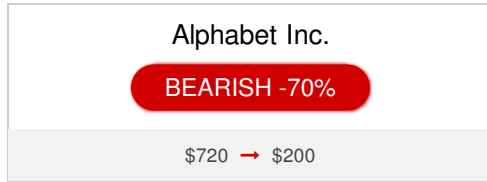


Clickbait And Traffic Laundering: How Ad Tech Is Destroying The Web



Established publishers are trashing their websites with low-quality content recommendations. Bad guys gaming ad tech rules. The Web is turning into a clickbait jungle. Smartphone manufacturers and software publishers, worried about worsening browsing experience, are uniting to fight online ads. Unless ad tech starts to pay attention to the consumer, its days are numbered.

June 2, 2016

Executive Summary

Internet traffic sources have shifted from search engines to recommendation platforms. As traffic is harder to track, it becomes easier for shady websites to posture as legitimate publishers.

Traffic laundering is thriving. Bad guys have become experts at gaming ad tech metrics and monetizing fake or unwilling visitors.

Legitimate publishers themselves have turned away from Google as a source of traffic, and resorted to clickbait and traffic brokers to monetize their visitors.

Ad tech's rules for ad placement have distorted the web so much that consumers have revolted and started using ad blockers. Smartphone manufacturers and software developers have joined the trend.

The efficiency of digital marketing has been declining for years. Unless ad tech changes its stance and becomes much more consumer-friendly, it will be responsible for its own demise.

Analysis

Internet traffic sources have shifted from search engines to recommendation platforms. As traffic is harder to track, it becomes easier for shady websites to posture as legitimate publishers.

Traffic sources have shifted from search engines to recommendation platforms. People access content less through Google than through Facebook, Twitter, and traffic brokers such as Taboola or OutBrain ([Facebook has taken over from Google as a traffic source for news](#)).

This makes traffic harder to track. Ad tech's position is that they know who exactly is viewing the ad, so it doesn't really matter where the viewer is coming from, or where the ad is being displayed (as long as it's not next to adult or illegal content).

This also makes it easier for shady websites to posture as legitimate publishers. As an example, we've picked out [toastedballs.com](#). It has virtually no backlinks, negligible search engine traffic, and an estimated 50 million visitors per month, most of them male. It also has remarkably little user interaction with its content. That's what happens when you buy all of your visitors from adult website popups. They advertise with Criteo, who pays on a CPM basis. When we showed this to a friend in ad tech, he shrugged and plainly

stated that Criteo doesn't care where people come from, because Criteo trust their algorithms. The deep, fundamental problem with this approach is that Criteo finances a website with zero purpose other than to monetize porn traffic.

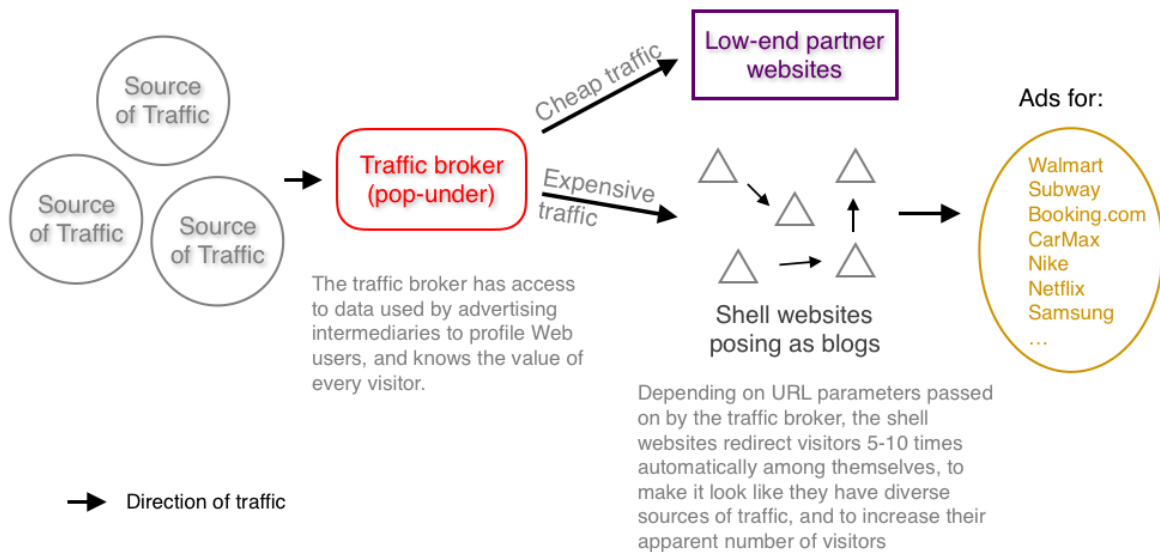
Traffic laundering is thriving. Bad guys have become experts at gaming ad tech metrics and monetizing fake or unwilling visitors.

As backlinks and traffic channels become harder to track, traffic laundering is thriving. Working manually, we have uncovered several networks of shell websites, that source and redirect their traffic through a dozen of private, obscure traffic brokers. Visitors are usually being redirected against their will, in popups, pop-unders, or new browser tabs.

These traffic brokers are designed to game the advertising industry's metrics. Most of their visitors are sent to low-end websites. But if you happen to be of high value to the ad tech industry (based on your IP), you'll be redirected through a loop of various shell websites, spending a fraction of a second on each, in order to increase the apparent quality of these websites' audience. Once the shell websites in the network have good enough Alexa rankings, and off-the-chart demographics, they sign contracts to display ads with much better terms (**Chart 1**).

Most of the companies that end up advertising on these shell websites are big, established brands. The fault falls on their exclusive advertising agencies (Omnicom, Adobe, Alliance Data) that fail to detect the scheme.

Chart 1: Mechanism of a traffic laundering scheme, from websites that can't monetize their traffic with ads directly because their content isn't approved (source: Kalkis Research)



Here's the list of websites from one such traffic laundering network. Check them out on Alexa. They've all been created in late October - early November 2015, all their visitors come from obscure traffic brokers, and all have stale, generic content. And all have outstanding demographics: Caucasian males with high income, good education, ages between 25 and 44, coming from the US, Canada, Australia and Great Britain.

- mammahealth.com
- hydrorecycling.com
- radiostyle.com
- cupcakesqueen.com
- mileagemax.com
- holistichealingguide.com
- steaminteractive.com
- bikerackshops.com
- handbits.com
- smartpair.com
- kitchenhunting.com
- elmagicshop.com
- warezone.com
- greenleafmarket.com
- partsproviders.com
- mozillatips.com
- imagepitch.com
- daisygems.com
- myultimateguitar.com
- truenerds.com
- cupcakesinheels.com
- wholesalerepublic.com
- casualfungames.com
- theleisurestore.com
- tristudio.com
- cutnspray.com
- maketravelfair.com
- gamesyard.com
- thechocolateremedy.com
- checkwithstyle.com
- commercialcentral.com
- thepresenceportal.com
- docsblocks.com



variouswedding.com gameoptimizers.com mybusinesskit.com myfutureproperty.com
thegamepod.com cruiserstyle.com alternateheals.com preferredbusiness.com musicfellas.com
themulcher.com hummuspoint.com thegametube.com latestwebstuff.com appsbyu.com
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musicanytime.com massivecomputer.com guitarpeople.com irelandflorist.com universityforex.com
avenuecoffee.com quicksun.com yardsalebuddy.com webmice.com fanaticbuzz.com wpmusic.com
myphotojournal.com wizytoys.com highplanet.com webstutorial.com upgradermag.com
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mumudesign.com futurestreet.com sportsbracket.com waterwaywildlife.com

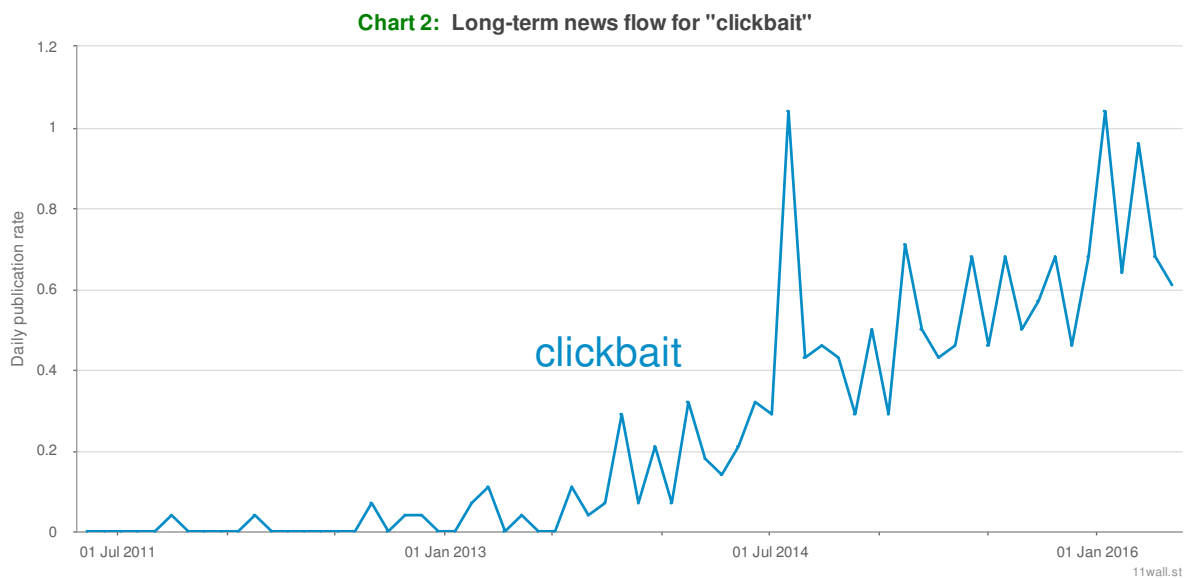
Ad dollars are being stolen from publishers who actually put in an effort to create original, useful content. This is very wrong.

Legitimate publishers themselves have turned away from Google as a source of traffic, and resorted to clickbait and traffic brokers to monetize their visitors.

As traffic becomes less centralized, any single party has less influence on the way websites behave. There's less willingness to please Google's ranking algorithms, and more efforts to optimize for ads.

Google's search ranking algorithms used to guide the way publishers designed their websites. The need to rank high among search results forced publishers to comply to Google's rules. Google was a central authority that would rule what is good or bad behavior, and everyone would have to comply, or see their share of traffic tumble.

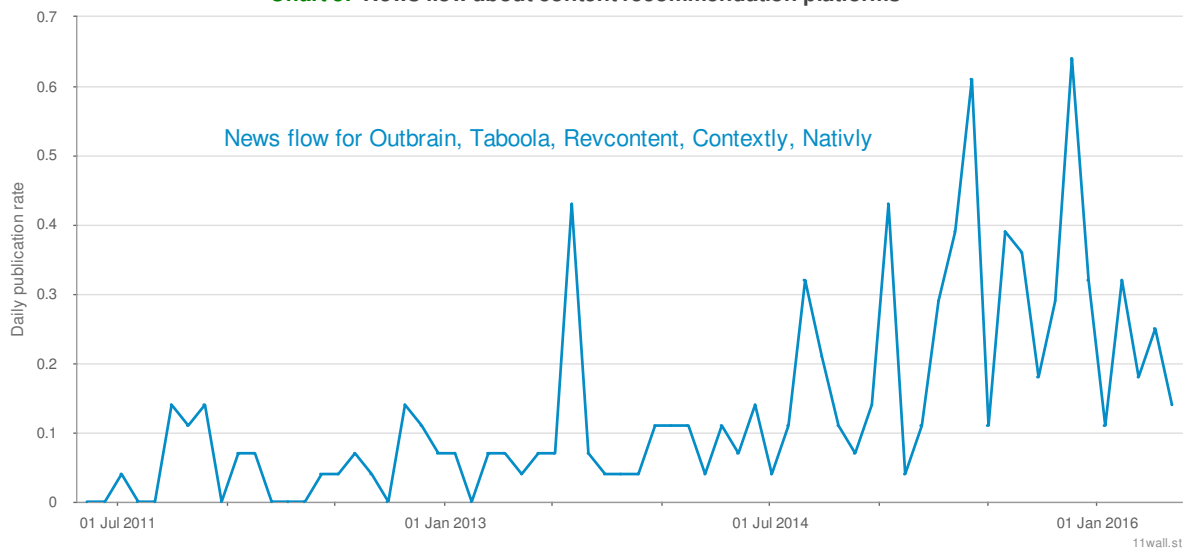
Now, as a growing share of traffic comes from social media and content recommendations, publishers focus more on flashy headlines, than on clean HTML code or legitimate backlink structure. This secular shift is embodied by the clickbait phenomenon (**Chart 2**).



Traffic brokers are one more way to monetize visitors. Big brands (such as Times Inc) have signed multi-

year contracts with OutBrain and Taboola to have their recommendation banners displayed at the end of every article, hoping for regular visitors to click on that alluring celebrity gossip piece (**Chart 3**).

Chart 3: News flow about content recommendation platforms



We've spent a couple of days looking investigating the links Taboola displays on its banners. They are surprisingly uncorrelated to the webpage's content, or the user's IP. Worst of all, around half of them lead to "traffic arbitrage" wannabes: shell websites with stale and generic content, filled with ads and clickbait (**table below**). Some of them seem to be outright fraud, as there's no way they could have CPRs high enough to eek out a profit after paying at least 3 cents per visitor to Taboola.

Times Inc celebrated its deal with OutBrain in November 2014, claiming it would bring in \$100 million. That's a paltry 3 cents per month and per unique visitor on their network of websites. In our opinion, the damage to the brand image when Times Inc visitors are redirected to trashy traffic arbitrage websites, is much higher.

	visitors in April 2016	% traffic bought	avg page views	our opinion	monetization
plarium.com				legit	video game
go.babbel.com				legit	language lessons
save70.com	800k	> 75%		may be legit	AdChoices, direct partners
4allmindsandbodies.com	400k	> 80%	5,8	shell website	AdChoices
bulletindailynews.com	9k, down from 400k 3 months ago	< 10%		probably shell website, not enough data	AdChoices
traveltips4life.com	830k	> 90%	4,8	shell website	AdChoices
londonentertainmentnews.com	127k	> 90%	1,1	shell website	Youtube
tentopi.com	157k	> 90%	3,9	shell website	AdChoices
om.forgeofempires.com				legit	video game
cheddar.com	27k	15 %		legit	own product
thebodypro.com	68k	< 10%		looks legit	AdChoices
bbc.com				legit	



4alltravelers.com	360k	> 80%	6,9	shell website	AdChoices
reuters.tv				legit	
postonline.co.uk	71k	< 10%		looks legit	AdChoices
ipositive.me	82k	> 60%	3	shell website	AdChoices
radaronline.com				legit	
vimeo.com				legit	
om.elvenar.com				legit	video game
englishrussia.com	1.3m	> 35%	6,9	may be legit	AdChoices, 2leap, Youtube
remedist.net	210k	> 80%	5,5	shell website	AdChoices
daystyles.com	210k	> 80%	7,2	shell website	AdChoices, Youtube
neuronation.com	1.1m	30 %		legit	own product
viralheroes.com	490k	>85%	8,1	shell website	AdChoices
thesportslane.com	420k	>85%	5,7	shell website	AdChoices
healthmindbodies.com	155k	>85%	3,1	shell website	AdChoices
allthingsceleb.com	870k	>90%	4,4	shell website	AdChoices
thevirallane.com	300k	>85%	7,3	shell website	AdChoices
videobuzzy.com	276k	35 %		looks legit	AdChoices
verychic-magazine.com	172k	>60%		looks legit	AdChoices, own product
businessvalueexchange.com	27k	>60%		looks legit	
bestpictureblog.com	446k	>80%	7,9	shell website	AdSense, 2leap
boomeranggmail.com	945k	40 %		legit	own product
fortune.com				legit	
meilleurdeal.fr		<10%		legit	
yurnitmagazine.com	108k	>90%	1,5	shell website	AdChoices, Advertise.com, popups
thecompass.waze.com				legit	own product
skipandgiggle.com	360k	>85%	9,8	shell website	AdChoices
cheqthis.com	35k	>85%	7,4	shell website	AdChoices
americanlivewire.com	113k	>75%	6,4	shell website	AdChoices
4allfails.com	622k	>85%	7,4	shell website	AdChoices
crazecentral.com	50k (down from 200k)	>90%	5,7	shell website	AdChoices
10amazing.com	76k	>30%	3,9	shell website	AdChoices
om.elvenar.com				legit	video game
hotels-bargains.com				legit	
top10bestwebsitebuilders.com		>35%		seems legit	direct advertising

luxxory.com	283k	>85%	3	shell website	AdChoices
trend-guru.com	118k	>35%	6	may be legit	AdChoices
oldcatlady.com	878k	>35%	3,6	probably shell website	AdChoices, OutBrain
forbes.com				legit	
myfirstclasslife.com	1.8m	25 %	2,9	probably shell website	AdChoices, OutBrain
healthypanda.net	330k	>80%	2,9	shell website	AdChoices, Taboola
credittipstoday.com	36k (down from 600k)	>85%	2,3	shell website	AdChoices, OutBrain

Ad tech's rules for ad placement have distorted the web so much that consumers have revolted and started using ad blockers. Smartphone manufacturers and software developers have joined the trend.

Ad tech is fundamentally changing the structure of the Web, by incentivizing behaviors that maximize ad revenue. Website layout, links (thus, the structure of web traffic) and content are shaped by the need for publishers to make readers click on ads.

Ad tech defines automatic rules for publishers to comply with, that end up distorting the Web. When (led by Google's AdSense) they forbade partner websites to have more than three ads per page, publishers started splitting posts into pieces, so that visitors would need to click "next" a few times to read the whole piece, and get served with more ads. This horrendous design trend was further incentivized by the need to make the bounce rate look better. Ad tech is in love with low bounce rates (percentage of users that close the website without clicking on any other link), because they believe that it's a good measure of website quality. Now, it's becoming a measure of horrendous user experience.

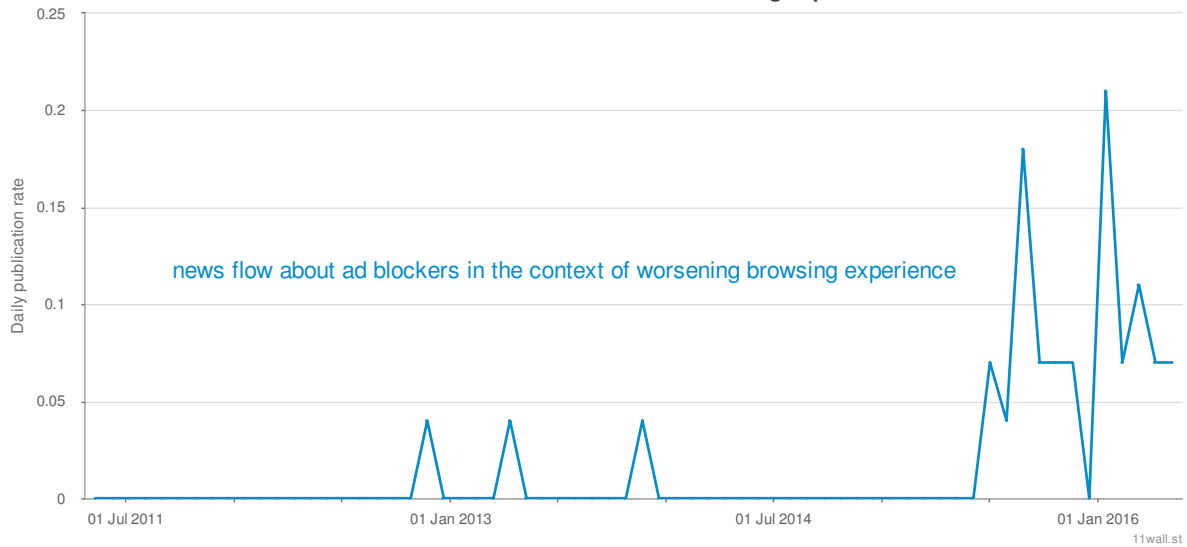
Any automatic rule that ad tech comes up with, ends up being gamed, with little regard for user experience, and with the sole objective of maximizing ad revenue. This leads to obfuscated design, and ads and external links that look a lot like own content. This is particularly true for mobile ads, where **close to half of ad clicks were estimated to be misclicks**. This is old news, but for some reason nobody looked into the problem again since 2012.

The rise of ad blocking software is a revolt by Web users against the new shape of the Internet. If this trend continues, publishers and the ad tech industry will both suffer. There needs to be a new force to guide the evolution of the Web.

The efforts that are put in by the ad industry to circumvent ad blockers is worrisome. They focus on the symptom instead of fighting the disease: the digital marketing market is saturated, and consumers are fed up with ads. The browsing experience has deteriorated so much over the last years that smartphone manufacturers and software developers themselves have joined the trend in cleaning up the Web (**Chart 4**).



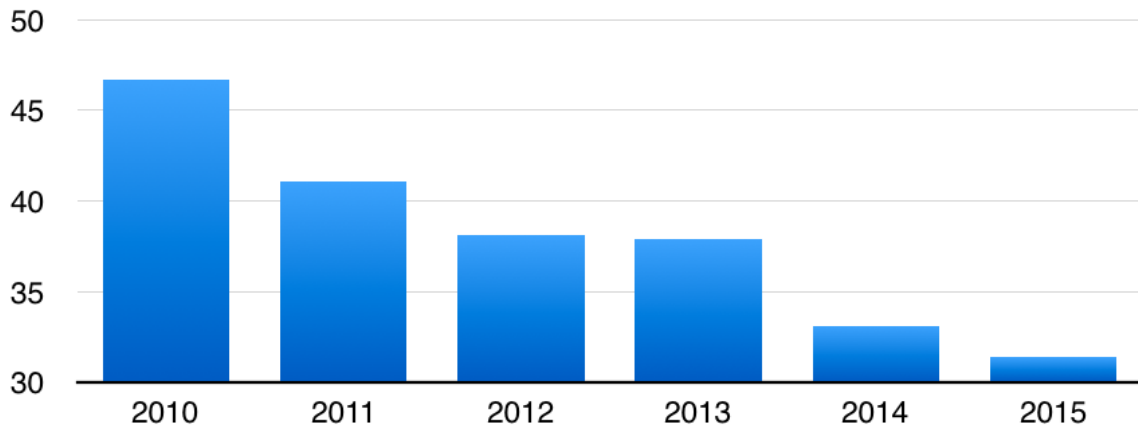
Chart 4: New flow for "ad blockers" and "browsing experience"



The efficiency of digital marketing has been declining for years. Unless ad tech changes its stance and becomes much more consumer-friendly, it will be responsible for its own demise.

One of the consequences of growing consumer disgust with ads, is that ad efficiency is declining, as shown by the declining revenue for every dollar spent on advertising by the few companies who disclose it in their SEC filings (**Chart 5**).

Chart 5: Dollars of revenue for every dollar spent on digital marketing, average for Amazon, Priceline, Booking.com, Expedia and Ebay (source: SEC 10-K filings 2010 through 2015, Kalkis Research)



Ad tech has focused on automatization and economies of scale, which has enabled them to place low-cost ads on the murkiest of websites, because the cost of placing an ad has become so low. This rush to subprime ad space ended up hurting the high end of the market as well, as Internet users become tired of ads in general. You can only make up for low margins with volume for so long.

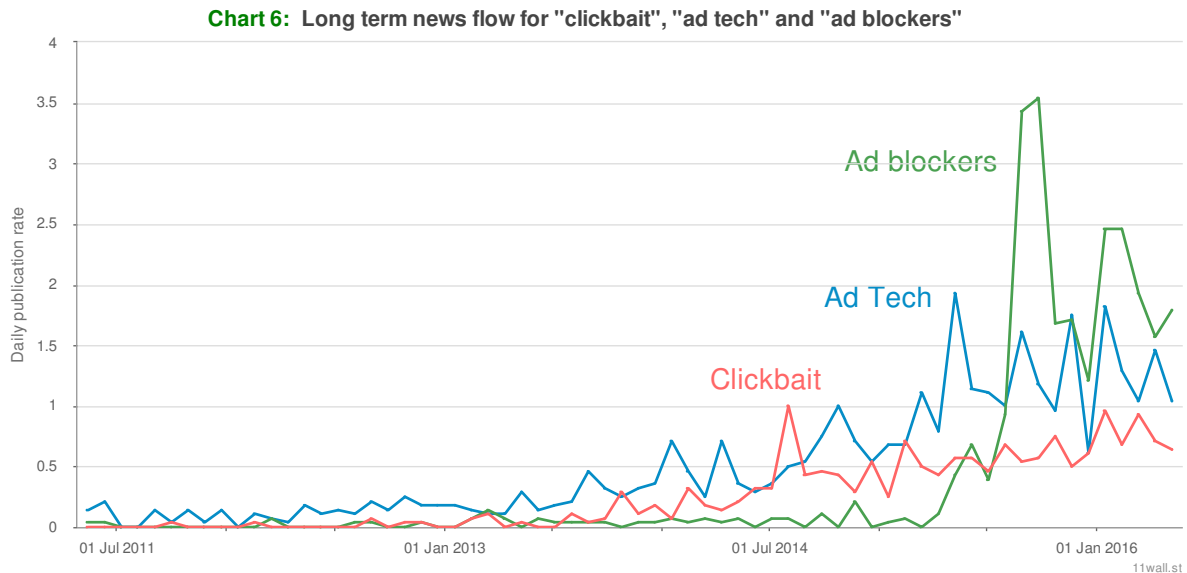
In the end, consumers will make or break the digital advertising industry. Ad tech has always considered Internet users as guinea pigs in their all-numbers experiment. Tough luck, everything in our world is reflexive, and if you treat people badly for long enough, they'll turn against you. By installing ad blockers, or by stopping clicking on ads altogether.

To save the system, Internet users should have a say in the way they'd like to be treated. They must understand that advertising is a necessary evil to keep the Internet free. It's also a very powerful weapon to shape the Web's development, towards cleaner designs and better content.

Roadmap & Playbook

This piece is a follow-up to our first article [Google: End of the Online Advertising Bubble](#). Ad dollars are trashing the Web by incentivizing publishers to think short term, to maximize ad revenue and to save a few dollars to the detriment of content quality.

Clickbait has risen in line with ad tech since early 2013. It was good while it lasted, scores of companies managed to IPO and get some Wall Street cash on hopes the trend will continue forever. But then the world has turned against them, with a vengeance (**Chart 6**).



Advertising agencies that fail to control for publisher quality are doomed to waste their client's money. Worse, they expose their clients to outright theft. Any system that's defined by quantitative rules ends up being gamed by smart guys, as we've illustrated above. Bad guys have caught up with ad tech's "state of the art algorithms". Any technological advantage is short-lived, and it seems that we're seeing the end of the user profiling miracle.

If the ad tech industry is to survive, they need to come up with a better system to evaluate the quality of ad space, and admit that Internet users can only take in so many ads. They must focus on quality, and pay the prime ad space its fair due, to incentivize good publisher behavior, and stop the money flow to guys who are in for the quick buck, to the detriment of everyone else.

By:

Sarunas Barauskas, s.barauskas@kalkis-tech.com

Philippe Gondard, p.gondard@kalkis-tech.com



explore media trends, investigate the comings and goings of industry insiders, to understand how the system really works. We typically spend between 60 and 100 hours doing our homework for every research piece. We believe that the only way to do our job, is to get out of our comfort zone and to question everything. Whether we're right or wrong, it's always for the right reasons.

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