ON THE CURRENT STATUS AND ISSUES OF PROGRAMMATIC ADVERTISING: PROSPECTS FOR MARKETING ETHICS

Hiroshi Koga

Kansai University (Japan)

hiroshi@kansai-u.ac.jp

EXTENDED ABSTRACT

1. Introduction

The purpose of this paper is to summarize the challenges of "programmatic advertising" and examine possible solutions. To that end, this paper is organized as follows. First, programmatic advertising is explained. Next, we summarize the issues of operational advertising. Next, solutions to the issues in Japan are presented. Finally, we present the challenges and future prospects for solving the problems.

2. The concept of programmatic advertisement

The concept of managed advertising generally refers to a method of placing advertisements in the most appropriate ad spaces based on the relevance of the budget, site, and ad content, without specifically fixing ad spaces. Busch (2014, p.8) lists the following five characteristics These are (1) granularity, (2) real-time transactions, (3) real-time information, (4) real-time creation, and (5) automation.

Programmatic advertising has been strong in recent years [Hackley and Hackley, 2019]. It refers to a type of advertising that delivers ads individually tailored to the interests of users based on the keywords they use when searching the Internet and the content of the websites they visit. Many people may have experienced relevant ads or pop-up ads on their social networking screens when surfing the Internet about beauty or searching for restaurants.
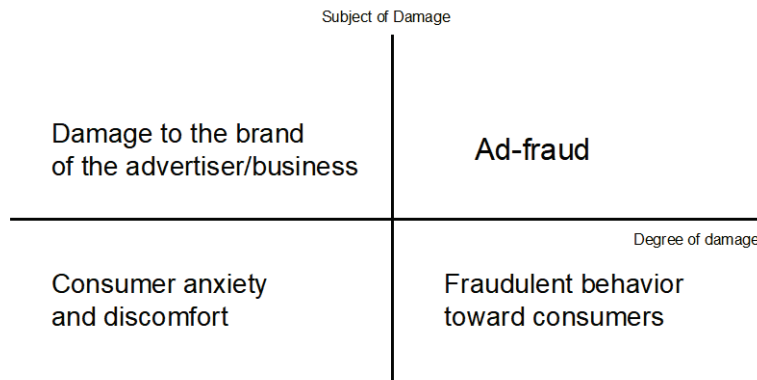
Thus, the advantages of managed advertising are that it is inexpensive, allows advertisements to be displayed to the appropriate target audience in real time, and allows the effectiveness to be monitored numerically. These characteristics are very different from those of traditional mass media advertising [cf. Palos Sanchez and Martin-Velicia, 2019].

3. The problems of programmatic advertisment

However, digital advertising is not a cure-all. A silver bullet is a weapon that can kill an immortal monster, the werewolf, with a single blow, and is made by melting down a cross [Markus and Benjamin, 1997]. From there, it is used to mean a panacea that solves difficult business problems in an instant. The authors would like to argue that programmatic advertising is not a cure-all. This is because there are several problems with programmatic advertising.

The author would like to argue that these problems can be classified into four major categories based on two dichotomies: the subject of advertising damage and the degree of damage (Figure 1).

Figure 1. Types of Problems with Operational Advertising.

Subject of Damage

Damage to the brand of the advertiser/business	Ad-fraud
Consumer anxiety and discomfort	Fraudulent behavior toward consumers

Degree of damage

First, brand damage to advertisers and companies refers to the risk of distributing advertisements to destinations that damage the image of the product, service, or company that is the subject of the advertisement. It is said to be caused by the development of ad technology, the monitoring system of platforms that automatically distribute ads in ad spaces, and the existence of fraudulent companies that establish unauthorized media.

The process of ad placement involves a large number of complex related players, called ad networks. It is automated. This means that the process is black boxed, making it difficult to identify and prevent the causes of fraud.

Next, ad-fraud is the practice of using automated programs to fabricate impression and click counts to fraudulently exploit the cost of performance-based advertising. It is sometimes referred to as "skip ads" or "backdoor ads". In Japan, it is estimated that 3.3% of total advertising expenditures are funded by advertising (IAS, 2023). This means that 3% of advertising expenditures are wasted. For this reason, measures against ad-fraud are said to be an important issue.

Third, consumer anxiety and discomfort include the display of offensive ads, stealth marketing (ads posing as third parties), and ads that use "digital nudges" to induce purchases using psychological manipulation [Weinman, Schneider & Block, 2016].

Finally, there is fraud against consumers. Non-accredited institutions (degreed mills or diploma mills) that issue diplomas for money without providing proper education have become a social problem in the United States. This is said to be deeply rooted in advertisers who have developed methods (algorithms) to extract people with education complexes based on website browsing history and search terms. O'neil [2016] likens such harmful algorithms to weapons of mass destruction, calling them "weapons of mathematical destruction".

By the way, it is not the responsibility of individuals to be fooled by weapons of mass destruction. Search sites such as Google tend to display relevant information based on our online activity history. As a result, we are comfortably ensconced in a bubble that uses our search history as a filter [Pariser, 2011]. In other words, we are ensconced in a comfortable bubble that displays only similar information and blocks out information we do not want to see (filter bubble). We are happy when we are exposed to information that says, "This is what I wanted to say". However, when we are exposed only to certain information, our opinions are reinforced and we

become convinced that it is the only truth or righteousness, making us reluctant to accept opposing opinions (echo chamber phenomenon). This makes people more inclined to believe even fake advertisements (i.e., advertisements that use images of celebrities without their permission to create false testimonials).

4. Future prospects

Digital advertising in the filter bubble tends to create and reinforce desires as well as amplify people's opinions. It is not surprising that while searching for and browsing related articles about diet, people may become interested in frequent advertisements about a particular supplement. Subsequently, they may search for testimonials about supplements without knowing that they are ads, or they may search for native ads (ads created to look like online articles, which should clearly indicate that they are ads. It must be clearly marked as an advertisement). Thus, the pitfalls of managed advertising are not mutually exclusive, but interrelated.

However, as mentioned earlier, the companies involved in ad networks are diverse and intricately related, making it difficult to pinpoint the cause of problems when they do occur. In Japan, attempts are underway to avoid risks by creating a white list of groups of companies participating in ad networks. At the same time, there are moves to limit the damage to users by revising laws and guidelines.

However, the author believes that it is not easy to achieve marketing ethics through such institutional design alone. And as one practical solution, I would like to advocate the concept of "value creation through customer journey".

The "customer journey" is a visualization of the process by which a consumer is exposed to a certain product, becomes interested in that product through viewing various advertisements and online articles, and then makes a purchase. The customer journey is a graphical representation of the behavior and psychology leading up to the purchase of a product, assuming a specific consumer image (persona), such as a single part-time male in his 20s. To achieve this objective, digital advertising is noted to integrate the traditional distinction between ALT (mass advertising to increase product awareness) and BLT (non-mass advertising to stimulate purchase).

On the other hand, the customer journey method can be understood as forming a new use value for the product ex post facto through advertising, since the task is to strengthen the product image and stimulate and reinforce the desire to purchase through digital advertising. This is precisely the "competitive use value" pointed out by Ishihara (1982). Forgive me for using an old example, but Lotte once held a dance contest as a way of advertising its Fit Gum. The company succeeded in creating a product image and advertising by customers through the dance contest, not the gum itself. In this case, dance and music are new use values created by the advertising activity. This concept is competitive use value.

Malicious digital advertising, such as weapons of mass destruction, uses the temptation that the status quo will change at once if the product in question is purchased to convince customers that the consumption in question is a "cure-all" for them. Competitive use-value, on the other hand, becomes "co-creative use-value," in which value is proposed to customers and their reactions are monitored; in other words, value is created in collaboration with customers.

Also, whereas weapons of mass destruction stir up desire in a filter bubble, competitive (co-creative) use value creation has the potential to break through the filter bubble by creating new value. In other words, the mission of digital advertising in the future will be the co-creation of new values that will cause the scales to fall from our eyes, and the formation of communities that create a circle of empathy for these new values. In other words, digital advertising is required to create a value space coloured by a new sense of morality, and through this create "Alternatives to DX" that transforms the customer's life experience.

KEYWORDS: Programmatic advertising, marketing ethics, customer journey, co-creation value.

REFERENCES

Busch, O. ed. (2016). Programmatic advertising. *The Successful Transformation to Automated, Data-Driven Marketing in Real-Time.* Springer.

Hackley, C., & Hackley, A. R. (2019). Advertising at the threshold: Paratextual promotion in the era of media convergence. *Marketing Theory*, *19*(2), 195-215.

Isihara, T. (1982) The Structure of Marketing Competition, Chikura Shobo [in Japanese].

Markus, M. L., & Benjamin, R. I. (1997). The magic bullet theory in IT-enabled transformation. MIT Sloan Management Review.

Palos-Sanchez, P., Saura, J. R., & Martin-Velicia, F. (2019). A study of the effects of programmatic advertising on users' concerns about privacy overtime. Journal of Business Research, 96, 61-72.

Pariser, E. (2011) The Filter Bubble: What the Internet Is Hiding from You. Penguin Press.

O'neil, C. (2017). Weapons of math destruction: How big data increases inequality and threatens democracy. Crown.

Weinmann, M., Schneider, C., & Brocke, J. V. (2016). Digital nudging. Business & Information Systems Engineering, 58, 433-436.

IAS [Integral Ad Science] (2023) Media Quality Report.