

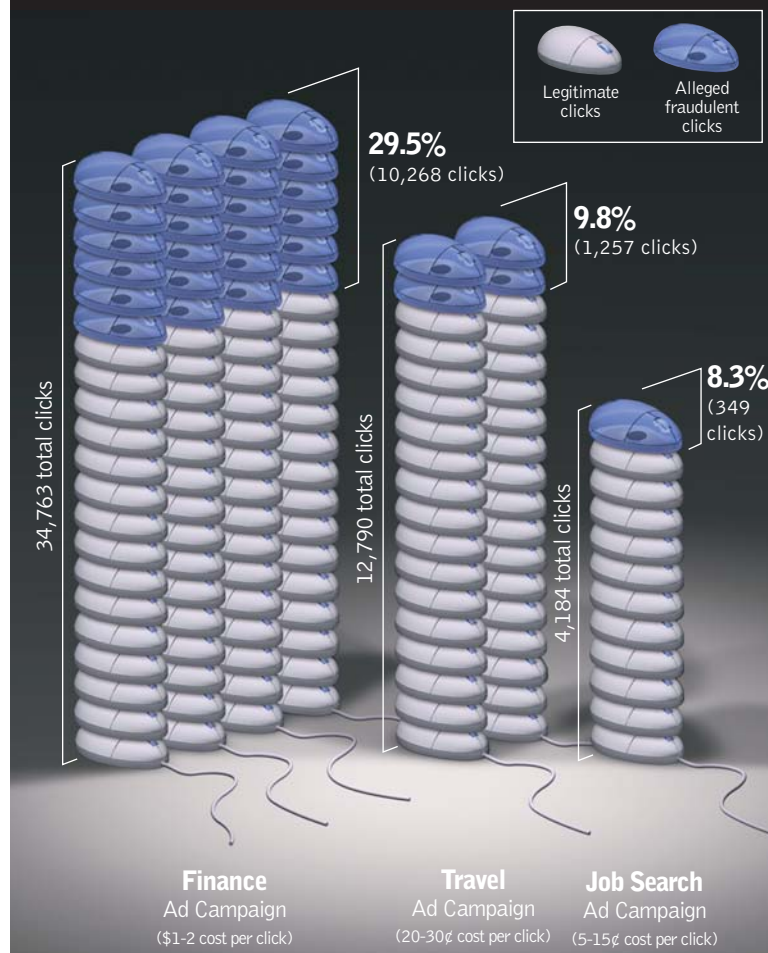
# Click fraud: what does it mean for marketers?

Interest in using the Internet as a marketing tool continues to grow. Paid search engine, or pay-per-click advertising (when companies pay for keyword ads listed on a search engine), has become the fastest-growing segment of online advertising.<sup>1</sup> By 2010, U.S. advertisers will spend an estimated \$7.5 billion on paid search ads compared to \$3 billion in 2004.<sup>2</sup>

Not only has interest in pay-per-click advertising grown, but so too has click fraud. Click fraud occurs when a person or software program creates or misrepresents actual clicks. These fraudulent or inaccurate clicks result in additional charges to the advertiser. Industry consultants estimate as many as 20% of clicks on paid search engine ads are fraudulent, costing advertisers more than \$1 billion annually—larger than the total magnitude of credit card fraud in the U.S.<sup>3</sup>

**M**arketing  
**I**nsights  
from 5MetaCom

## A study of click fraud: a growing, costly issue for advertisers



### About the study<sup>4</sup>

In a 2006 study, an online market research firm evaluated three paid search engine ad campaigns (Google AdWords™). The companies advertising paid a fee for each user who clicked on their ad. The advertiser with the highest cost per click (\$1-2) suffered the highest number of alleged fraudulent clicks (29.5%), resulting in bogus charges of \$15,395. The other campaigns had significantly lower cost per click rates and encountered lower rates of click fraud. In this study, Google's tools intended to protect against click fraud detected 178 out of 11,874 alleged fraudulent clicks.

*In the study, Google credited advertisers for about 1.5% of alleged fraudulent clicks.<sup>4</sup>*

## Executive Summary

- Paid search advertising has become the fastest-growing segment of online advertising.<sup>2</sup>
- Although no one knows the exact number of fraudulent clicks, industry consultants estimate as many as 20% of clicks on paid search engine ads are fraudulent.<sup>3</sup>
- In a study of three Google paid search engine ad campaigns, alleged click fraud occurred with 8.3-29.5% of total clicks.<sup>4</sup>
- Search engine companies claim to protect advertisers against click fraud. But in the study above, Google credited advertisers for roughly 1.5% of alleged fraudulent clicks.
- For advertisers interested in pay-per-click advertising, experts suggest following a few tips to **try** to mitigate click fraud (see the back).

## Navigating the world of click fraud

Click fraud is getting a lot of attention. It's a topic that keeps coming up in the trade and business press. To help you navigate the latest news and information about click fraud, a glossary of commonly used terms follows. This isn't an all-inclusive list. But it is a start in helping you understand click fraud.

- **Click fraud.** A person, automated script or computer program generating clicks on a paid search engine ad to generate bogus advertising charges.<sup>5</sup>
- **Keyword or keyword phrase.** A word or phrase someone enters into a search engine's search field to find a topic of interest.<sup>6</sup>
- **Paid search engine or pay-per-click advertising.** Advertisers pay a charge each time a web user clicks on their paid search listing.<sup>5</sup> Typically these ads receive preferred placement on the search engine results page.
- **Organic or unpaid listings.** Unpaid search engine keyword listings which are populated and ranked based on search engine criteria.<sup>5</sup>
- **Search engine, or organic, optimization.** Improving a website's unpaid search engine ranking by manipulating site content to be more compatible with search engine criteria.<sup>5</sup>
- **Competitive click fraud.** A company clicks on a competitor's pay-per-click or paid search engine ad over a period of time to impose a cost to the competitor.<sup>7</sup>
- **Network click fraud.** A website sharing ad revenue with a search engine that falsely clicks on its paid search engine ads to generate bigger commissions.<sup>7</sup>
- **Clickbots or hitbots.** Automated software initiating fraudulent clicks to impersonate a valid web user.<sup>8</sup>
- **Impression fraud.** Repeatedly searching for a competitor's keywords and not clicking on them, which lowers their search engine ranking.<sup>9</sup>
- **Zombie computer.** A personal computer controlled by a hacker running a software program to generate fraudulent clicks on a paid search engine ad.<sup>3</sup>

### Taking a closer look at search engine advertising

The screenshot shows a search engine results page for the keyword 'mortgage refinance'. The search field at the top contains the text 'mortgage refinance'. Below the search bar, there are several paid search engine ads (pay-per-click) from various companies like 'Loan2go.com', 'Shady Finance', and 'MetaCalculator'. Below these ads, there are unpaid organic keyword listings, including 'Shady Finance for Mortgage Refinance', 'Refinancing Calculator', and 'MetaCalculator Mortgage'. Labels on the left side of the image point to these different sections: 'Keyword or keyword phrase search field' points to the search bar, 'Paid search engine ads (varies by search engine)' points to the top ads, and 'Unpaid or organic keyword listings' points to the bottom organic results.

When a user types a keyword phrase into a search engine, typically both paid search engine ads and unpaid keyword listings are populated.

## Preventing click fraud

What can marketers and advertisers who want to use paid search engine ads do to avoid click fraud? MarketingExperiments.Com, an online market research firm, recommends:

- **Monitoring the daily volume of clicks** on paid search engine ads and investigating spikes outside your average clicks.
- **Targeting paid search engine ads within the geographic scope of your customers** to avoid markets known for click fraud (China, Egypt and South Africa).
- **Increase the number of keywords** to make it more difficult to commit fraud against any single keyword in your search engine ad campaign.
- **Avoiding paid search engine or pay-per-click advertising on small, start-up or unknown search engines** with unproven track records for monitoring fraud. Although even the largest search engines may place ads on smaller, less-established search engines to increase reach.
- **Using less-expensive, lower-volume traffic keywords** which are typically less likely to attract click fraud.

<sup>1</sup> Stone, B. When Mice Attack: Internet Scammers Steal Money With Click Fraud. *Newsweek*. Jan. 24, 2006.

<sup>2</sup> Barlas, P. Click-Fraud Fears Giving Boost to Online Services. *Investor's Business Daily*. Apr. 2006.

<sup>3</sup> Helm, B. Click Fraud Gets Smarter. *BusinessWeek*. Feb. 27, 2006.

<sup>4</sup> MarketingExperiments.Com. Mar. 29, 2006.

<sup>5</sup> Wikipedia. Available at en.wikipedia.org as of Apr. 2006.

<sup>6</sup> Advice on Search Engine Keywords. NetSecrets. Available at www.netsecrets.co.uk as of Apr. 2006.

<sup>7</sup> Claburn, T. Click Fraud Threatens Rising Online Ad Revenue. *Information Week*. May 2, 2005.

<sup>8</sup> Hicks, M. Click Fraud Riles Search Advertisers. *EWeek Enterprise News and Reviews*. Mar. 4, 2005.

<sup>9</sup> Lee, K. Click Fraud: What It Is, How To Fight It. Available at www.clickz.com as of Feb. 18, 2005.