

October 1, 2015

QUICK NEWS

[Man Watches Burglars Rob His Apartment From His Phone](#)

[Facebook Debuts Ad-Buying Product to Get Into More TV-Minded Budgets](#)

[Nielsen Strikes a Digital Ratings Deal with CBS to Better Measure Viewership](#)

[4 Ways Spotify and Pandora Target Millennials Differently](#)

WHAT'S TRENDING NOW?

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[Tweetbot 4](#)

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[#WorldVegetarianDay](#)

[#Halloween](#)

UPCOMING EVENTS:

- [ITEXPO West](#)
Anaheim, CA
October 6 – 8, 2015
- [QCon](#)
San Francisco, CA
November 16 – 20, 2015

WAR ON DIGITAL ADVERTISING

Ad-blocks are created to prevent ads from showing up on desktops and mobile devices, which reduces screen clutter and increases loading speed. The most popular ad-blocking program is Adblock Plus, which is an open-source content-filtering and ad blocking extension of Mozilla Firefox, Google Chrome, Internet Explorer, Opera, Safari, and Yandex Browser. The founder of Adblock Plus, Till Faida, believes that “ad-blocking technology puts power back into users’ hands and the advertising world needs to respond by working out how to get its messages across without being annoying and intrusive.”

Ad-blocking has been on the rise with 45MM U.S. internet users using ad-blocking software, that’s 16% of all U.S. Internet users, and the vast majority using plug-ins for either Google Chrome or Mozilla Firefox. Ad-blocking software are most popular with younger users – 41% of all U.S. Internet users using ad-block are between A18-29.

Figure 18: Sizing iOS 9 Content Blocker Impact (2016E)

	\$USD (b)	% of Total
Total Global Digital Advertising	\$ 190.4	100%
Desktop Advertising	\$ 116.1	61%
Mobile Advertising	\$ 74.2	39%
In-App & Other Mobile Advertising	\$ 52.6	28%
Mobile Web Advertising	\$ 21.6	11%
Ad Spend in Non-Safari Browsers	\$ 16.8	9%
Ad Spend in Safari Browser	\$ 4.8	3%
Assumed Safari ad block penetration:	20%	
Blocked Safari Ad Revenue	\$ 1.0	0.5%

Source: Opera MediaWorks, StatCounter (www.statcounter.com), UBS estimates

Ad-blockers have been a largely desktop-only phenomenon until Apple revealed that the new iOS9 will be able to support ad-blockers, meaning mobile ad-blockers are expected to soon be commonplace. Although mobile ad-blocking is a trending topic, it is yet to be a factor in ad blocking growth. According to an article written in Fortune, iOS9 ad-blocking impacts the web supply and Safari browser only, meaning in-app ad experiences would most likely remain untouched. 85% of mobiles users spend most of their time inside apps, which generates the bulk of advertising revenue. Also, ad-blocking is only suitable for iOS9 and onward, therefore, it won't be effective on users with older devices.

According to PageFair, ad-blocking software accounted for \$22B in lost advertising revenue this year, a 41% increase compared to the previous 12 months. Native, video, sound, and social advertising are affected by ad

blockers and websites most affected by the software include: gaming, social, and tech networks. Although most types of ads are blocked, they still may be able to bypass the system depending

on a number of factors including native placement, ad type, coding, etc. Publishers argue that blocking display ads hurts their business and most believe it's unethical because it allows users to view content without paying the implied price of an ad impression. Most websites are paid by advertising revenue with views and impressions as the main revenue source, so imagine running a restaurant where 41% of your customers eat but do not pay for their meals. That's what ad-blocking does to publishers—by taking away advertisements, viewers are not able to view them, thus taking away income. After 36 hours of the iOS9 launch, Peace, the number one most paid for ad blocking software, was pulled by its creator from the market when he realized the toll it would take on publishers. Marco Arment says that “it doesn't feel good” to find success in something that is damaging for others. He does not plan to relaunch his app as of date.

In a statement made by the SVP of Interactive Advertising Bureau (IAB), IAB is designing a Web Code that will help publishers detect ad-blocking visitors. They've also created an information hub to provide publishers and marketers with tools to fight against ad blockers and are considering taking legal actions against ad blockers. Jim Spanfeller, founder of Spanfeller Media Group, considered denying access to content sites until users turn off their ad blockers. He believes that though that may anger readers, those are the readers that he's not making money from so they don't provide much value for him anyway. Some major publishers have already taken this consideration into action. For example, CBS and Hulu would hide video content from their users if they have an active ad-blocker installed. One way to get around some ad-blockers is to work with ad-blockers to allow ads to serve through the filters. If websites agree not to run intrusive ads, they can apply to be placed on the Adblock Plus' “Acceptable Ads” list, where they can bypass the software for a fee. The criteria of being on this list includes: no animation—it has to be static, preferably text-only, labeled as ads, and clearly separated from the content. PC Mag reported that an anonymous digital media company was asked to pay 30% of the additional ad revenue they would make from being unblocked. With Google being their largest customer, it is rumored that they are pay \$25MM to be on the whitelist. Some publishers are asking viewers to subscribe (pay) for ad-free content like Spotify, and YouTube is rumored to start a subscription service as well.

Spanfeller also believes that the rise of programmatic ad tech and third-party data may be contributing to the increase of ad-blocking. When every ad is supposed to be targeted algorithmically, drawing on different types of user data may result in 60-70 cookies on every page. Much of the data, he argued, doesn't make the ads more effective. According to Leanne Brinkies,

the Head of Native Advertising at King Content, ensuring all advertising fit in native formats may be the solution for ensuring a good user experience—removing the need for ad blockers. Consumers can read engaging native content at the same time publishers can monetize these formats with meaningful quality content that fits in naturally with their site.

The consensus is that ad-blockers are here to stay. In order to stem the tides, publishers and advertisers are challenged with providing users with advertisements that are relevant and non-intrusive.

*By Anna Ma
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QUESTIONS, COMMENTS & THE FUTURE?

- How can publishers produce relevant and engaging advertising without compromising the user's experience consuming the content and with limitations like static/text only?
- What updates or new features could be expected in the future so that ad-blocking can be effective with in-app ads? Will mobile ad-blocking see high adoption rate?
- If more users choose to pay for their content, how will publishers change their advertising to reach those users?
- Will the rise of ad-blocking shift advertisers to focus more heavily on guaranteed ad buying, similar to the viewable CPM model?
- Will Retargeting/targeting only hand-raisers, Paid Search, Organic Social/Influencer Marketing, and Native Advertising see an increase budget allocation and will inventory for these formats become an issue?
- Will new forms of ads be developed to overcome adblocking technology and how quickly can sites adopt them?

SOURCES

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[AdBlock Plus: Extortion or Smart Business?](#)

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[Consumers Spend 85% of Time on Smartphones in Apps, but Only 5 Apps See Heavy Use](#)

[Cost of Ad-Blocking](#)

[iOS 9 Adblocker Apps Shoot to Top of Charts on Day One](#)

[Is Ad Blocking the Next Y2K?](#)

[Nearly Two in Three Millennials Block Ads](#)

[The Creator of the iPhone's Top-Selling Ad Blocker Just Pulled His App off the Market](#)

[The IAB Calls Ad Blocking 'Highway Robbery' and Ramps Up its Call to Arms](#)

[The Washington Post & Google Wage War on Adblockers](#)

[What We Talk About When We Talk About Ad Blocking](#)

[Yes, There is a War on Advertising. Now What?](#)