software²—adding a layer of complexity and making it even more difficult for advertisers to determine when their ads are delivered to real people.

Amid such uncertainty, key stakeholders can't be expected to sit idle. Many should and will hold their partners and third parties accountable. Some advertisers, for example, will demand that the agencies take extra measures to validate data. Operators of digital advertising platforms will likely come under new pressure to detect, prevent, and respond to fraud. Advertisers should take a more active role in the process and start to better understand these risks affecting their digital ad

performance. They will also need to become more thoughtful about how to address them. The challenge goes far beyond bots. It extends to how brands are engaging with their audiences.

But the demand for accountability shouldn't be solely external. Many advertisers increasingly understand that partners cannot, will not, or do not remove fraud-related or junk traffic from their digital ad systems and processes. It will be up to the advertisers themselves to build accountability in to their activities. They will need to develop methods for understanding how their ads are being shown, how people are interacting with their content, and how to gather data that they can use for future decision-making.



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² Deloitte Digital Democracy Survey: A multi-generational view of consumer technology, media and telecom trends. Tenth Edition. 2016.

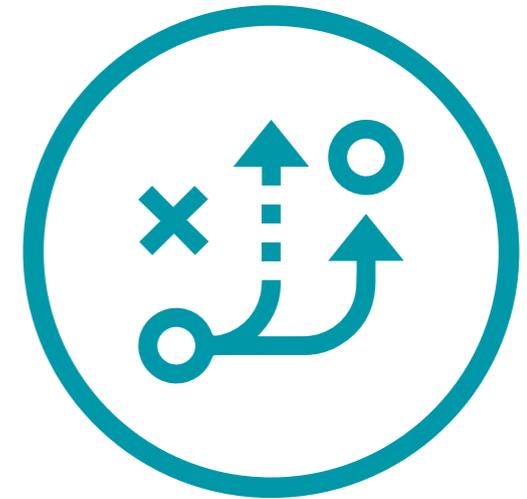
Rethinking digital strategies

As stakeholders struggle with the evolving complexity of digital advertising and emphasize accountability, the importance of strategy will grow. Many advertisers will likely become more thoughtful about where to put their dollars. For example, some might see investing more heavily in social media as a compelling play that can get them closer to the human deliverability, not just the viewability that they seek—even if social dollars are spent more quickly than other digital ad dollars.

In an environment that continues to reveal new risks, advertisers should assess their risks and ask new questions—especially when it comes to measurement campaigns,

associated costs, and related technical burdens. *Which of my campaigns are most subject to ad fraud or ad-blocking, and where are they running? What proactive steps can I take to help keep my organization constantly improving? Which potential partners can help me enforce accountability, validate data, and operate more rigorously?*

And as they think more strategically about their spending, advertisers should start to think beyond simply serving up ads. They should consider thinking more about digital advertising activities that can start conversations and engage prospects in more interactive, targeted, and innovative ways.



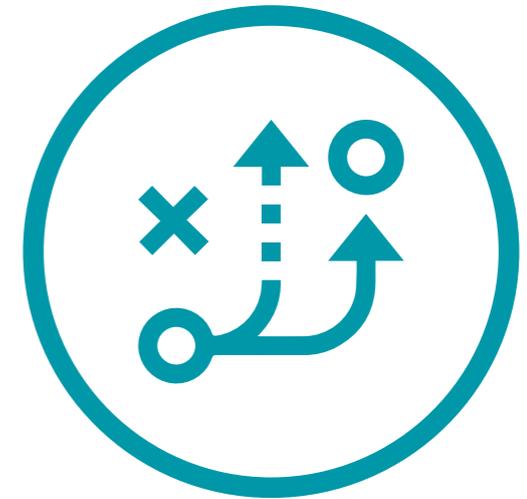
Many advertisers should start to think strategically about where they put their ad dollars, and they'll look for new avenues that can allow them to start conversations with prospects.

Rethinking digital strategies

Why? Because engagement and creativity matter in the digital space. Consumers' level of engagement with digital ads compared to television ads is decreasing, with 60 percent of consumers saying they are more likely to watch a television ad in its entirety rather than an online video ad in its entirety.³ Meanwhile, creativity and overall entertainment value remain very important for advertisements, with 76 percent of consumers reporting that they are more likely to watch an ad in its entirety on television or online if the ad is creative and entertaining.⁴

Many advertisers will likely come to the conclusion that targeted, higher-quality content can help remedy or combat ad fraud, and they should consider asking even more focused questions.

*Is it time to invest in pre-roll video ads?
How can we generate 'better' content that will make ads more relevant to target viewers and reduce the chance that they will be blocked, skipped, or ignored?
And how can we generate that new content efficiently?*



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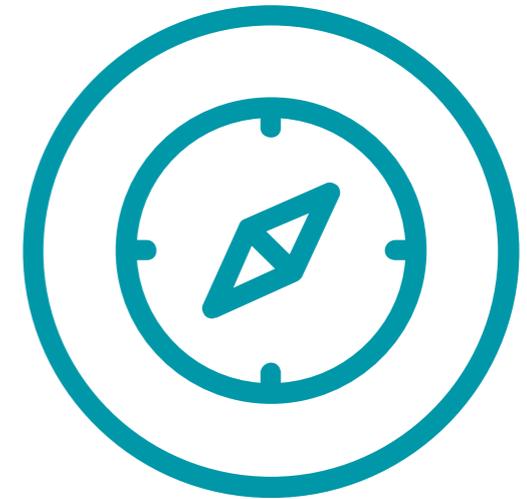
^{3,4} Deloitte Digital Democracy Survey: A multi-generational view of consumer technology, media and telecom trends. Tenth Edition. 2016.

Navigating uncertainties

For advertisers, agencies, publishers, platform operators, and other third parties, there remain plenty of unknowns in the digital landscape. Even as they address today's known complexities, unknown factors and new dimensions are constantly emerging. For example, the mobile face of digital advertising continues to evolve, experiencing its own unique set of pain points and prompting different considerations when it comes to accountability and strategy.

The good news is that the very thing that makes the digital ad ecosystem complex—its growth and diversity—also creates new business opportunities. Established service providers are delivering services to help stakeholders exhaustively track ads, deploy business-

focused analytics, establish in-house data capabilities, and leverage resources such as social listening tools that can enhance and justify the value of ad dollars spent. As start-ups enter the mix and as existing providers expand their offerings, new capabilities will emerge to help organizations overcome obstacles and realize additional value. New trade groups such as Trustworthy Accountability Group (TAG)—a digital-ad-focused program created by major US advertising associations—as well as fresh attention from existing trade groups should help the various industries work through issues, define leading practices, and establish guidelines for how to operate in a rapidly changing digital realm.



Despite many unknowns, new services and organizations will likely emerge to help stakeholders overcome digital advertising obstacles.

Let's talk

Understanding today's digital advertising landscape requires an ability to see not only the layers of challenges, but the opportunities for solutions that can lead to new value. Developing a strategic, risk-based approach to digital advertising activities can make the difference between an organization that simply rides trends and one that gets ahead of them—and even shapes them. Harnessing and capitalizing on the risks inherent in this dynamic digital advertising ecosystem can accelerate performance. Performance done well—with improved brand safety, innovative new strategies, and effective data-driven measurement to power future decision making—can yield a greater return on investment in this space. Want to start building a digital advertising strategy for tomorrow's trends? We should talk.

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Contacts

Kevin Westcott

US Media & Entertainment
Consulting Leader
Deloitte Consulting LLP
kewestcott@deloitte.com

Tim Davis

Principal | Deloitte Advisory
Deloitte & Touche LLP
timdavis@deloitte.com

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