Ad Blocker Software: The End of Digital Advertising or the Beginning of a New Era?
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Background

Ad blocker software is typically a plugin that works within a browser to block advertisements on webpages. That can include a variety of different ads such as display ads on a site page, paid search ads, or video advertisements prior to other videos. Adblock and Adblock Plus from Eyeo are two of the most popular ad blocking software options, with approximately 144 million users (nearly 5% of all global Internet users). According to Adblock’s monitoring service PageFair, 41% of internet users ages 18-29 have tried it, and the majority of usage is happening on Chrome and Firefox browsers.
Without Adblock

With Adblock
The success of Adblock is due primarily to the fact that the experience of browsing on the internet with this software activated is impressively better than it is without it, and this is because webpages are able to load at a much higher speed.

By blocking ads, Adblock effectively removes much of the process that happens when a page loads and an advertisement makes its way from marketer to consumer on a webpage. Instead of users having to wait for not only the content in which they are interested to load, but also for the bidding on and loading of an advertising space, users are only really waiting for their content. This adds up to getting back up to about 25% of all internet bandwidth, according to a recent study conducted at the Simon Fraser Institute in British Columbia.¹ For users, this means not only faster load times but also fewer crashes and the ability to open multiple browser tabs without facing spinning wheels or hourglasses while each page loads.

Big tech companies like Google, Amazon, and Microsoft are able to afford these costs, but many publishers consider this exchange a sort of “shakedown” or “extortion” on the part of Eyeo. “Small” websites are not charged, however Adblock does not provide a definition for which websites fall in the “small” category and which do not.

¹ It’s important to note that this study was funded by Adblock Plus.
With 25% of mobile web browsing going through its Safari browser, Apple is also getting in on the ad blocking game. With the release of iOS 9, users will be able to choose if they want to block all ads seen through their phone’s Safari web browser.

This is viewed as Apple pushing publishers toward a greater app focus, as it will make it harder for them to pay for their sites without this advertising and thus, make those apps and the advertising space available there more attractive. When one considers the fact that Apple makes more money from the App Store than from the mobile web, this makes sense.

While many publishers and advertisers are concerned with this ad policing, other experts in the space believe that it is really the start of a better internet where users aren’t forced to view the sporadic and often irrelevant forms of advertising that consumers are used to seeing today. Pop-up or autoplay ads that consumers already ignore will be blocked. Advertisers will be pushed to create an alternative solution that will engage consumers rather than badger them. Alison Ebbecke, an assistant professor of advertising at Temple University, summarizes this well: “advertising will continue to exist in a smaller form, even if the packaging or delivery looks slightly unfamiliar.”
Implications

The immediate implications around ad-blocker software lean toward the challenging side for advertisers and publishers, since blocking advertisements is having a significant effect on both of their businesses.

However, there are a few strategic opportunities that result from this increased usage of ad blocking software that will not only help advertisers and publishers continue to move their business forward, but will also provide consumers with better online experiences for users, brands, and advertising overall.
Challenges

One of the biggest challenges resulting from the growth of Adblock is that digital media companies who rely on advertising for their revenues see those revenues suffer, and this decline is not negligible.

Google saw a loss of about 10% of its revenues, amounting to approximately $6 billion. When Apple announced its new ad-blocking add-on option for Safari, it immediately caused a drop of 7% in the value of stock in the web-ad-buying company Criteo.

Currently, the only way to prevent this loss of advertising revenue is to apply to be one of Adblock’s whitelisted pages, but as stated earlier, many feel that this is extortion. Additionally, while larger brands like Google and Microsoft can better afford to pay that fee, midsized publishers who are still affected by this fee but do not drive the same kind of revenue may struggle. To add insult to injury, only 20% of sites who believe they fit the Acceptable Ads criteria and have applied to be on Adblock’s whitelist have actually been accepted. As Adblock states, the criteria are not necessarily final and acceptable ads are not automatically recognized.
So, with the number of Adblock users continuing to grow, it is easy to see that the current ad-tech system and experience needs to be enhanced.

Some service providers and news broadcasters (e.g. Hulu & ITV) have tried work-arounds like not showing certain pages to people who are using Adblock. While that may work for a few, such approaches could backfire and users may simply go to another source to find their content. Without more significant changes in the ad-viewing experience, the perceived need for Adblock persists.

Hulu’s Response to Ad Blocking Software

Sorry, we're unable to load a message from our sponsors.

Advertisements allow us to provide quality content to you for free. If you are using ad-blocking software, click here to enable ads on Hulu.

Click Here to Enable Ads
Opportunities

In Professor Ebbecke’s mind, “With advertising revenue streams reduced or eliminated completely, content owners would be faced with either raising increasingly stricter paywalls or reinventing what display or video advertising entails.” Since users can go elsewhere when those paywalls are erected and more strictly enforced, the greater opportunity lies in reinvention.

Budding Desktop Approaches

The growth of ad blocker usage has resulted in other methods of monetization picking up steam. YouTube has been experimenting with Pay-Per-View content by allowing video creators to offer loyal fans exclusive content for a small price. OkCupid is getting around Adblock by offering to block the ads themselves for a small fee. While both of these work to counter the revenue loss experienced as a result of Adblock, they may miss the point in the long-run.

2 Alison Ebbecke, assistant professor of advertising at Temple University.
The effects of Adblock have created an opportunity for better, more relevant content experiences within advertising. The most obvious of these opportunities is the use of native advertising.

Sponsorships, partnerships, and brand-owned content allow advertising content to be woven into the type of content that users are looking for and cut out those issues that Adblock is working against. Slow load times and bothersome, irrelevant advertisements are eliminated and replaced by a blended user experience. Plus, native advertising content actually shows up and isn’t cut out by Adblock. Users aren’t annoyed and advertisers and publishers are able to push what they want consumers to see.

Publishers like Buzzfeed, Forbes, and The New York Times are already taking advantage of strategic partnerships with brands such as Dell, Virgin Mobile, and Caesar’s Palace as a way to integrate advertising directly into their content. This content acts as a sponsored post, but provides consumers with the types of content they already want to see, making it more relevant and connecting with their personal tastes.
Opportunities on Mobile

Mobile has its own set of opportunities that need to be addressed in the wake of Apple’s imminent iOS upgrade. Apple’s move to block ads within Safari was a clear statement to publishers that they need to start moving from the mobile web to apps as their primary method of serving content and ads, and to promote a unique, rich experience there, thus benefiting the Apple-device ecosystem.

However, while more apps appear to be Apple’s desired outcome, it is important to note that this update will only affect the Safari browser on the iPhone. Users will have to manually opt-out of receiving ads on their devices and will likely have the option to opt out of certain types of mobile ads. Similar to the backlash that has happened around ad blockers on desktop browsers, there may be some initial backlash for mobile with some sites deciding not to optimize for Apple’s Safari.
So this update should not cause huge concern just yet. Apple is very consumer experience-oriented and they will not want to make too many enemies that can detract from that user experience. Additionally, those native advertising opportunities that can combat Adblock on desktop can also be employed on mobile sites and effectively work around this problem as well.

With all of that said, we must come back to the original stimulus for this change: a push to apps. While Apple may be motivated by self-interest, publishers and advertisers should take note that apps are growing in importance in the mobile commerce space as a whole.

There is no doubt the mobile web is the default platform for casual visitors, and it has been prioritized in the past due to the fact that it’s easier for discovery and search, cheaper to design, more universal, and is the landing page for emails. Yet the importance of apps is growing and will continue to grow for a variety of reasons all of which also present opportunities.
First of all, load time is inherently faster for apps because they are optimized per OS and device. Conversely, page load times can suffer with the move to responsive design which is a major mobile priority for many brands. This is incredibly important since load time is a leading source of frustration for mobile shoppers in general and a key point in the advocacy for ad blockers.

Secondly, people spend 81% of their time on their smartphone within apps, and 76% of their time on tablet within apps. This is especially true of retailer apps vs websites. This increased time means more opportunities for brands and publishers to present users with both the content users want to see as well as the advertisements they want users to see.

Thirdly, apps are growing in importance because of their ability to generate notifications. Better notification layers have transformed apps from static destinations to full fledged publishing platforms. Content can be shown in these notification layers instead of within the app, causing brands to think about the ecosystem more holistically. Eventually apps will feed information to other apps via deep links and APIs, and then will send messages up to a notification layer like the lock screen, homepage, or notification center. This is already being utilized through iBeacon which can push to phones and also wearables. These notifications present an opening for publishers and brands to reach consumers.

Finally, third-party platforms, particularly those that work more as publishers, are going to be the primary source of the eventual increase in in-app commerce. App publisher networks—such as those that work with beacons, mobile wallets that can acquire coupons and generate notifications, and social media apps that allow in-app buying—will be important to keep an eye on and potentially start working with.
Recommendations

To address ad blocker software give greater consideration to native advertising. This is because native advertising can extend across both desktop and mobile to deal with and work around ad blocker technology, as well as enhance the user experience.

Secondly, explore how apps might support your overall business goals. While apps are becoming increasingly important for consumers and mcommerce, the issue of app fatigue still does exist. Brands will want to evaluate their consumer’s objectives with the brand and ensure that they are aligned with the overall app strategy. If an app doesn’t seem to be a good fit for a brand, or more importantly its consumers, and if that brand more commonly acts as an advertiser than a publisher, then the best next step may not be to create an app, but to look further into how they can work with other third-party apps, such as social sites, to optimize their own advertising experience for consumers.

If a brand is primarily a publisher, they will need to think both about how their consumers want to interact with their content to combat the effects of Adblock, and also about how they will want to interact with the advertising content being published on their app. Loyal customer bases will be the first consumer group to look at for these insights as they are most likely to be your first new app users. If a brand already has an app, then they should think increasingly about their notifications strategy and using that as an advertising asset as well.
Next Steps

Adblock is an interesting addition to the online advertising space, and while the challenges it presents are not inconsequential, it also offers publishers and advertisers with an opportunity to create a better digital advertising experience overall for consumers. The question that remains is, will brands make the move away from the ads we know today sooner rather than later?
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