


Chapter 4

Ad Fraud Types and Their Impact on Brand Perception: Strategies for Mitigation

Joana Neves

 <https://orcid.org/0000-0001-9675-5683>

*CEOS.PP Coimbra, Polytechnic University of Coimbra, Coimbra, Portugal &
University of Porto, Portugal*

ABSTRACT

Digital advertising is known as a modern commercial advertising practice, and the phenomenon of advertising fraud is a serious threat to its effectiveness and legitimacy. This chapter aims to provide an overview of advertising fraud, an explanation of the most well-known types, and the techniques used by fraudsters. The chapter explores the impact of advertising fraud on advertisers in terms of financial and strategic results, focusing on the manipulation of important advertising metrics and the loss of trust in the brand. It is crucial to address the problem of advertising fraud by describing reliable and long-term measures to prevent fraud in the advertising sector, including sophisticated methods of identifying advertising fraud, larger cooperation in the industry, and greater transparency. This study gives brands the knowledge they need to navigate the complex digital advertising markets, protect their investments, and promote a more credible and effective advertising environment.

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1. INTRODUCTION

Digital advertising is one of the most progressive forms of marketing communication that offers brands impressive opportunities to communicate with the target consumers in real time (Lee & Cho, 2020). With the help of blogs, forums, and media, businesses can introduce specific materials and layouts, and analyze customers' responses and the outcomes of the promotion with great accuracy (Shiju, 2023). The interactive and analytical feature of digital advertising makes it a critical strategy in any organization's marketing mix for reaching the right audience and increasing sales (Lee & Cho, 2020; Shiju, 2023). Digital advertising is expected to reach, in ads spending, \$740.3 billion in 2024, where the United States has the most spending (\$298 billion in 2024) (Statista, 2024b).

However, the applications of digital advertising have been accompanied by fraudulences that pose a threat to the efficiency and reality of the whole concept. The major forms of ad fraud include click fraud (Sadeghpour & Vlajic, 2021b), impression fraud (Haider et al., 2018), ad injection (Thomas et al.), domain spoofing (Nallabolu & Li, 2021), bot traffic (Jiang & Shao, 2014), and cookie stuffing (Jones, 2020) which are detrimental to advertisements and brands (Zhu et al., 2017). In 2023, the estimated cost of digital advertising fraud worldwide was \$84 billion (Statista, 2024c), where North America has the largest ad fraud market (Statista, 2024a). This number increases when projected to 2028 and could reach \$172 billion (Statista, 2024c).

While ad fraud is a monetary theft, it also paints an undesirable picture of essential advertising KPIs necessary to measure the effectiveness of the brands' campaigns. Furthermore, it undermines consumer trust, and it harms brands and businesses because often advertisements are placed near content that is obscene or they are artificially inflated by bots (Nedoday, 2023).

Ad fraud is a prevalent mode and one of the most famous ways to commit it is through bots (Nedoday, 2023). A bot, which is short-term for a robot, is an application that operates autonomously or involves minimal human interaction while conducting operations on the internet (Lebeuf et al., 2019). Such tasks may include messaging, scraping web content, or mimicking human activity on the internet. Bots are extremely useful in many digital applications since their rate of working is much higher compared to the rate of a human being (Madahali & Tian, 2023). It is crucial to note that bots are conventionally employed for positive reasons like; search engine crawling, online customer support through an animated conversation, and monitoring bots which ensure the overall soundness and efficacy of a site (Lebeuf et al., 2019). Nevertheless, the usage of bots is not completely positive; rather it can be done through wrong intentions, especially in fields like ad fraud (Madahali & Tian, 2023).

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