



Summary

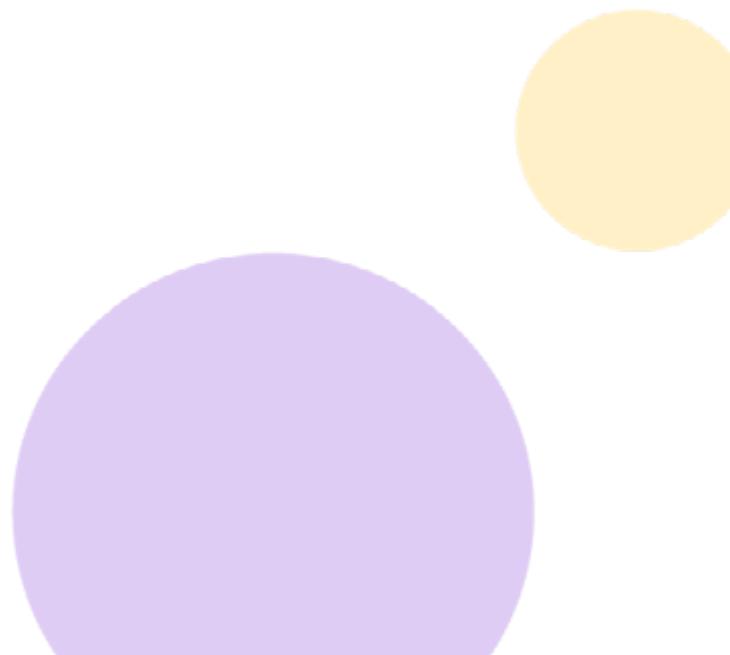
A comprehensive analysis of
Click Fraud activities in 2020-21

Our Dataset

Based on 1 billion ad clicks
and 100 billion data points

2020 - 2021 Global Click Fraud Report

Four Key Takeaways You Need To See

A decorative graphic consisting of a yellow L-shaped line that starts to the right of the text and extends downwards and then horizontally to the left.

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About The Study

2020 was a year full of challenges and obstacles for many businesses across the globe.

With the explosion of eCommerce due to COVID-19, click fraud also saw a significant rise in many sectors.

In our first ever annual report, we dive into the first-hand data from our database of almost 1 billion ad clicks and 100 billion data-points to unveil the key takeaways every marketer should know about click fraud and their exposure to it.

With trend data from over 40,000 online ads accounts, this report specifically takes a look at the trends of click fraud we saw in 2020, and what the future looks like for 2021.

Through this first-hand data, we'll be highlighting the most critical industry changes we've observed to help advertisers better understand this challenging threat.

We hope this report helps advertisers understand the important changes in click fraud activity over the past 12 months, what you can do to mitigate your exposure to it, and to highlight how big of an issue click fraud is.

In this annual click fraud report:

- The impact of COVID-19 on click fraud rates across different sectors
- Click fraud rates by industries & countries
- Click fraud rates by ad type
- The most common types of click fraud
- Marketer's biggest concerns in 2020
- Click fraud industry forecasts for 2021

About Lunio

Since we were founded in 2016, Lunio has become recognized as the industry leader in click fraud prevention, offering the most advanced and bespoke technologies and working with some of the world's most well known brands.

What originally started as a proof of concept between our four founders quickly grew into an incredibly sophisticated fraud prevention platform, backed by some of the leading cybersecurity & startup VCs in the UK and with a rapidly growing team of security engineers & professionals.

Built to specifically tackle click fraud on PPC ad networks, our platform now protects over 100,000,000 online ad clicks from click fraud every month, and has generated tens of millions in extra conversion value & revenue for our customers.

Since launching our platform, we've seen many businesses suffer at the hand of click fraud. From local businesses to large multinational brands, nobody is safe - and the problem is getting worse each year.

Our mission is to end the scourge of ad fraud & click fraud on advertisers, allowing for the reinvestment of budgets back into high converting, high quality traffic and audiences. Budgets are tight enough in today's world, you don't need to be adding the cost of fraud to that too.

In our first ever annual Global Click Fraud report, we look at the impact that click fraud is having on the digital economy across all industries & sectors, the projected growth of the problem, the steps being taken to fix it, and the challenges the industry is facing as a whole.

Transparency is paramount in digital advertising. Together, we can make every dollar count.



Neil Andrew
Co-Founder & CEO

11% of all search clicks are fraudulent



36% of all display clicks are fraudulent



17% of all CTV impressions are fraudulent



Only 13% of customers had little fraudulent activity



In 2020, click fraud saw significant increases across all types of ad formats.

Display ads received the highest amount of click fraud, with 36% of all clicks being fraudulent. Primarily down to the incentive of revenue share from every click, many fraud rings and criminal gangs spend a considerable amount of time defrauding advertisers with fake website.

CTV (Connected TV) ads had the second-highest level of fraud at 17% of all clicks. Similar to display ads, many fraud schemes (DrainerBot & Methbot) automatically watch YouTube ads and other CTV networks to defraud advertisers out of their ad spend.

The lowest level of fraud was found on search ads with only 11% of all clicks being identified as fraudulent. With no monetary gain to be made from clicking other advertiser's ads, these are the least profitable for fraud rings and gangs - but have huge value for unethical competitors.

This level of fraud in the industry affects almost every advertiser in some way. From our first-hand client data, 87% of customers experienced a significant level of fraud in their account over the past 12 months, while only 13% of advertisers experienced little to no fraudulent activity.

Losses from click fraud can vary dramatically depending on a business's exposure to online ads. Larger enterprises and agencies usually suffer from higher fraudulent losses compared to smaller businesses due to the size of their campaigns and monthly budgets.

From our client data, we found that the average yearly loss for small and medium-sized businesses (defined as a business with less than 50 employees in our data) during 202 was \$14,900.

The second biggest victims were digital agencies with losses at \$207,000, over ten times the amount of SMBs. It's important to note that these losses represent the client spend the agency is losing to click fraud, and not the agencies own ad spend.

The biggest victims of click fraud by far were SME+ businesses (defined as over \$10m/year turnover in our data) with average losses of \$705,000, over 47 times the amount of SMBs. This is, however, to be expected as losses to fraud generally scale with increases in budgets.

As businesses start to spend more money on online ads, it's clear that they are exposed to more fraud and ultimately lose more money.



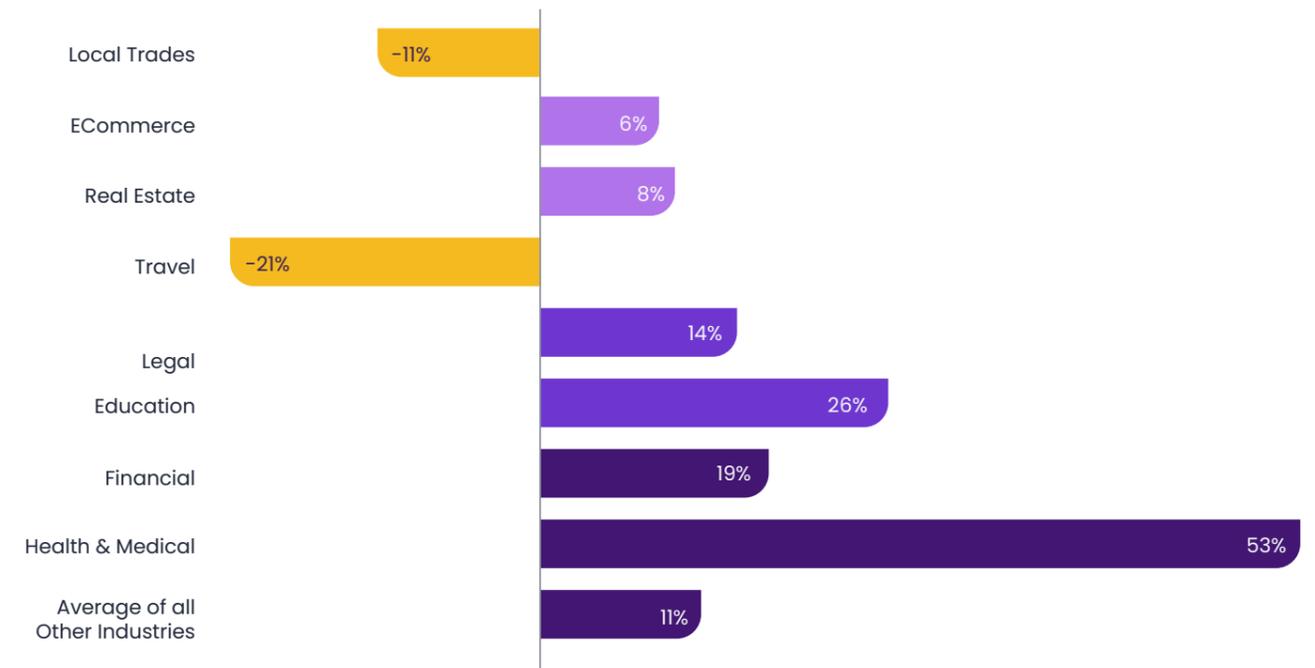
The Impact Of COVID On Click Fraud By Sector

COVID-19 has impacted almost every business in some way this year. With many online businesses turning to eCommerce while physical shops close, click fraud has also seen a sharp rise in activity.

From our client's data, there are only two sectors that have seen declines in click fraud rates; local trade business and travel agencies. With countries imposing nationwide lockdowns and travel restrictions, many of these local services and travel businesses stopped running online ads altogether for several months during 2020.

While a few sectors have seen a decrease in click fraud rates, many others have seen huge increases. The health and medical sector saw a 53% increase in click fraud compared to the same time frame in 2019. This is most likely down to the rise in businesses running campaigns for vitamins, face masks, antibody tests and other COVID related items. With more ad exposure, the chances of experiencing click fraud increase significantly.

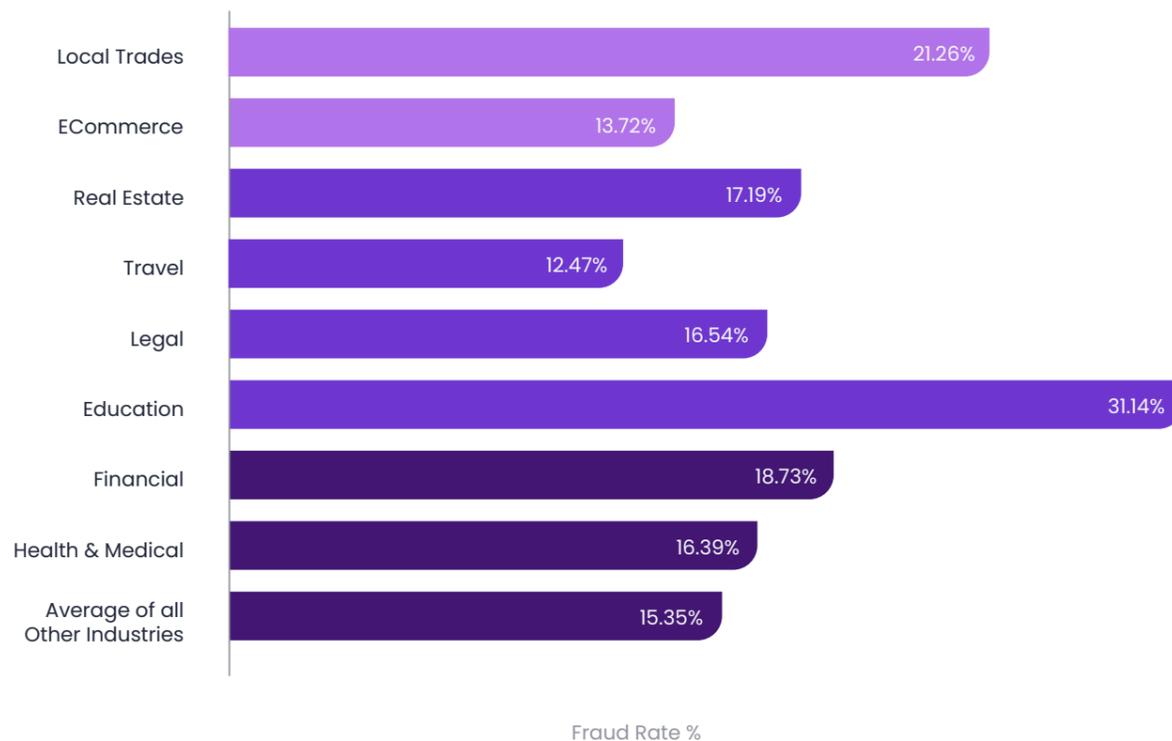
COVID Impact in Click Fraud Rates



% Growth in Apr - Jul 20 Vs Apr - Jul 19

Click Fraud Industry Breakdown

Fraud Rate by Industry in 2020



Having worked with a range of clients from various different industries, it's clear that the industry a business is in can have a considerable impact on their level of click fraud.

From our data, the education industry saw the highest rates of click fraud throughout 2020 with 31.14% of all clicks being fraudulent. With schools being closed and transitioning to home tutoring, the educational industry saw a sharp increase in ad spend, which also fueled the rise in fraudulent activity and payouts for the click-fraudsters.

On the opposite scale, the travel industry saw the lowest level of click fraud. Most likely because

many travel agencies and businesses stopped running ads when the pandemic first started. Due to fewer ads running there is less competition in the ad auction, the amount spent per click lowers and ultimately the click fraud rate then decreased below the industry average of 15.35%.

Other industries such as real estate, legal and financial also saw much higher than average fraud rates throughout 2020. Local trades followed this trend, and despite the fraud rate decreasing in this industry compared to 2019 as a result of COVID-19, it still remains well above average.

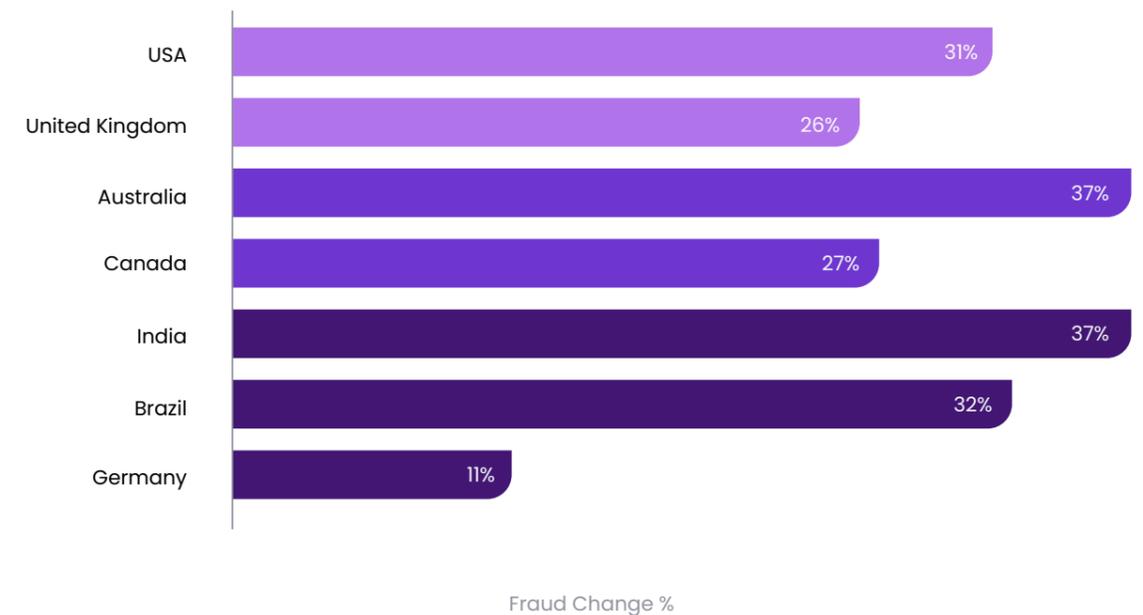
Click Fraud Country Breakdown

Just like industries and sectors can have a big impact on the amount of fraud advertisers receive, so can geographic targeting.

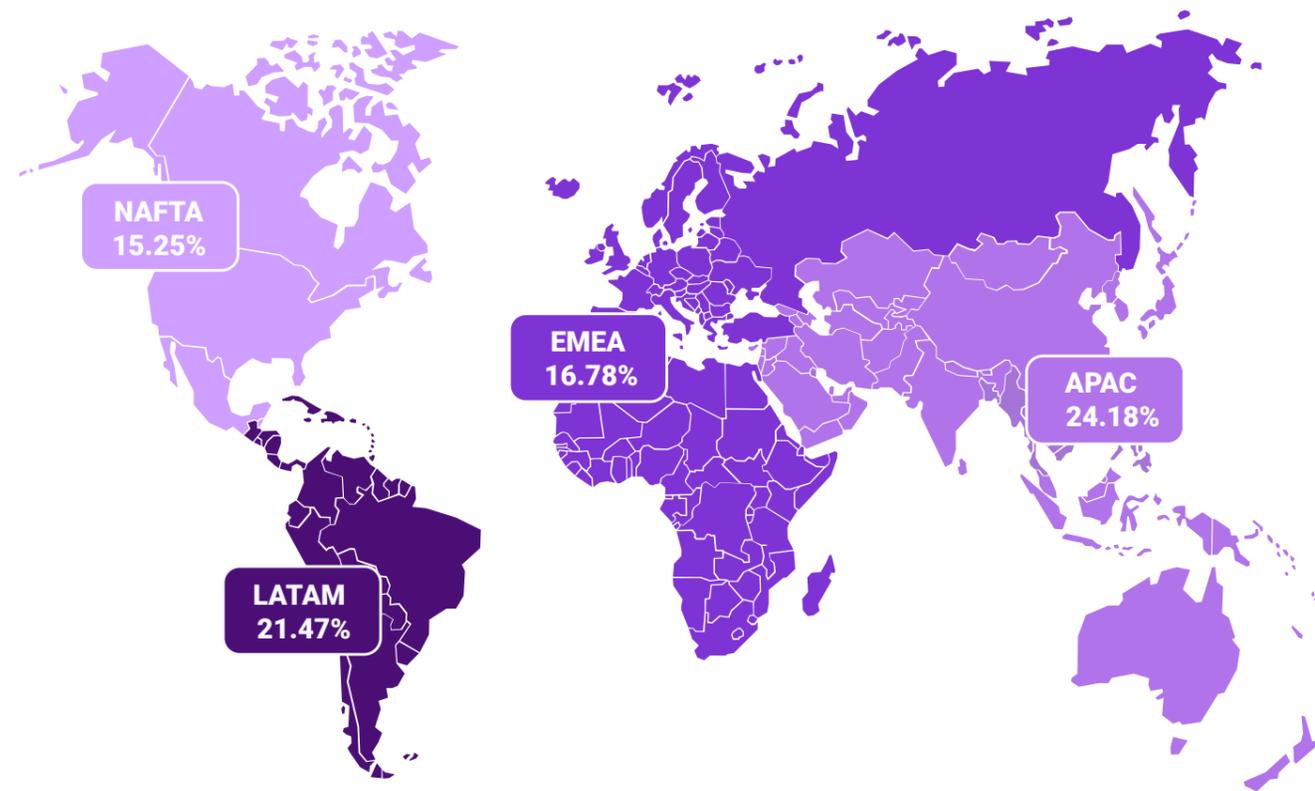
From our data, many of the largest ad markets in 2020 have seen double digit increases in their fraud rates. India and Australia take joint first place with an increase of 37%, while Germany had the lowest increase at only 11% from 2019.

The theory for the reason of India's large increase in fraud is primarily because they are still a developing and growing market in the digital space. Ad spend is increasing rapidly, and it is becoming ever more attractive to the unethical actors that commit click fraud. Germany's much lower increase is likely due to the country being a relatively small digital ad spender per capita when compared to other countries of similar development and size (e.g. the UK).

Fraud Rate by Industry in 2020



Regional Fraud Breakdown



Depending on the region you decide to run ads in, it can have a significant impact on the rate of fraud. From our research, the highest regional areas are LATAM and APAC with 21.47% and 24.18% of fraud respectively.

The regions with the lowest fraud rate are EMEA and NAFTA, with 16.78% and 15.25% respectively.

From our research, the fastest-growing markets such as APAC often have the highest levels of fraudulent activity. With countries in APAC such as India being less economically developed than countries from NAFTA or EMEA, the money earned from click fraud can be a much more significant source of revenue.

Fraud Responsibility Breakdown

There are many culprits behind the act of click fraud. Originally just competitors, many new faces have begun to appear over the years with three categories now being the most common.

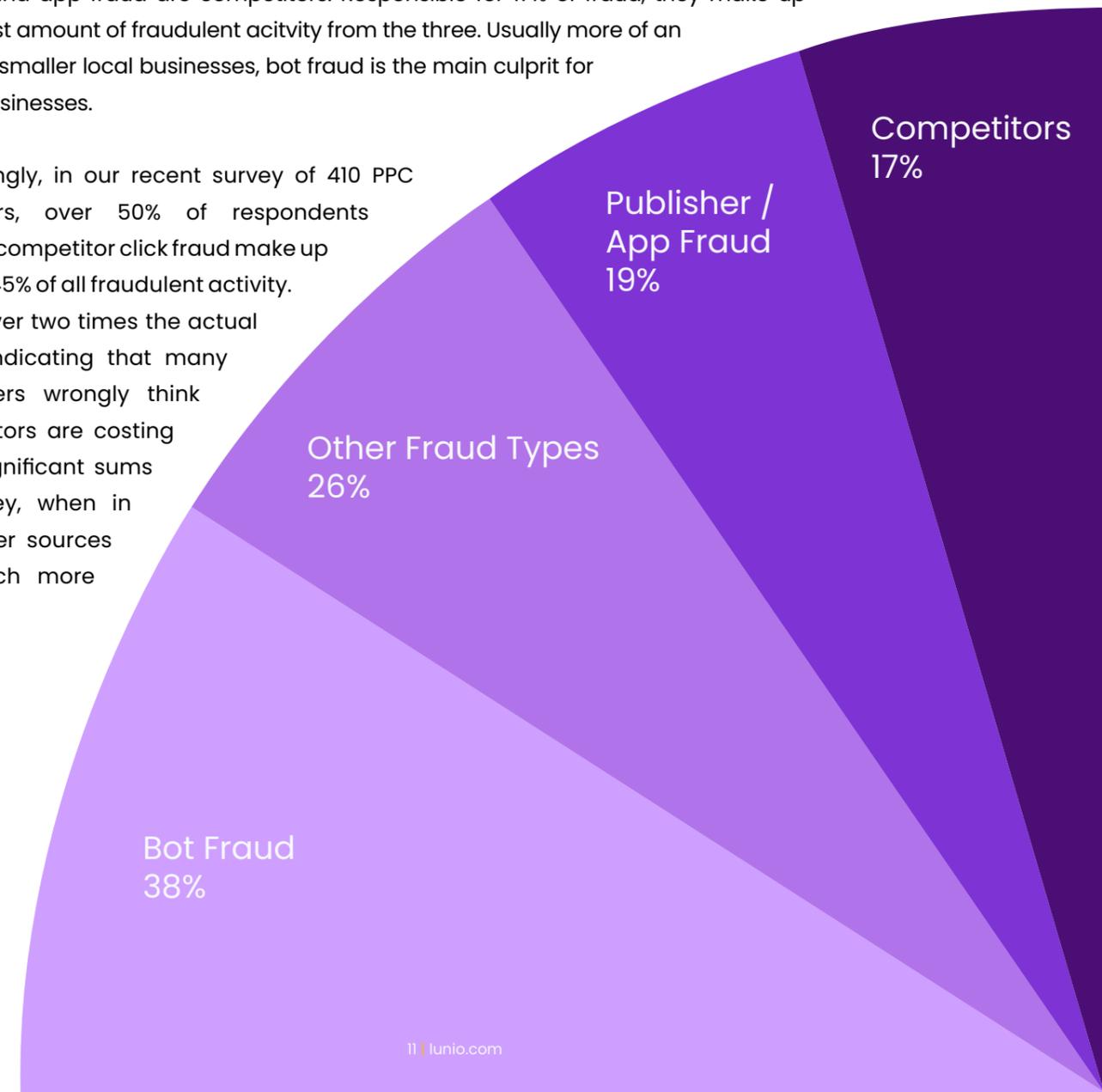
Responsible for 38% of fraudulent activity are automated bots and bot fraud. With huge criminal gangs taking advantage of click fraud, many have designed sophisticated bots to do their dirty work for them. Not only does this allow them to scale their fraudulent activities, but it also allows them to do it on autopilot.

As the popularity of apps and mobile phones has grown over the last decade, so has the amount of in-app advertising and fraud. In 2020, apps were responsible for 19% of all fraudulent clicks as many publishers engaged in ad stacking, click injecting, and running background ads.

Just behind app fraud are competitors. Responsible for 17% of fraud, they make up the lowest amount of fraudulent activity from the three. Usually more of an issue for smaller local businesses, bot fraud is the main culprit for larger businesses.

Interestingly, in our recent survey of 410 PPC marketers, over 50% of respondents thought competitor click fraud make up at least 45% of all fraudulent activity.

That's over two times the actual figure, indicating that many advertisers wrongly think competitors are costing them significant sums of money, when in fact other sources are much more harmful.



Marketers Biggest Concerns in 2020

Based on our survey of 410 paid media & performance marketers carried out in October 2020. Respondents could select a maximum of 2 concerns from a list of 15 or submit their own responses.

Upcoming Death of 3rd Party Cookies (36.4%)



Brand Safety (18.2%)



Maintaining GDPR / Privacy Compliance (31.8%)



Loss of Revenue due to COVID-19 (9.1%)



Click Fraud & Ad Fraud (31.8%)



Loss of Insights / Data in Media Platforms (4.5%)



With 2020 behind us, we asked over 400 paid media specialists what their biggest worries of the year and upcoming 12 months were.

In first place, the upcoming death of 3rd party cookies is the biggest concern for marketers with 36.4% of respondents voting for it. The upcoming changes expected to take place from 2021 onwards could see big changes for web browsers such as Google Chrome. These changes could affect how ads are displayed in browsers, as well as how accurately advertisers can track users visiting their website.

Closely behind the death of 3rd part cookies, many advertisers are worried about maintaining GDPR and privacy compliance. With regulators breathing down the necks of marketers, any wrong move can lead to a substantial fine.

In joint place with GDPR and privacy compliance, marketers also expressed their concern about click fraud. As more and more fraud rings are discovered and make the headlines in the news, marketers are slowly starting to treat click fraud as a serious threat to their business.

2021 Ad Fraud Forecast

For most people, 2020 was a terrible year. But hopefully, the worst is now behind us. With our sights set on the future, what does 2021 have in store for marketers?

Here are some of the key industry trends to look out for:

More Sophisticated Ad Fraud Networks

Like a game of cat and mouse, fraudsters show no sign of stopping their fraud rings, especially when they're making millions of dollars every year. As Google and law enforcement continually crack down on these fraud rings, you can expect the level of sophistication to increase significantly.

Increased Ad Spend & Competition

For many countries, restrictions and lockdowns are still in place, which have caused plenty of advertisers to reduce and even pause their online ads. If you've seen a reduction in CPCs and competition during 2020, then don't expect it to last forever. Going into 2021, as countries start to re-open after the pandemic, ad spend is likely to increase across all industries.

Continued Growth of New Ad Platforms

Each year there are plenty of new ad platforms that are launched. Just as platforms like Snapchat Ads took the marketing industry by storm in recent years, in 2020 it was TikTok's turn. After opening their platform to businesses this year, the platform has seen a huge growth in ad spend. And with many new ad platforms, they are also prime for ad fraud and exploitation.

New Ad Fraud Protection Platforms

We'd be pretty ignorant to think that we're the only ad fraud prevention platform on the market. Over the past few years there have been several new platforms joining the fight against click fraud. We welcome anyone committed to preventing click fraud to the market with open arms, but nonetheless reserve significant concerns about the lack of transparency, accountability and reliability of many players in the space.

Although they all promise uncompromized protection, we still think the industry isn't adapting fast enough and is too reliant on outdated technology and selling purely on fear-based marketing, rather than innovating and truly trying to prevent fraud. Not only are these outdated protection methods not effective enough, they're often providing wrong and in some cases downright harmful information to advertisers, which leads to significant damage to their PPC campaigns and conversion activity.

Furthermore, we will the industry as a whole has one significant problem that it just isn't addressing - false positives. If you're trusting someone to block click fraud for you, you need to know that the data they are reporting is accurate, and they're not just inflating figures to grab a sale. We've seen false positive rates as high as 23% in some platforms, which is extremely damaging to both user trust and their campaigns. To that end, we have taken the industry's first steps to openly publish our false positive rate, which as of December 2020 sits at 0.14%.

Click Fraud to Increase by 13% in 2021, Driven by CTV Activity

Based on our analysis and projections, we predict that click fraud will increase by 13% overall in 2021 compared to 2020. With the majority of this increase driven by CTV (connected TV) activity.

Current data shows 17% of all CTV impressions are fraudulent. With CTV ads exploding in popularity, we forecast this to become an even more lucrative channel for the criminal characters behind click fraud and predict an increase of 31% to an overall rate of 22% for all CTV activity.

In contrast to this, we predict that click fraud on search ads will fall slightly to just under 10% overall (vs 11% in 2020), and display activity will increase by 12% to around 40% of clicks being fraudulent.

Lastly, our forecasts show that competitor driven click fraud will decline sharply from 17% of all click fraud to 11%, a 35% decrease, driven by increased awareness among advertisers in combating the issue. Countering this, we predict that bot fraud will reach new heights at over 40% of all click fraud activity, and app fraud will continue to grow at an alarming rate.



Conclusion

As you can see from the data in this report, click fraud is still prevalent in every industry and continues to defraud advertisers out of their ad spend. It's also clear that fraud rates from the largest ad markets are also continuing to rise year on year.

2020 has seen a huge change in online advertising as the COVID-19 pandemic has made sectors both increase (eCommerce) and decrease (travel) their ad spend.

With automated bots fueling the rise of click fraud on ads, advertisers are now more vulnerable than ever to these malicious programs.

But it's not all bad news.

Advertisers are becoming increasingly aware of the threat of click fraud to their ad spend. Something that was considered a myth a few years ago is now being seen as a serious concern by many businesses.

As an industry, we're still a long way from eradicating click fraud forever. But by educating advertisers on the threats and dangers they face, we can help significantly speed up its extinction.



Advertise to Real Buyers, Not Bots.

60% of all internet is bot traffic.

Get a free trial and see for yourself!

Get Started Now

