

Exploring the Challenges and Strategies for Combating Advertising Fraud and Preserving Brand Reputation in the Korean Advertising Landscape

¹Seung-Chul Yoo, ²Yoontaek Sung*

¹Associate Professor, Division of Communication & Media, Ewha Womans University, Korea

²Ph.D., Research Fellow, Media & Advertising Research Institute, KOBACO
communication@ewha.ac.kr, takarajima@kobaco.co.kr

Abstract

As digital advertising continues to dominate the advertising industry and experience substantial growth, associated criminal activities such as advertising fraud and brand safety risks have become increasingly prevalent. Despite the severity and extent of these crimes, the response in Korea has been lackluster, often perceiving them merely as losses in advertising expenses incurred by corporations. However, it is important to note that these issues have direct repercussions on the end-consumer in the form of increased prices for goods and services. Furthermore, illegal and intrusive advertisements not only cause inconvenience to the viewer, but may also indiscriminately target cognitively vulnerable groups, such as children and the elderly, with the intention of manipulating advertising metrics and artificially inflating performance indicators. In this study, we aim to explore the concept and significance of advertising fraud and brand safety, and to evaluate the current measures taken in the Korean market. Additionally, we will delve into the implications of related policies and emphasize the necessity of digital advertising literacy in addressing these issues.

Keywords: Advertising fraud, Brand safety, Digital advertising, Korean advertising industry

1. DIGITAL NEW TERRITORIES AND PROBLEMS IN THE ADVERTISING MARKET

The digital transformation of the advertising industry has resulted in a significant shift towards digital advertising, accounting for a substantial portion of advertising expenses. As reported by Cheil Worldwide's Yearbook of Advertising, 55.8% of the total advertising budget in Korea in 2021 was allocated to digital media [1]. YouTube has become a leading platform for digital video advertising in Korea, with a market share of 73% (including Facebook at 79%) of domestic digital video advertising costs in 2020. Despite this growth, the quality of digital advertising in Korea lags global standards, with a lower proportion of digital advertising relative to the worldwide average of 60% [1].

The ongoing impact of the COVID-19 pandemic and the resulting shift towards non-face-to-face lifestyles are expected to drive further growth in digital advertising. However, the rapid expansion of the digital advertising industry has also given rise to new challenges, including the increasing threat of advertising fraud and brand safety risks. These issues pose a significant challenge to the quality and credibility of digital

advertising and threaten the growth of the industry. In this study, we will explore these challenges and their impact on the digital advertising landscape in Korea.

2. THE PERILS OF MISPERCEPTION: ADVERTISER AND CONSUMER MISTRUST IN DIGITAL ADVERTISING

Advertising serves as a primary means of communication in commerce and functions as a medium of exchange. Hence, trust between stakeholders involved in transactions is crucial. The growth of the advertising industry is contingent on advertisers having confidence in the performance metrics reported. In early 2021, the trust in print advertising was severely undermined by the manipulation of the ABC Association in Korea, causing significant disappointment among advertisers and readers alike. The same issue of trust exists in digital advertising. Studies estimate that 10-30% of digital ads are not delivered as promised or are subjected to ad fraud [2]. Global advertising fraud reached nearly 65 billion U.S. dollars in 2019 [3]. The problem of distrust in digital advertising is compounded by the advancement of cunning ad fraud techniques, leading to the emergence of professional auditing companies. The recent controversy surrounding the manipulation of algorithms to increase content views on Facebook (now META) highlights the direct link between manipulation and winning advertising. Advertisements may be placed in areas that are not relevant to the advertised brand, resulting in high exposure and clicks, but often reach the wrong target audience. This can lead to negative consumer attitudes towards the brand and dissatisfaction with content.

In response to this issue, the United States established the Media Rating Council (MRC) in the early 1960s, with the mandate to evaluate TV and radio ratings by the US Congress, establish and maintain minimum advertising media standards, provide rating services, and audit other rating services. Britain, France, and Germany have also taken active steps [4]. Japan has adopted benchmarks from US and European verification agencies and launched JICDAQ in December 2020 to verify media data [5]. The days of treating advertising costs as an unnecessary expense are over, as advertisers are now increasingly concerned about not only return on investment but also advertising fraud and brand safety. The era of transparent and honest advertising, free from fraud and harmful to advertisers' brands, is rapidly approaching. A survey conducted in 2017 found that distrust in the advertising market is so widespread that advertisers who purchase digital media are most concerned about brand safety, ranking it as the sixth most important issue after return on investment, advertising fraud, and visibility [6].



Figure 1. Media data certification/verification agencies in the United States (upper) and the United Kingdom (lower)

3. BRAND SAFETY: NAVIGATING THE DIGITAL ADVERTISING LANDSCAPE

In the global advertising market, the concept of "brand safety" is gaining increasing attention due to the growing threat of advertising fraud. "Brand safety" refers to the protection of a brand's reputation and image from malicious or negative content. This phenomenon is becoming increasingly complex and challenging in the digital media-advertising environment. The Webster English Dictionary defines danger as "freedom from harm or danger" [7]. In this context, "brand safety" can be understood as ensuring that a brand's reputation remains unscathed by exposure to negative content. Advertising companies must be cognizant of brand safety because negative content can arise from their pursuit of profits through advertising fraud. For example, Procter & Gamble (P&G), a large advertiser with multiple brands, has taken steps to protect brand safety either in-house or through the use of specialized companies. In 2017, P&G made significant cuts to their digital advertising spending, reducing it by \$140 million [8], but product sales still increased by 2%. This suggests that the current advertising execution process has serious flaws and is not particularly effective [8]. According to a January 2020 survey, over 77% of European brands regarded brand safety as a key priority in advertising, and more than 80% employed various solutions to ensure that their advertisements were displayed in a safe and secure environment [9]. This highlights the growing importance of brand safety on a global scale and the efforts being made to address the issue.

4. THE PSYCHOLOGICAL MECHANISMS OF ADVERTISING FRAUD AND BRAND SAFETY

The issue of "brand-damaging advertising" constitutes a serious problem in the advertising industry, with cases where the execution of advertisements results in a detrimental effect on the brand's growth, sustainability, and sales. This scenario is particularly prevalent in the context of digital advertisements, where the substantial advertising costs incurred may lead to the negative impression of the brand if the advertisements are positioned adjacent to "negative content." This phenomenon can result in consumer boycotts, as evidenced by the negative priming effect in psychology.

The theory of social cognitive psychology, known as the priming theory, postulates that the exposure to specific semantic stimuli can significantly impact subsequent behavior [10]. This notion has been confirmed by multiple academic studies, which indicate that negative content exposure can have a significant effect on subsequent advertisements. A 2020 survey conducted by the Interactive Advertising Bureau (IAB) highlights the severe consequences of advertising fraud, with 44.1% of consumers reporting sales loss, 42.4% reporting brand asset loss, and 20.3% reporting negative publicity. The majority (81%) of U.S. consumers find it annoying to encounter a brand adjacent to harmful content, and 62% of them consider discontinuing their use of the brand [11].

The challenge in addressing the issue of brand-damaging advertising lies in the subjective judgment of negative/malicious content and the limitations of artificial intelligence in content analysis. Currently, many brand safety tools rely on simple keyword blocking, which is insufficient in accurately quantifying the positives and negatives of content fragmented across social video media. While advancements in artificial intelligence and research and development in the advertising field may offer solutions in the future, the limitations of content analysis through Artificial intelligence currently necessitate the employment of risk content detection personnel. In conclusion, the current marketing performance indicators are inadequate and in need of upgrading, with a need to reorient performance indicators to properly evaluate advertising campaigns and eradicate advertising fraud. The incomplete development of contextual advertising, which organizes brands in line with the context of viewers' lives, highlights the need to consider the potential harm to consumers, particularly when problematic advertisements are indiscriminately posted in content targeting youth.

5. OVERCOMING CHALLENGES FOR BRAND SAFETY IN THE DIGITAL SPACE

The complex nature of brand safety in the digital advertising market is a growing concern for advertisers. The traditional two-sided market model in which media outlets generate significant revenue by providing low-cost or free content to audiences and monetizing their time and space through advertising has been disrupted by the increasing ambiguity of what constitutes malicious or negative content. The pursuit of high-rated and high-engagement content can sometimes lead to intentional neglect of appropriate standards, as was seen in the Elsgate incident where inappropriate content was widely distributed through children's YouTube channels [12]. The dominance of a handful of social media platforms in the digital advertising landscape has amplified the issue, as advertisers face exposure of in-feed advertising to inappropriate content, hate speech, and misinformation. The challenge of monitoring ad placement in the digital advertising ecosystem is compounded by the use of artificial intelligence in ad organization and the potential misuse or distortion of first-party data.

The growing trend towards user-generated content and the monetization of individual social media influencers further exacerbates the challenge, as it is difficult to control the distribution of brand-damaging content such as criticism and ridicule. The proliferation of fake news producers relying on advertising only adds to the problem, with consumers often consuming content without realizing its illegal nature. Given the particularly high vulnerability of Asia-Pacific countries to advertising fraud, it is imperative for the industry to adopt consensus-driven, proactive measures for media-ad data verification. The need for a comprehensive approach to ensuring brand safety in the digital advertising market is evident and requires the attention of the industry and academia alike.



Figure 2. The Elsa Gate incident that caused controversy on YouTube

The digital media industry has taken proactive steps to address the issue of brand safety through the Global Alliance for Responsible Media (GARM) initiative, led by the World Federation of Advertisers (WFA). This global effort is a first-of-its-kind collaboration between marketers, media agencies, media platforms, and industry associations, aimed at safeguarding the potential of digital media and reducing the presence of harmful content online [13]. To this end, GARM is developing a framework that sets clear guidelines for determining safe and harmful content on digital platforms. In a report co-published by Pixability and GARM in October 2021, five critical areas of concern for brand safety in social videos were identified, including incorrect risk levels, controversial influencing factors, inappropriate tone or subtopics, brand references, and children's content. Along with GARM, individual media companies and corporations are also taking steps to ensure brand safety [13]. For example, Twitter and Facebook launched self-audits to provide advertisers with a transparent assessment of brand safety, while the Media Rating Council (MRC) in the United States is working with social media platforms and advertisers to advance the Brand Safety Ad Verification Guidelines [X]. As brand safety

has emerged as a global priority, an increasing number of companies are specializing in this area. The establishment of GARM serves as an indication of the digital media industry's commitment to promoting responsible practices and maintaining a safe environment for both brands and consumers.

6. PROBLEMS WITH ERADICATING ADVERTISING FRAUD AND ENSURING BRAND SAFETY

The issue of brand safety in the digital advertising industry is closely intertwined with the threat of advertising fraud. In order to ensure brand safety, it is necessary to implement strong legal regulations to address advertising fraud as a form of cybercrime. Furthermore, there is a need for a collective effort from advertisers to improve the overall quality of the digital media environment. This can be achieved through joint action and increased consumer advocacy. To address the challenges posed by the fast-evolving technology behind advertising fraud, there is a need for continued research and development in the fields of artificial intelligence and advertising regulation. This includes the development of AI solutions that are culturally appropriate for the advertising content in each region. The issue of brand safety is not limited to the advertising industry, as hazardous content can harm the overall trust and credibility of the media industry. This is particularly relevant in large advertising markets such as the United States, China, and Japan, and calls for international cooperation among industry leaders to create a safe and trustworthy media environment for brands.

It is important to note that the problem of brand safety in the digital advertising industry cannot be solved in isolation. The lack of borders and the continuous advancement of technology make it imperative for policymakers to work together and address this issue globally. Neglecting the efforts to ensure brand safety can lead to a situation where advertising fraud will continue to evolve, making it increasingly difficult to respond. In conclusion, the importance of ensuring brand safety in the digital advertising industry cannot be overstated. The threat of advertising fraud and hazardous content calls for a concerted effort from industry leaders, policymakers, and researchers to create a safe and trustworthy media environment for brands.

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