



Beyond the Grey Areas: Transparency, Brand Safety and the Future of Online Advertising

A Sponsored White Paper from AdSafe Media
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Acknowledgements

This white paper would not be possible if not for the contributions of several dozen advertisers, agency executives and technology developers who lent their time and perspectives to our research process.

In particular, we would like to thank the American Association of Advertising Agencies (The 4A's) for its support in the research process connected to this paper's development.

To all those whose insights are reflected in this white paper, we say thank you.

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Executive Summary

"Advertisers want accountability....They want to know what their dollar gets them."

— Peter Storck, Senior Analyst, Jupiter Communications

"There is no third-party [online ad] measurement yet that's credible, no consistency in the way sites report data and no confirmation of data."

— John Nardone, Director, Media and Research Services, Modem Media

Both quoted by *The New York Times*, February 24, 1997

On October 27, 1994, the first paid online display advertisement—by most accounts, an AT&T-sponsored banner—appeared on the Web site HotWired.com, an early digital publication and spinoff of *Wired* magazine.

The promise of this nascent approach, even conservative prognosticators then declared, was nothing short of overwhelming. Online ads were expected to garner billions of dollars in spending as advertisers followed their customers from traditional media onto the Internet. By the turn of the millennium, analysts had accrued enough data to finally quantify their bold estimates; by 2003, Jupiter declared, some \$11.5 billion would be invested in online advertising in the United States. Forrester Research, by comparison, put their comparable estimate closer to \$24 billion.

More than 15 years after that first clickable banner made its appearance, it's become abundantly clear that *prognostication* is an imprecise business. Though consumers have moved onto the Web in droves—more than 74 percent of Americans are now Internet users, according to Nielsen Online and the International Telecommunication Union, versus 44 percent in the year 2000—advertising dollars have yet to migrate online in similar proportions, despite significant advances in data, creative formats, targeting technologies and broadband adoption. This year, eMarketer predicts that total U.S. online ad spending (including display advertising, search, e-mail and other formats) will grow to more than \$23 billion—significant dollars, for sure, but still just a fraction of a total domestic ad media expenditures.

Two critical threats—linked to the notions of transparency and brand safety—have conspired to inhibit billions of dollars in potential online display ad spending.

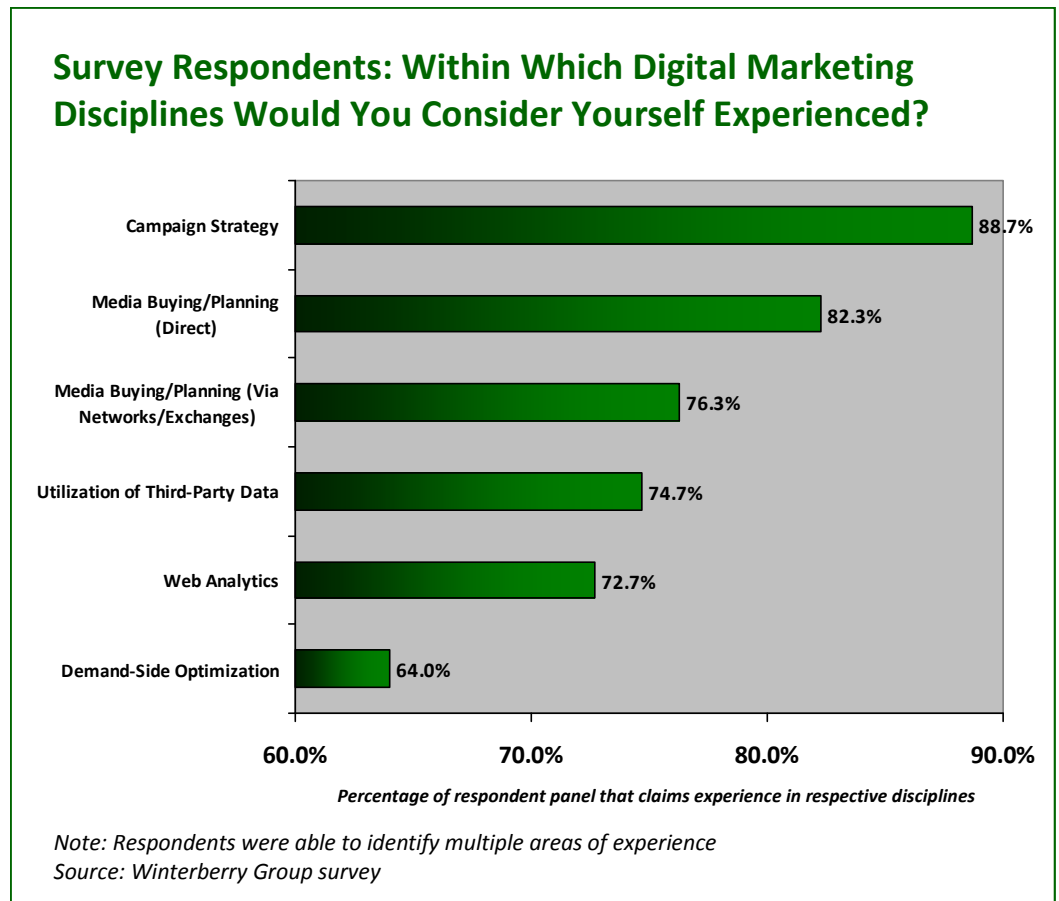
Why does investment in online advertising continue to lag broader interest in Internet media? And what changes must come to the “digital display ecosystem”—a landscape of advertisers, publishers, agencies, media buyers, ad networks, data providers, technology developers and many other parties—if online advertising is ever to achieve the vast potential portended during the Web's heady early days?

This white paper, produced with the sponsorship and support of both AdSafe Media and the American Association of Advertising Agencies, attempts to answer those questions. It will demonstrate that two critical threats—respectively associated with the notions of *transparency* and *brand safety*—have conspired to inhibit the impact of what otherwise have been significant advances in the ways that online display ads are designed, bought and deployed across publisher Web sites. Specifically, it will show that:

- Advertisers overwhelmingly believe that the “transparency dilemma”—that is, concern about *where* ads ultimately appear across Web publishers—continues to undermine broader investment in display advertising, despite the potential economic efficiencies promised by ad networks, exchanges and other indirect media buying platforms
- The rise of indirect (or “non-premium”) online media buying has given birth to widespread advertiser fear about brand safety—the notion that an advertising message (and its parent brand) may be undermined by page-level content that is either objectionable, contradictory or contextually inappropriate. Though this issue affects marketers across verticals, survey respondents said that advertisers in the healthcare, financial services and consumer goods sectors were particular susceptible to the threat
- Though multiple parties within the display advertising ecosystem stand to gain from the resolution of the transparency and brand safety issues, no single constituency has yet assumed responsibility for delivering a “safe” online advertising environment, protected by real-time content decisioning mechanisms
- An independent third-party entity will most likely be necessary to bridge the dual challenges of transparency and brand safety, given their respective (and sometimes conflicting) economic interests of the established online advertising constituencies
- The economic opportunity inherent in a reliably “safe” online advertising environment is enormous. Over 95 percent of survey respondents indicated that display ad spending would grow if transparency and brand safety issues could be resolved, with a preponderance of those panelists pegging the total potential growth at 10 to 20 percent of current display budgets—or as much as approximately \$2 billion annually.

Methodology

The study aims to define and illustrate the impact of two critical threats—respectively linked to *transparency* and *brand safety*—that have come to impact broader marketer interest in online display advertising. Developed with the sponsorship and support of both AdSafe Media and the American Association of Advertising Agencies (“The 4A’s”), its findings are based on the results of a focused research effort that included in-person, phone and online surveys of several dozen advertisers, agency executives and display advertising industry thought leaders across North America. It is further based on Winterberry Group’s objective quantitative and qualitative research into the display advertising ecosystem, as well as various independent industry studies published in 2009 and 2010.



The Problem: “I Know Half Of My (Display) Advertising Spending Is Wasted...”

To history-minded marketers, John Wanamaker’s iconic quote about the difficulty in measuring the impact of advertising dollars rings as true today as it did a century ago. But in the digital context, the familiar refrain—“...I just don’t know which half”—simply doesn’t go far enough in describing the obstacles that advertisers typically encounter when mapping their online media strategies. For all the progress that marketers have made with respect to *measurement*, in fact, new concerns are emerging that threaten to marginalize the impact of what otherwise has the potential to be the most impactful advertising medium ever devised.

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For all the convenience that the Internet has brought to our everyday lives, it has likewise injected an unprecedented dose of complexity into the business of buying and selling advertising media.

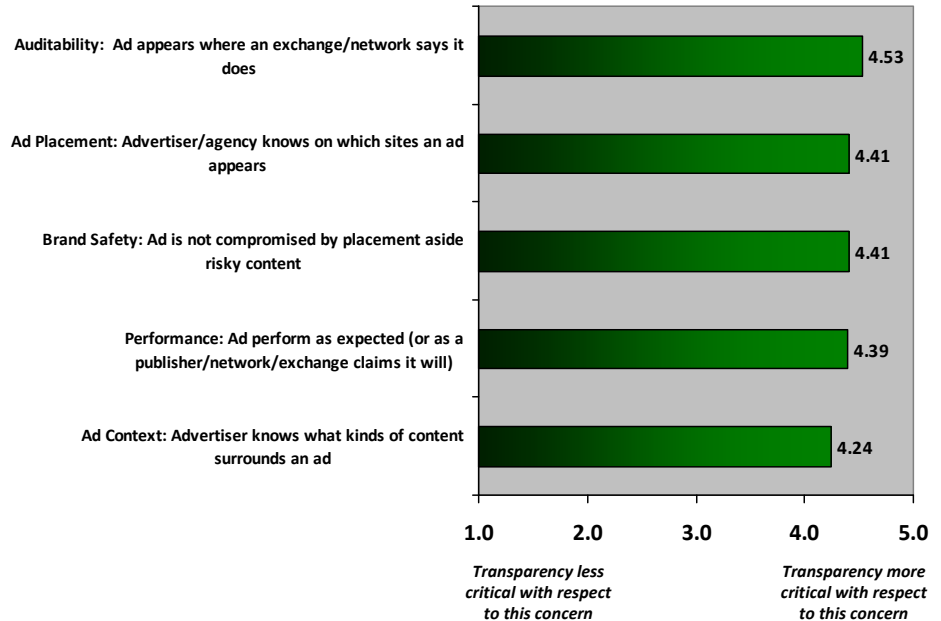
What was once a fairly straightforward arrangement—popular publications and programs were deemed “premium” and commanded the highest rates; other content was considered “remnant” and bundled for less-costly sale—has, on the Internet, devolved into a tightly-controlled, technology-dominated transaction designed to maximize yields (on the publisher side), minimize costs (on the advertiser side)—and, in the process, provide only scant bits of the information that *all* parties ultimately need to make informed business decisions.

“Transparency falls into the category of things you don’t talk about with your father-in-law. It’s politics, sex, religion and transparency.”
— Jon Mandel,
Chairman
Dogsled
Enterprises

Today, according to the research firm Think Equity LLC, approximately 90 percent of online ads are sold through “non-premium” channels—including ad networks, exchanges and other mechanisms designed to automate the sale of the vast array of Internet media that does not generate enough audience to warrant a “direct” sale through the publisher. Of that 90 percent, a significant amount is provided on an effectively “opaque” basis—advertisers are provided general guidelines about where their ads appear, but are kept largely in the dark about the specific sites (or page content) involved. Some feel they can be misled with respect to the quality of those sites on which most of their ads ultimately appear. And some never even receive verification that their ads ran at the agreed-upon volume of impressions.

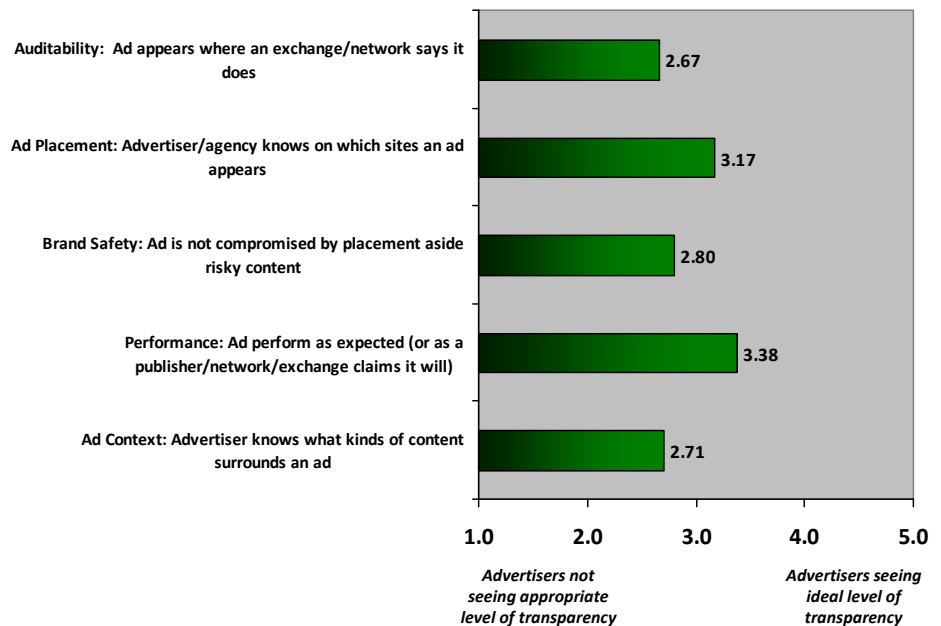
To both advertisers and agencies wrestling with the questions of attribution and performance in online advertising, this “transparency dilemma” represents perhaps the single biggest threat to the long-term viability of the online display channel. It’s particularly troublesome, several respondents said, because it directly pits advertisers, publishers and intermediaries against one another in a battle for information, insight and value.

Agencies: How Important Is “Transparency” With Respect To The Following Display Advertising Concerns...?



Source: Winterberry Group survey

... And To What Extent Do Advertisers Currently Enjoy The Appropriate Level of Transparency In Each Regard?



Source: Winterberry Group survey

“Transparency falls into the category of all the things you don’t talk about with your father-in-law,” said Jon Mandel, chairman of Dogsled Enterprises and former CEO of both NielsenConnect and Mediacom. “It’s politics, sex, religion and transparency.”

Though survey respondents were near-universal in their feedback that transparency is a real and meaningful concern with respect to virtually *all* issues connected to display media buying, panelists paid specific attention to the question of “auditability”—that is, verification that a paid-for impression ultimately appears where a network or ad exchange claims it will. Many said that ongoing doubts about the reliability of the current buying system (which weighs heavily toward indirect channels) continue to inhibit broader interest in the display medium, with some advertisers holding back spend and others vesting responsibility for their dollars in the hands of other parties.

“Some advertisers are very conservative and avoid the landscape entirely. But others, especially those who are more performance-oriented, trust there are enough checks and balances in place to avoid the risks inherent in the channel,” said Matthew Greitzer, vice president of search marketing and head of ATOM Systems at Razorfish. “They understand what’s out there and are aware of the potential for pitfalls, but look to us [agencies] for safeguards—though they may not be totally clear on what those safeguards are.”

The rise of indirect (or “non-premium”) online media buying has given birth to widespread advertiser fear about brand safety—the notion that an advertising message (and its parent brand) may be undermined by page-level content that is either objectionable, contradictory or contextually inappropriate. Though this issue affects marketers across verticals, survey respondents said that advertisers in the healthcare, financial services and consumer goods sectors were particular susceptible to the threat.

If advertisers are denied the ability to pick and choose the properties upon which their brand messages ultimately appear—as is typically the case with indirect network and exchange buys, which effectively trade that level of transparency for broader reach and buying efficiencies—it naturally stands to reason that *some* ad placements, *some* of the time, simply won’t meet the standards set forth by *some* advertisers.

Suddenly, Wanamaker’s complain about advertising’s measurability seems almost quaint. In the digital world, a poorly-managed ad campaign can be downright dangerous.

The problem, panelists said, is that even *some* level of unpredictability can be potentially dangerous given the dynamic nature of Internet content. Reputable Web sites can publish material that either contradicts a marketing appeal or fails to live up to the advertiser’s acceptable standards. Editorial standards across millions of smaller and niche-focused sites vary widely—ranging from highly professional to blatantly amateurish. Critically, content at the page level can often differ (in message, tone and general appropriateness) from “normal” levels associated with the site. And all of the above are increasingly susceptible to the distractive clutter brought forth by social media platforms and user-generated forums, which open the door for virtually any Internet user to sabotage an otherwise legitimate page of content—as well as the ads that appear on it.

Collectively, these “brand safety” issues are neither new nor exclusive to the world of online display advertising. But as the transparency dilemma grows increasingly prevalent in online media buying—and as indirect channels grow to command an even greater preponderance of display placements—the issue has grown into a full-blown crisis of confidence for both advertisers and agencies.

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Making matters worse, panelists said that much of what is known today about brand safety is still strictly anecdotal—driven by horror stories of legitimate ads that somehow find their way onto sites portraying sex, violence, hate speech or other extreme, offensive material. These instances represent the worst-case scenario for any brand—and any brand manager—but they are likewise just one way that ad messages may be compromised by their surrounding site content.

“When I hear the term ‘brand safety,’ I tend to think of the opposite of what that means,” added Razorfish’s Greitzer. “I think of content that’s totally inappropriate for the brand. I think about an e-mail from a client’s CEO containing an online screen shot of their brand appearing next to something that is totally offensive, contradictory or ironic. It’s worth mentioning that ‘inappropriate’ is a relative term, and one advertiser’s definition is not necessarily consistent with another’s.”

But even achieving *transparency* at the site level, many panelists said, doesn’t necessarily ensure that an advertising venue is appropriate for every brand and every marketing message. More granular solutions—focused directly on screening, identifying and culling out unacceptable content at the *page* level—will be required to address that concern.

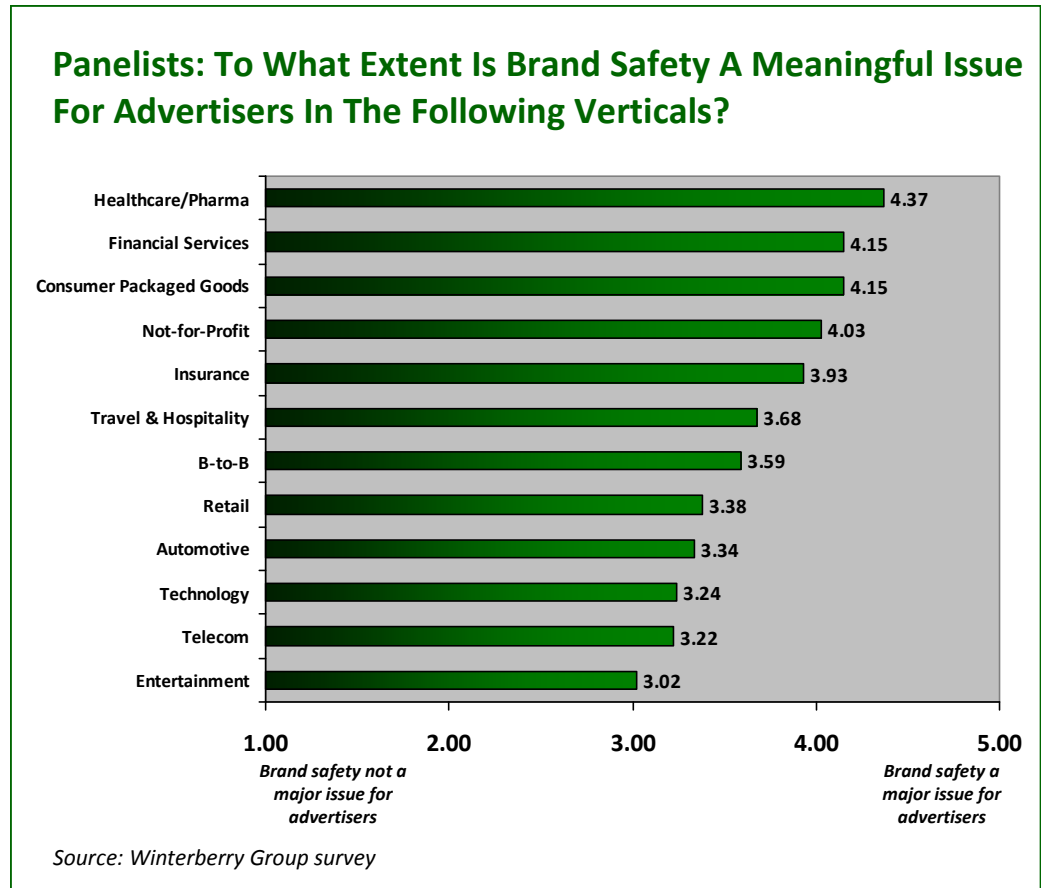
“A lot of people just think all brand safety issues are about making sure your ad isn’t on a page with R-rated content,” said Andrew Pancer, chief operating officer of Media6Degrees, a developer of social media targeting technologies. “But it’s also about placement on the page. And there are lots of issues with blogs, and dealing with larger domains—they just don’t police what’s going on their networks.”

The Five Degrees of Danger: Display Advertising and the Risks to Brand Safety

Type of Risk	Characterized by Site Content That...	Examples	Potential Threat to Brand
Dangerous	Defies baseline societal norms with respect to taste, respect and basic courtesy; is patently offensive to some audiences	Hate speech, adult content, gratuitous violence, vitriolic commentary on virtually any issue	Severe
Contradictory	Undermines, challenges or otherwise contradicts the value proposition or general message of an ad or its parent brand	Issue advocacy (or news reporting of such advocacy) directed <i>against</i> a brand or product; aggressive user-generated criticism of brand	Moderate to Severe
Vertically Misaligned	Defies regulatory guidelines or established norms pertaining to marketing of specific products (to specific audiences)	Inappropriate/"off-label" marketing of pharmaceutical, foods or other consumer goods to sensitive consumer cohorts (e.g. patients, children, etc.)	Varies, but typically Moderate to Severe
Contextually Inappropriate	Unwittingly casts a negative light on the product or parent brand, usually through ironic juxtaposition	Brand diminished by surrounding content that may promote ridicule; often blamed on "poor timing"	Moderate
Message-Misaligned	Does not align with the likely interests of the ad's target consumer(s); appears starkly out-of-place	Messages targeted for niche audiences that appear on sites catering to others	Minor to Moderate

The potential threat posed by brand safety issues, panelists added, is pervasive—impacting advertisers of virtually all sizes and vertical markets. Nonetheless, the danger is particularly severe in some markets—including the healthcare, financial services and consumer goods verticals, which lean on established brand equity as the foundations of their consumer relationships.

Despite the widespread notion that *most* brand safety issues can be easily identified, panelists added that *many* concerns are ultimately specific to unique situations. That variability, they said—spanning advertiser, campaign, message, brand and even individual Web page—further demands solutions that can be deployed in accordance with the specifications of individual advertisers within individual campaigns.



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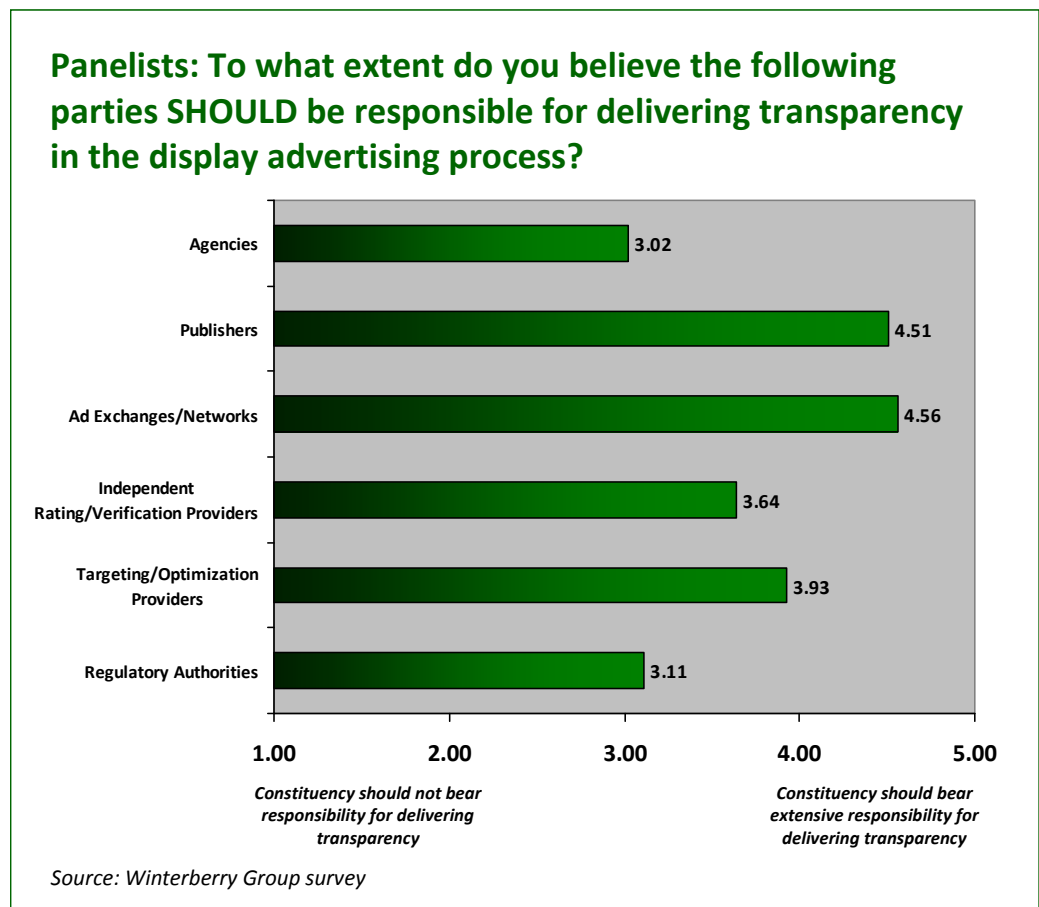
It’s fast becoming a hot-button topic at industry gatherings. With so much at stake—and so much inherent potential still yet to be realized from the display channel—the issues of transparency and brand safety are literally polarizing different players within the online advertising industry, dividing advertisers, agencies, ad networks, publishers and others over one simple question:

Who has responsibility for delivering a “safe” online advertising environment?

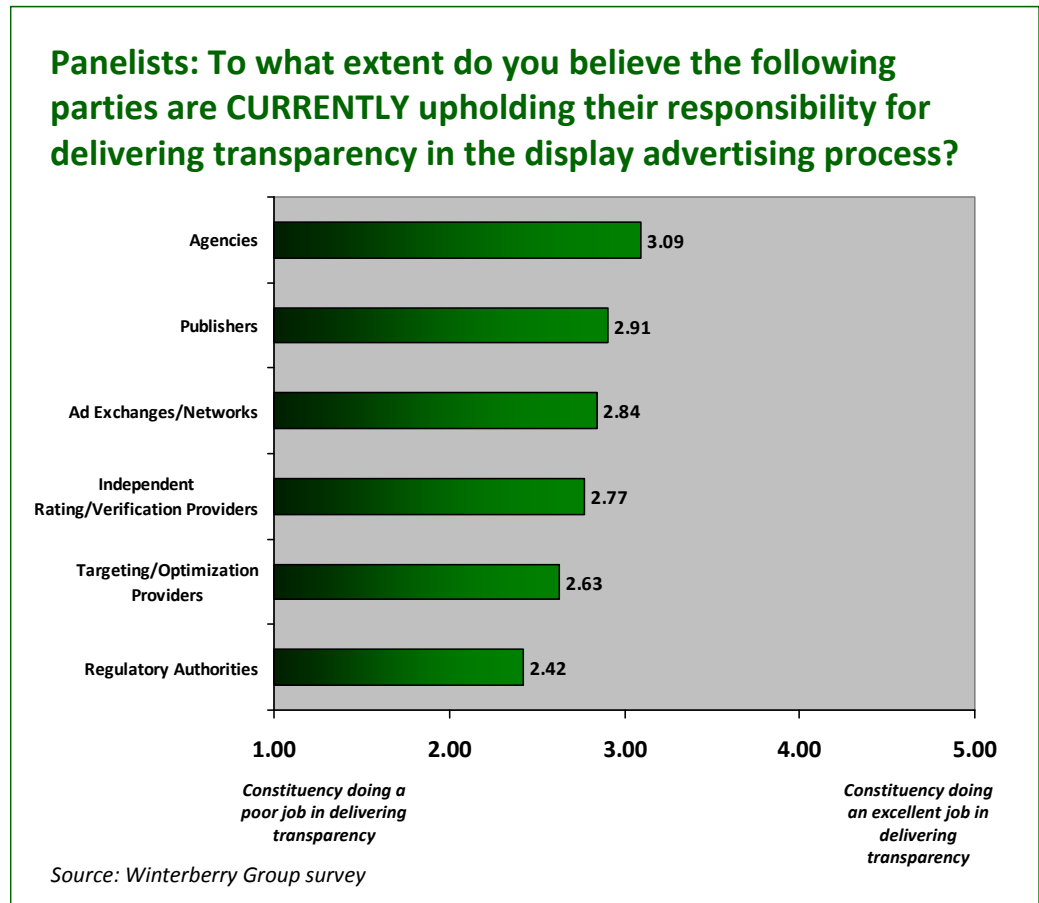
Today, no consensus answer exists. In fact, the diversity of opinions on this one pivotal question suggests that common ground is not likely to materialize in the near future. Consider this range of perspectives, provided by panelists:

- “A lot of people are saying they are doing the policing. There are a lot of people who give lip service to this, but in truth few are accomplishing it.”
— *Dave Smith, CEO and Founder, Mediasmith*

- “Advertisers turn to agencies first—and expect them to have safeguards in place. Then they turn to the ad networks, and if the ad network screws up, they can cancel the buy and find another one. But ultimately the responsibility falls with the agency as a good steward of their client’s brand.”
— **Matthew Greitzer, Vice President of Search Marketing, Razorfish**
- “I think it’s more a responsibility of the ad networks, as they distribute the advertising. I would say they’re most accountable—not the agency.”
— **Kim Bealle, Senior Director, Global Advertising, Kraft Foods**
- “Advertisers or agencies should be held accountable for promises that are not kept by publishers or networks.... Otherwise they should be willing to either makegood any impressions found to be fraudulent or ‘risky’ or forfeit payment.”
— **Online Panelist**



Perhaps most revealing about this “accountability gap” is the contrast in perceptions between which parties *should* be responsible for delivering transparency and brand safety safeguards, and which parties are actually living up to those obligations today. Overwhelmingly, panelists said that publishers and ad networks—the parties offering display media for sale to the marketplace—should bear primary responsibility for ensuring that their platforms are safe for reputable advertising messages. On a follow-through basis, though, panelists provided only middling grades to those groups, suggesting that they, like other parties to the display advertising transaction, have far to go in providing the infrastructure necessary to finally tap the vast potential of the medium.



The Solution: A Brand Safety Assurance Approach That Is Independent, Effective And Grounded In Technology

An independent third-party entity will most likely be necessary to bridge the dual challenges of transparency and brand safety, given their respective (and sometimes conflicting) economic interests of the established online advertising constituencies.

There's good reason why the display advertising industry has yet to form a consensus around the question of accountability when it comes to delivering a "safe" advertising environment: Each of the principal players in the display transaction has unique—and sometimes conflicting—financial interests in resolving the issue.

Publishers, for example, are concerned with selling as much media as possible at the highest rates possible. They have little or no incentive to declare any of their content "risky" for advertising, even if such a declaration would grow broader confidence in their platforms.

Ad networks and exchanges are concerned primarily with providing a marketplace infrastructure to ensure that more display media can be sold to a wider array of advertisers. Though they have a potential opportunity to embed rating or verification capabilities into the media screening process, such an approach would only serve to diminish the universe of saleable display inventory, thus limiting their revenue and profit potential.

Agencies stand in a precarious position, balancing the strategic marketing needs of their clients with the need to execute campaigns quickly and efficiently—so as to preserve the few points of margin that brands still allow them on media buys. Though they are generally as concerned with brand safety issues as their clients, the only reliably safe approach to buying display inventory—purchasing it directly from "premium" publishers—would put a major dent in their ability to generate reach.

Finally, **advertisers** have multiple interests at heart. *Performance* is of course a critical consideration (whether measured through the lens of return-on-investment, lift, awareness or some other measure), though long-term brand equity—as measured by reputation, consumer respect and market share—are likewise powerful considerations.

Given the widely divergent interests at play, panelists suggested that only a new, hybrid approach—blending the efficiencies of technology with the impartiality of a third party—would ultimately deliver the appropriate protections needed to ensure continued advertiser interest in the digital display channel.

"Until there is some party that sits on the outside of the equation; some party that everyone feels comfortable with..." said Chad Little of FetchBack, "...[transparency] won't be achieved."

Several suggested that an independent rating or verification platform would serve another critical purpose: It would allow publishers, ad networks and

Each of the principal players in the display transaction has unique—and sometimes conflicting—financial interests in resolving the transparency and brand safety issues.

exchanges the freedom to actually maintain a degree of opacity in media sales as a protection for their direct-sold inventory. In this respect, the “transparency dilemma” might cease to be altogether—mitigated, so to speak, by trusted outside technology providers who provide the brand safety reassurance that media providers are not able to deliver themselves.

“In my opinion, it is up to the agencies and advertisers to hold the publishers and ad networks accountable through the implementation and management of third-party validation technology in every campaign,” said one panelist.

Furthermore, panelists said some current “validation” technologies—structured to *report* on existing or past brand safety issues—don’t go far enough in taking action to *address* and *prevent* ongoing threats. Ideal solutions, they said, will ultimately work in real-time to ensure that brand safety issues never actually emerge at the page level—leveraging technology as driver of the speed and efficiency needed to make that possible.

“To manage this, you really need the technology,” said Ajay Sravanapudi, president and CEO of LucidMedia. “An independent third-party could be a neutral manager of this service.”



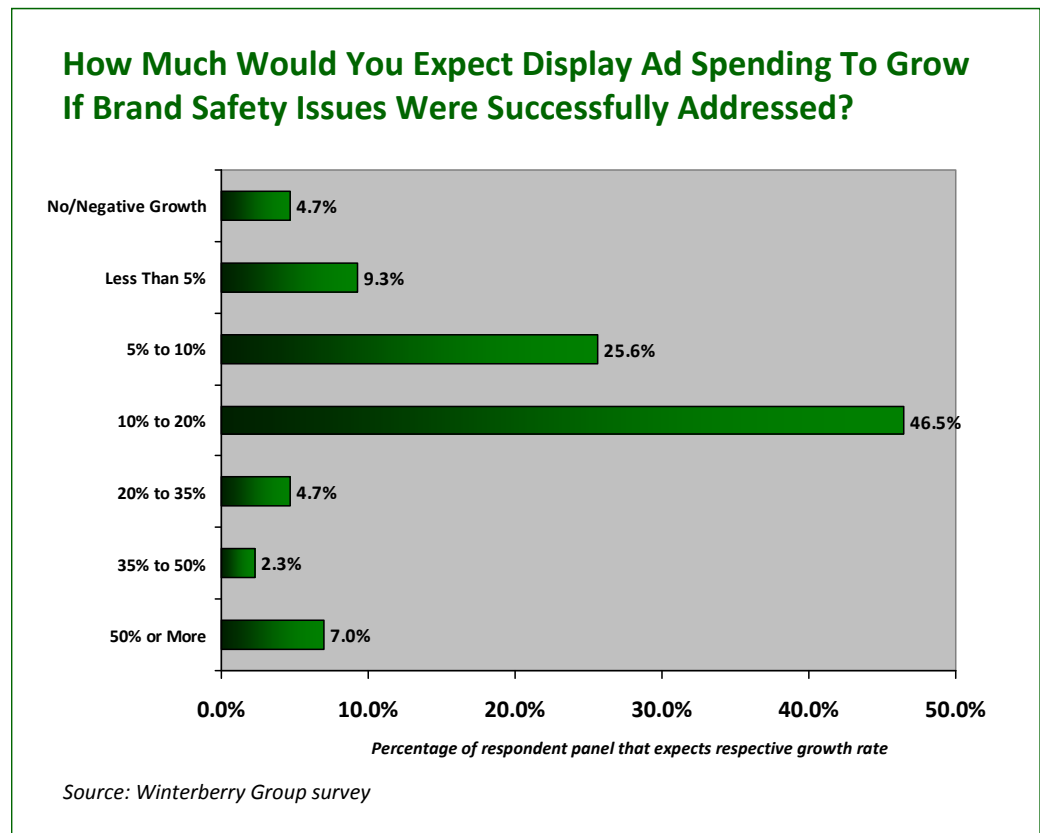
The Impact: A “Safe” Digital Advertising Environment, Open to Vast New Investment

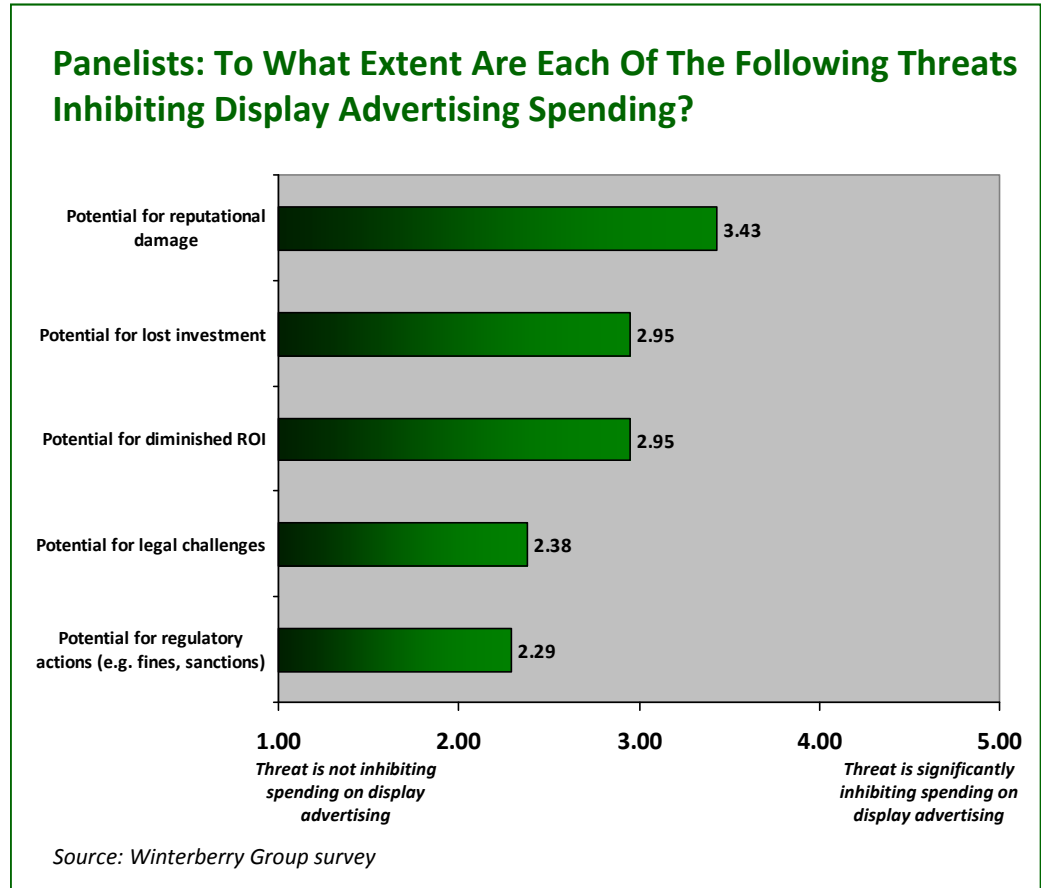
The economic opportunity inherent in a reliably “safe” online advertising environment is enormous. Over 95 percent of survey respondents indicated that display ad spending would grow if transparency and brand safety issues could be resolved, with a preponderance of those panelists pegging the total potential growth at 10 to 20 percent of current display budgets—or as much as approximately \$2 billion annually.

For all that is known about the transparency and brand safety issues, painfully little is known about the ultimate toll that they take on the broader digital advertising infrastructure.

Anecdotally, marketers tell stories of botched campaigns, disastrous brand exposures and quick, last-minute media plan revisions. What they report far less often, though, is the extent to which they *deflect* ad dollars from the digital display channel—or hold back from committing spending in the first place—because of anticipated challenges with regard to risky placement.

Though the extent of this “lost spend” is impossible to measure with any certainty, the toll is almost certainly in the billions of dollars annually. Much of it is due directly to fears that a brand will be compromised by undesirable Web site content, panelists said, and significant sums may one day be recovered given the deployment of an appropriate, effective response to the problem.





“This whole issue is definitely hindering the growth of online display advertising,” said Mike Seiman, CEO of CPXInteractive. “And it’s not only because [the current display market is] not transparent. It’s more like nobody really knows where to start; a company wants to do some business online and has no idea what to do.”

And though the two issues are closely linked, several panelists were carefully to point out that full transparency may not even be necessary to meet advertiser requirements. Brand safety—like bottom-line ad performance—is typically the root consideration.

“Transparency is easier to achieve than brand safety,” added John Nardone, now CEO and chairman of [x+1], a display advertising optimization provider (and 13 years removed from his prescient quote about the credibility of emerging ad platforms). “Transparency is having visibility as to where your brand is actually being placed. But brand safety is ensuring that the content on the page where your ad is being placed is acceptable to you, and that the adjacencies are acceptable as well... before the ad is delivered. There are all kinds of grey areas to be worked through.”

About AdSafe Media

AdSafe Media is the rating standard of online media.

AdSafe uses proprietary algorithmic modeling and human verification to rate the brand safety of content on commercially supported Web pages via the AdSafe Content Rating System. AdSafe's Brand Safety Firewall enables brands, agencies and ad networks to prevent advertising from appearing on publisher Web pages that do not conform to brand guidelines. AdSafe's Content Monitoring Platform enables ad networks and publishers to identify and segment problematic site content, increasing monetization of display inventory.



AdSafe is headquartered in New York, N.Y. with operations in San Francisco, Calif. and London, England.

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40 Wall Street, 10th Floor
New York, NY 10005
(212) 842-6030
Fax (212) 842-6035
www.winterberrygroup.com

