

# Commercial-Watching-Robots Are Ruining the Ad Industry

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Today we will be taking a deep dive into the sector – by talking to Matvey Dyadkov, CEO of BitMedia. Matvey is a Bitcoin enthusiast, and he's been running various crypto projects since 2012. He has also been doing cryptocurrency mining for a while – and he has even created hardware for “mining” cryptocurrencies. Lately he's been working as an executive officer in one of the major bitcoin exchanges.

Matvey has also been involved in work with advertising and marketing projects, and affiliate networks. He's now using his experience to create new products on the market, by applying the blockchain technology (that underpins cryptocurrencies) to advertising technology. This kind of technology is known as “adtech”. At this interface, he sees major problems – which urgently require solutions.

Despite the unstoppable growth of online advertising, the industry is currently experiencing huge quality problems – as you can't have helped but notice, when you're online. Only this weekend, I've seen lots of YouTube ads for sanitary pads. Quite why Google thinks I'll be buying these is a complete mystery to me. For advertisers, the situation is even worse. According to the IAB, 60% of advertising budgets are wasted, as the adverts are viewed not by real people, but by bots. There's a big resource cost involved in controlling this problem.

Apart from that, the digital advertising market is currently tightly controlled by incumbents. Advertiser and publishers have little choice of whom to work with, as the market is duopolized by Google and Facebook.

**AL: What is the main idea behind BitMedia?**

MD: We are working to create a decentralized marketplace for online advertising. Its core idea is not just in smart contracts, or storing data on blockchain. This will be a completely decentralized architecture. Market players will not have to trust one supply service. Instead, they are free to choose the counterparties themselves, and to choose a third company to check the traffic quality and the processing of ad impressions. Ripple is perhaps our closest current competitor.

**AL: Why do you think that decentralisation is so important?**

MD: I came up with this idea long time ago. The online advertising market is huge, but flawed. The main issue is fraud – which amounts to billions of dollars. Secondly, almost 80% of the market is controlled by majors – eg, Google and Facebook. They decide how much you are going to earn from ads, and whether you will actually be able to run them. But what if you happen to be dissatisfied with the quality of service? Then the only thing you can do is to complain in public. There's a huge power imbalance, when dealing with such large organisations. That is why decentralization is the exact thing the advertising market needs. Transparency, and a system built on trust.

**AL: Why do you consider the blockchain applicable here?**

MD: The blockchain can create a decentralised, consensus-driven marketplace. However, the blockchain itself is not a kind of a magical technology – it's just a distributed ledger, meaning that no one person controls the master record of all transactions.

**AL: What technology are you using, and why?**

MD: We're using the Ethereum blockchain technology. This is a Turing-complete environment, meaning that computations of unlimited complexity can be carried out on the blockchain. This isn't always possible with other blockchains. These resulting “smart contract” applications exist on a distributed ledger. Such contracts may cooperate between themselves, exchanging currency or tokens. That's the underlying idea of our marketplace.

**AL: Would you recommend investment in cryptocurrencies at present?**

MD: I am not an investment advisor – but personally I do make some investments. You should invest in things you understand, unless you are a professional speculator. If the core idea of bitcoin is unclear for you, and you think that it's a kind of Ponzi scheme, you'd better not rush to invest. Instead, take a more detailed look at the technology, and its applications.

**AL: Firms are currently launching many novel types of cryptocurrencies in an “Initial Coin Offering”. What do you think of those numerous ICOs?**

MD: This has become a very hot topic lately; I'd even say that it has caused a lot of hype. A lot of new cryptocurrency types are being created. I am quite sure that 90% of these million-dollar projects will end in failure, before they even begin. Founders are gathering their rounds, speculators will profiteer from short-term hype, and long-term investors won't gain anything. Here, the rule I discussed before applies: “One should understand where he invests”. Some investors are impressed by the ICO presentation, but have no in-depth understanding of the business. They should explore the core idea of the project, and hold off investment until they understand how the project actually works. Unfortunately, most ICOs have no practical implication at all.

**AL: Do you expect a negative impact on the entire industry?**

MD: A lot of investors will lose their money, when the giant ICO pyramid starts falling apart. I think this will happen this year when, it will be time for these startups to issue their Minimum Viable Products (or MVPs). Now the bubble is growing – but it is unlikely destabilise the industry. This is neither the first nor the last case when feverish investors are set to lose their money. The industry will survive, and it will keep developing. There may be a regulatory backlash – but the regulators are way behind the curve, at present.

**AL: So where to invest, now?**

MD: Stick to concepts you understand. When giving your money to someone, know who exactly you are giving it to. Also consider whether you would use the service they're building, and whether the technology has any real purpose. If you cannot answer these questions, think twice. Of course, everyone loves discussing rags-to-riches success stories. There are always people who bought a commodity when it was worth less than 10 dollars, and now it's over 2500. However there are many more investors who have lost everything after an unlucky investment – but no likes to talk about that.

Finally, don't bite off more than you can chew. Invest only what you are not afraid to lose.

**AL: Bitcoin has been very volatile recently. What's behind that?**

MD: It's just supply-demand ratio. I can't say anything new here. A lot of people buy, price goes up, if people sell, the price plummets. Now bitcoin has serious rivals, like Ethereum, which is attracting a lot of funds for new ICO's built using the Ethereum blockchain. Ethereum, as a currency, has become significantly more expensive in relation to bitcoin lately.

**AL: What's the future of blockchain?**

MD: There are numerous examples use-cases. But still, it would be wrong to think that the technology itself is a silver bullet, or that the chain network is just a safe ledger. Still, the way that storage is best used is a very important question. Not all issues can be solved with blockchain. Moreover, most of them do not actually need the technology.

**AL: At present, blockchain is mainly known for its role enabling bitcoin, and other cryptocurrencies. What are its other uses?**

MD: Fintech has become an important sector, within the last few years. Blockchain is very useful here, as it enables transfers without an intermediary. This can facilitate any kind of transaction. Bitcoin, for example, is just a list of transactions. Banks also have been showing a lot of interest in the technology lately. They are cooperating to create private ledgers – making transactions faster, cheaper, more transparent and more secure.

**AL: You don't consider blockchain technologies to be a “silver bullet”. So why is it generating so much interest? Is that all just hype?**

MD: As regards a “silver bullet”, nothing like that exists. Each problem typically requires a unique solution. However, the blockchain enables new classes of solution, which weren't possible before.

**AL: Will blockchain continue to be useful, in future?**

MD: Absolutely. It's difficult to overestimate the influence of the technology. Fundamentally, it's a new concept in the establishment of decentralized systems. The main issue here is how to apply it in the right way. Evolution will put everything in its place, given time. Blockchain will eventually be applied in the fields where it is most needed. Now there are many projects

working under the principle “let’s take a successful model and add blockchain to it” Authors and investors of these projects do not go deep to the project fundamentals. I often get the impression that it’s just about adding buzzwords for the sake of it. IoT for virtual reality with deep learning on blockchain? Ridiculous!

**AL: You seem to think that blockchain has great promise for society. Why’s that?**

MD: Any revolutionary technology will have to pass the very first stages of its development. Some applications will fly, others will fail. Time will show us which projects will fall into which category. Blockchain development is similar to the early development of the internet. For instance the dotcom crash didn’t stop the development of other internet projects, in time. On the contrary, the crisis always shows who’s strong and who’s weak. In blockchain, as in any other new technology there will be ups and downs.

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Please let us know your views – [andrew@southbankresearch.com](mailto:andrew@southbankresearch.com)

Best,

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*Exponential Investor*