AD BLOCKING AND THE FUTURE OF ONLINE ADVERTISING INDUSTRY

— Avinash Palghadmal, Tanaya Acharekar

ABSTRACT:

Invention of Internet opened new doors for the advertising industry. Advertisers used this channel for reaching large audience through publishers, who earned money for the same. To earn more money, publishers started increasing the number of ads on the websites, leading to user frustration. This led to the introduction of the concept of ad blocking, which blocked/filtered the advertisements and improved user's browsing experience. The users of such software increased alarmingly over the last few years, putting the online advertising in its most feared dark future.

The study aims at analysing the reasons for increased usage of ad blocking software, its likely impact on the online advertising industry and suggesting some remedies for the same. The analysis is done by studying reports and findings published by Page Fair, Adobe, and by different browsers supporting ad blocking extensions.

Key Words: Online advertising, Ad blocking, Ad filtering.

INTRODUCTION:

The online advertising today, is a multi-billion dollar industry. It has been over twenty years, since the first online advertisement
was sold to Global Network Navigator, which was basically an online information portal consisting of product catalogues and a news centre.

Since then, the industry has grown by leaps and bounds and has become the fastest growing advertising medium, with advertisers publishing their ads through online newspapers, job portals, feed sites, matchmaking sites, social networking and many more. The industry has an interesting mix of colourful ads, money minting publishers, irritated users and growing ad blocking software makers. This industry thrives on users viewing these ads. The ad blocking concept is picking up, and is set to change the dynamics of the online advertising industry. Over the last few years, the number of users using ad blocking extensions has gone up, which is having an adverse effect on the online advertising industry. Advertisers and publishers, both are concerned about the alarming growth in the usage of ad blocking software. IAB and other organisations are employing different methods to tackle the issue, but none have found a concrete solution.

The paper aims at finding out the reasons for the increasing use of ad blocking software, predict its likely impact on the online advertising industry and suggest solutions for the same.

ONLINE ADVERTISING:

"Also called online marketing or internet advertising, it is a form of marketing and advertising which uses the internet to deliver promotional marketing messages to consumers. It includes email marketing, search engine marketing (SEM), social media marketing, many types of display advertising (including web banner advertising), and mobile advertising."


AD BLOCKING:

An ad blocking software is a program that will remove different kinds of advertising from a web user’s experience online. These programs target certain kinds of ads, such as pop-ups, banner ads and other common forms of online advertisement, allowing a user to surf the web without annoying distractions or interruptions.
LITERATURE REVIEW:

1. PageFair and Adobe (2015) ascertained that about 16% of mobile Firefox users block ads. Use of ad blocking in Europe grew by 35% during the past year, up to 77 million monthly active users during Q2 2015.

2. PageFair and Adobe (2015) estimate $21.8bn in advertising revenues will be lost in 2015 due to ad blocking. In the United States, ad blocking cost an estimated $5.8bn in lost revenue in 2014 and is projected to reach $10.7bn in 2015 and $20.3bn in 2016. The global cost of ad blocking is expected to reach $41.4bn by 2016.

3. “Ad blocking has grown virally along a classic S-curve to 50m+ ad blocking users at the end of 2012, and onward to 198m at the end of Q2 2015,” Dr Johnny Ryan (2015).

4. “The ad-blocking problem is real and growing, and ad blocking on iOS is only going to accelerate it,” Jason Kint (2015)

5. David Morris (2015) argues that slow loading speeds and the continued rise of ad blocking tools are among the main issues facing digital marketers in 2015.

6. Nearly all (98%) internet users in the UK would not be willing to pay the estimated £140 that it would cost each of them if the internet was not supported by digital advertising. (Warc, 2015)

7. “Tens of millions of mobile subscribers around the world will be opting in to ad blocking by the end of the year,” said RoiCarthy (2015)

8. Only half (52%) want to block all ads, according to more than 2,000 UK adults questioned by YouGov for the Internet Advertising Bureau UK, while 12% just want to block certain content and 11% seek to avoid ads from certain websites. Ads are most likely to be blocked if they interfere with a user’s experience and nearly three-quarters (73%) say
they’re motivated to block ads if they are interruptive. (IAB and Warc 2015)

OBJECTIVES OF THE STUDY:

1. To diagnose the reasons for the increasing usage of ad blocking software globally.
2. To study the possible effects of various ad blocking software on the future of online advertising industry.
3. To provide possible solutions to cope with the issue.

RESEARCH METHODOLOGY:

The study is based on secondary data. Various blogs, user reviews, online journals have been studied to ascertain the reasons for increasing usage of ad blocking software and extensions. Extensive review of reports and statistics by IAB, PageFair and Adobe is done to predict the impact of ad blocking software and extensions on online advertising industry.

FINDINGS AND DISCUSSIONS:

Reasons for increasing usage of ad blocking software and extensions:

1. To speed up browser experience: On an average, a given webpage contains advertisements ranging from a minimum of 4 ads to a maximum of 20+ ads. This includes audio and video ads which consume internet bandwidth and CPU resources, which reduces the performance of the website. By blocking ads, user saves on the internet bandwidth and CPU resources which makes the browsing experience faster and pleasant.

2. For privacy and data protection: Publishers use different tracking mechanisms to track the user’s search habits, sites visited by the user and other interest groups. This is used to show more relevant ads to the user, but by doing so the publisher is invading the privacy of the user and also stealing data from the user’s browser. Blocking ads keeps the user’s privacy intact and also avoids the threat for data theft.

3. To remove intrusive advertising: Users would like to conduct their online business without any disruption or annoyance. However due to the different formats of ads used by publishers such as pop-up ads, pop-under ads, expanding ads, audio and

ISBN : 978-93-82159-82-7
video ads that play in the background, users get distracted. To avoid such distractions users are motivated to use software that block ads on their browsers giving them an interrupted web experience.

4. To save internet data usage: In a country like India, where using internet is a costly affair, and internet plans have limited data usage, downloading advertisements, means loss of valuable data. As publishers are implementing ad formats like video, audio or interactive ads which consume a lot of data, to be shown on the user's machine, one would not want to pay for something, that's irrelevant or not useful.

5. To block malware: Another reason to use extensions that block ads is to block malwares that can infect your computer while you are browsing the internet. A little carelessness and the computer can be full of malwares. Ad blocking software provides a mechanism by which you can create a blacklisting of websites that are malicious or that contain malware.

THE FUTURE OF ONLINE ADVERTISING INDUSTRY:
1. Cost of ad blocking:

![Graph showing cost of ad blocking over years]


The graph shows the rapid growth in the users of ad blockers globally. By the end of 2015, the cost is estimated to be 14% of the
global ads spend. The global cost of ad blocking is expected to reach $41.4bn by 2016.

2. **What is free today... may not be tomorrow:**

Ad blocking will not only impact the revenue of publishers, but will also change how internet works today. Many publishers provide free service to the users because they earn money from advertisements. Once users block advertisements, publishers will implement different strategies to make up for the losses incurred. If publishers implement subscription model, users will no more have free access to the online content and will have to pay for using the services.

3. **Lose user track:**

Ad blocking software not only block ads, but they also block data tracking. It helps publishers find out more about their readers which in turn helps them to display relevant content on the website. This helps to build and retain their audience. Due to ad blockers, publishers won’t be able to track their users, therefore will not be able to sell premium ads, especially the ads of interest to the visitor.

**RECOMMENDATIONS:**

With the users of ad blocking software growing exponentially and significant losses incurred by the online advertising industry, it is time for publishers to take serious cognizance of the fact and implement strategies that would stop the further decline in the number of ad viewers.

Given below are some recommendations for the publishers. A combination of two or more also could be used. The list is only suggestive and not tested and may not prove successful in all situations.

1. **Request to disable ad blocking software:** Various methods techniques can be used to find out if an ad blocking software or extension has been installed on the computer. Such users can be urged to disable ad blocking extensions or software by stating the reasons for the same. Regular reminders might help motivate the user to disable the software or extension.

2. **Implement of a subscription model**: Publishers can implement a subscription model, where they charge a very minimal fee to the user. This can be a one-time subscription or a monthly subscription. Once the user has subscribed with the website, no advertisements should be shown on the user’s browser. It would be a win-win situation where uninterrupted browsing experience can be offered without compromising on the revenue.

3. **Block the blocker**: A very harsh and less recommended method is to block the blocker. If an ad blocking software is detected on the user’s browser, a denial of service should be made, and no content should be shown to the user unless the user disables the ad blocking software. This might further irritate the user, and the rate of return in this case could be very less.

4. **Negotiate with the user**: The publisher with the help of a brief survey can find out the different types of ad formats the user prefers and doesn’t prefer. The information can be used to decide on what to show and what not to show to that user.

5. **Limit the number of ads**: Publishers are bombarding the users with a large number of ads per page. By reducing the number of total ads per page and increasing the size of the desired content, the use of ad blocking can be minimised.

6. **Show relevant ads to the user**: With many tracking techniques available, publisher can track the user for different parameters, like age group, gender, search patterns, recent searches, site visited, etc. to show the most relevant ads to the user. If the user is shown an ad that interests him/her, there can be an increased click through rate and less user frustration for having irrelevant ads on the page.

7. **Earn ad blocker’s goodwill**: Lose some cash to earn some cash. Publishers can make a contract with the Ad blocking software development companies, for not filtering their ads. Publishers can pay a one-time amount or monthly recurring fees to such software owners to exclude their ads from getting filtered by the software or extension. Many online giants like Google, Facebook are implementing this strategy; however, this is not pocket friendly for small publishers.
CONCLUSION:

The findings of the study can be summarised as follows:

1. The major reasons for increasing use of ad blocking software and extensions is user frustration resulting out of intrusive ads and invasion of privacy.

2. The users of ad blocking softwares are estimated to reach twice the number in a year.

3. The absence of online advertisements would directly hit the revenue model of the online advertising industry making it difficult for websites to offer free services.

4. Online advertisements are cost effective; a decline in the online advertising industry might result in an increase in the company’s marketing budgets.

5. The focus of online advertising industry needs to change their objective just from making revenue through ads to enriching user’s experience online. The publishers need to shift from the traditional ‘selling concept’ to ‘marketing concept’.

REFERENCES:


