



### Ad Classification at Right Media

**Situation: An overview of the context, should be brief, but informative (i.e. ~20% of the submission)**

Right Media Inc. had created an ad marketplace to distribute banner ads into space that website publishers would not be able to sell through other channels. However, many banner ads were placed on sites that were deemed “unsuitable” by advertisers, like those that were pornographic or advocated violence or racial intolerance.

**Complication: The problem which the decision maker faces**

On the other hand, some ads promoting inappropriate services & products would end up on news and information sites. As notoriety of these incidents increased and Right Media’s client base grew and grew, each episode of misplaced ads was more potentially more damaging and risked the loss of important accounts. The Wall Street Journal had run an article describing a series of top-brand ads placed on sexually-explicit websites.

They also had to contend with an outdated classification system (thirteen categories) and one that didn’t make much sense in the first place. A few examples included “Distracting”, “Suggestive”, “Creatives with Audio” and “Web Site Pops”. The ease with which advertisers could mislabel their ads, and the lack of oversight, inevitably lead to networks mislabeling their ads on purpose. Why would they do so? There were higher costs for ads that were tagged as suggestive and so advertisers were actually **incentivized** to not label their ads correctly because it was *cheaper* to do so.

**Resolution: Your proposed solution to the problem, the strategic actions the firm should take, and justification of that those actions.**

From the case, Right Media was looking for a solution that was scalable, low cost, flexible, and able to be quickly implemented. Reviewing their proposed solutions, I would opt for the following:

**a. Impose penalties for violations**

Ad networks had no incentive to appropriately categorize an ad, since there was no monetary penalty being imposed for any potential violations. A network had little reason to classify an ad, and many times would end up looking the other way. Imposing fines for violations would force those networks that were misbehaving to clean up their act, lest they be hit with a fine, and reinforce good behavior on the part of the ad networks who would finally see their neighbors pay for their negligence.

**b. Refine classification categories**

In addition to imposing penalties for violations, the other solution that ties directly to this is refining the classification categories. Ad networks could still claim that they were labeling an inappropriate ad correctly by bucketing it in a classification that didn’t tell the whole story; for example, they could take a “Violent” ad that happened to contain a text link and label it as a “Textlink” ad instead. More precise categories would remove the ambiguity.

Removing ambiguity and imposing penalties would force advertisers and networks to stop cheating when labeling ads, which is what I see as the overall issue. Letting users decide their own terms and rules without any oversight opened up the possibility for abuse; the Internet was and is a “wild wild west” where no one can really tell you what is and is not appropriate. Also, if you are in an environment where it is actually in your best interest to lie? You will end up lying!

If you want customers to follow a new policy, you have to make it easy for them to adhere to, as well as make it in their best interest to follow. In this case, it would certainly behoove them to act more appropriately, if every time one of their bad “ads” made it somewhere it shouldn’t, they got financially impacted. People will not change unless it hurts their bottom line.

**Potential negative ramifications of your proposed solutions, whether or not these are of consequence (and why), and how you would resolve these second order issues.**

The first potential ramifications is you could lose some of your customer base, including those that weren’t acting inappropriately in the first place. They might not want to adhere to the new structure because it would be too costly for them if they happened to make a mistake and mislabel an ad, or maybe they don’t agree with the new labels being assigned to their ads.