



The State of Ad Blocking – March 8th, 2016

Creating Powerful Digital Leadership in Canada



What is Ad Blocking

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- Software – usually a browser extension or an app which can be downloaded by consumers in order to remove ads
- Used by consumers for a variety of reasons:
 - mainly because they feel their online experience is interrupted by ads that blink, flash, potentially slow page load times or add to the cost of a mobile data plan.
- Ad blockers use what are effectively pre-determined blacklists to identify which types of ads are blocked and which publishers are affected.
- The layout of a web page looks largely unaltered once the advertising is removed, it does not leave gaps where the advertising should have been displayed.

Implications of Ad Blocking

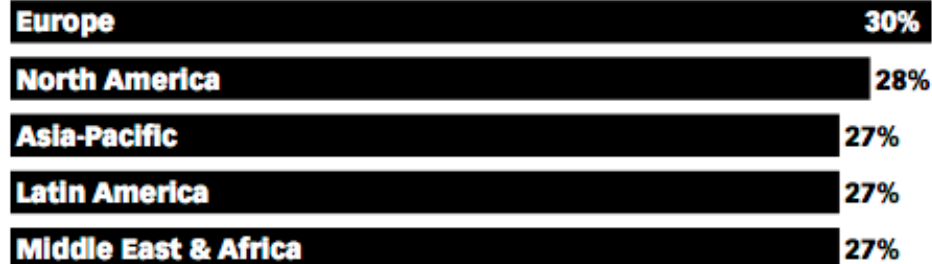
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- Positioned as “looking out for the consumer”, current ad blocking models are for profit entities exploiting consumer disaffection and are in some ways distorting the economics of democratic capitalism.
- A recent UK study showed that more than half (56%) of those surveyed were not aware that blocking ads meant that websites would lose revenue.
 - There is an expectation of free content and no ads (IAB UK research)
 - Ad blockers are feeding into this unsustainable narrative.
- Economic impact is significant.
 - Canada reported \$3.8 Billion in revenue
 - In US – cost of ad blocking was expected to reach \$10.7 billion in 2015 and \$20.3 billion in 2016.
 - 15-17% of annual revenue by next year.
- Long tail publishers are losing up to 40% of their revenue already
- History repeating itself

Ad Blocking – Worldwide Rates by Region

Internet Users Worldwide Who Use Ad-Blocking Software, by Region, Q2 2015

% of respondents



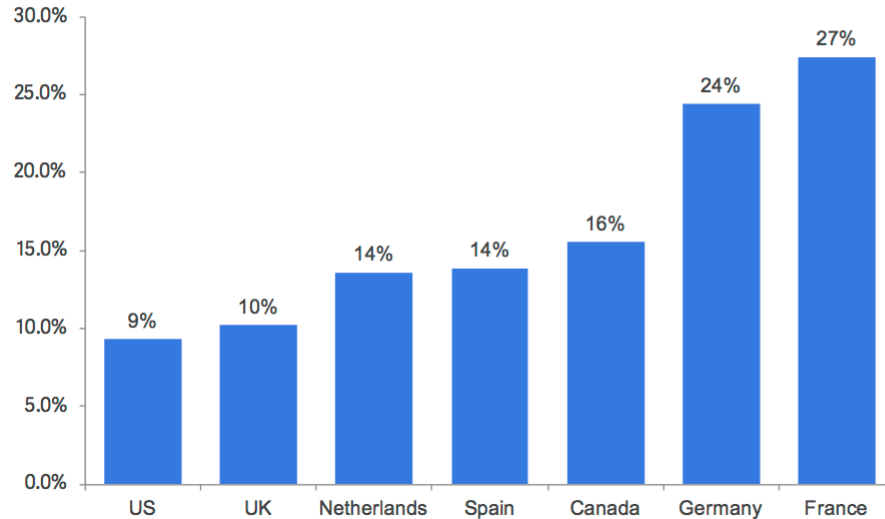
Note: ages 16-64; in the past month via their main computer

Source: GlobalWebIndex as cited in company blog, Sep 29, 2015

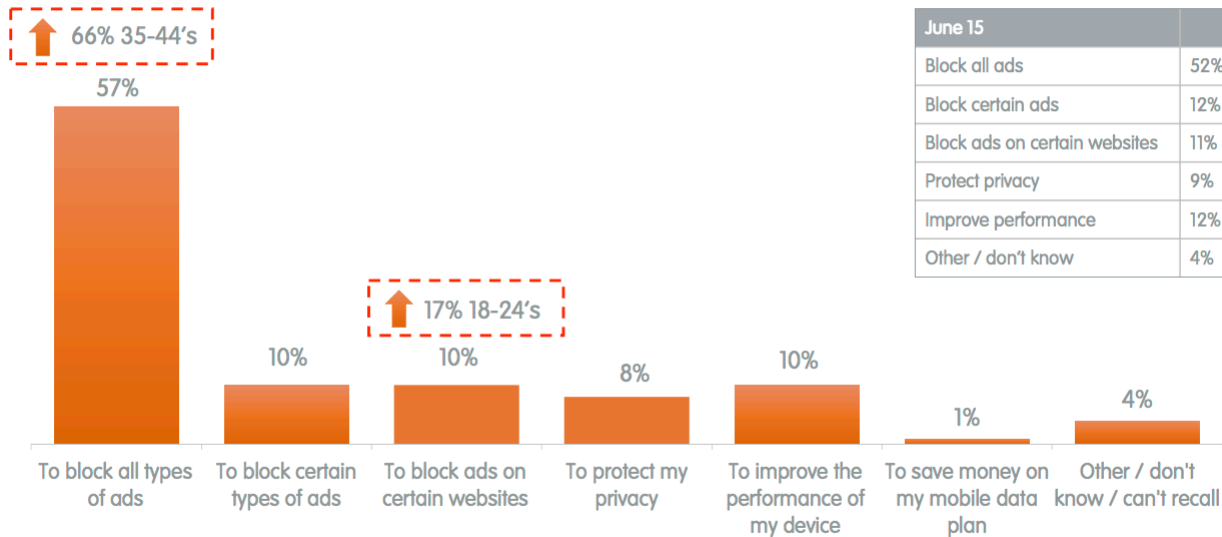
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Ad Blocking – Rates by Country (Unique Visitors)



Ad Blocking – The main reason for ad blocking is to block all ads



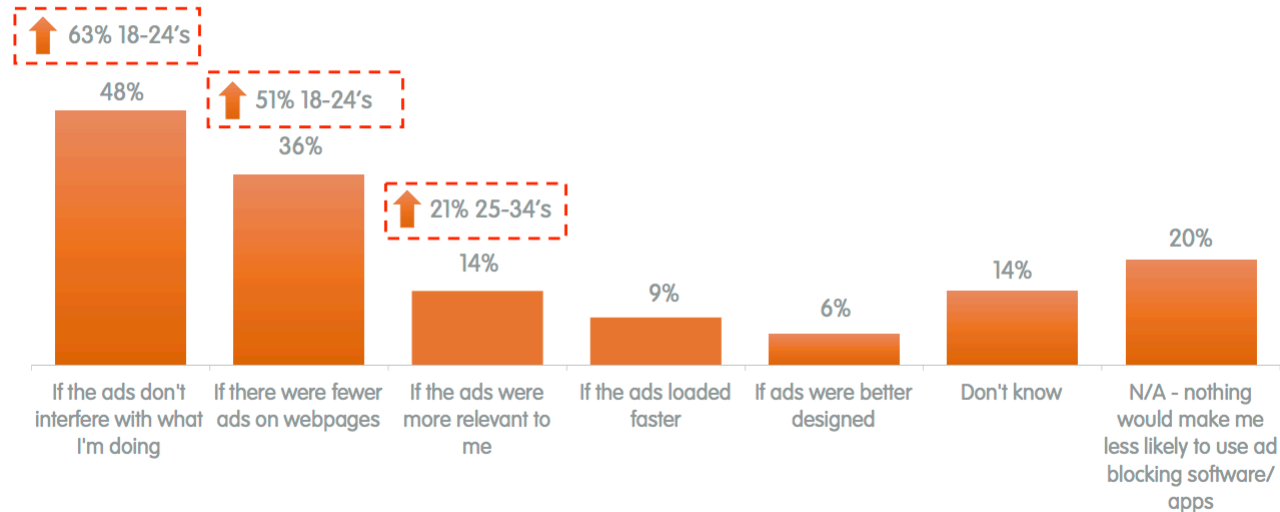
June 15	
Block all ads	52%
Block certain ads	12%
Block ads on certain websites	11%
Protect privacy	9%
Improve performance	12%
Other / don't know	4%

TIA_q4_Repeat. Thinking about the LAST time you downloaded software on your personal device(s) that allowed you to block adverts on the internet...

Which ONE, if any, of the following was the MAIN reason for doing this?

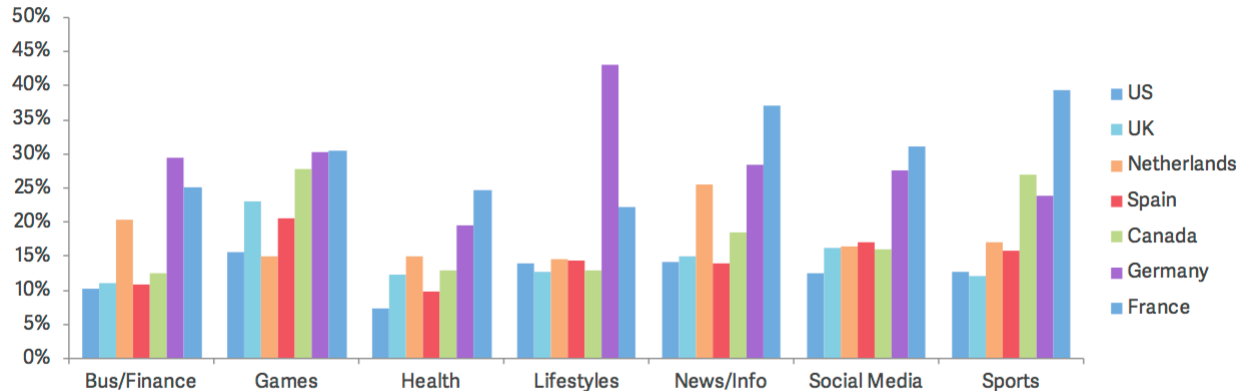
Base: All GB Adults online who have ever downloaded software on any of their devices that allows them to block adverts on the internet (492)

Ad Blocking – 1 in 2 would be less likely to block ads if they didn't interfere with what they were doing



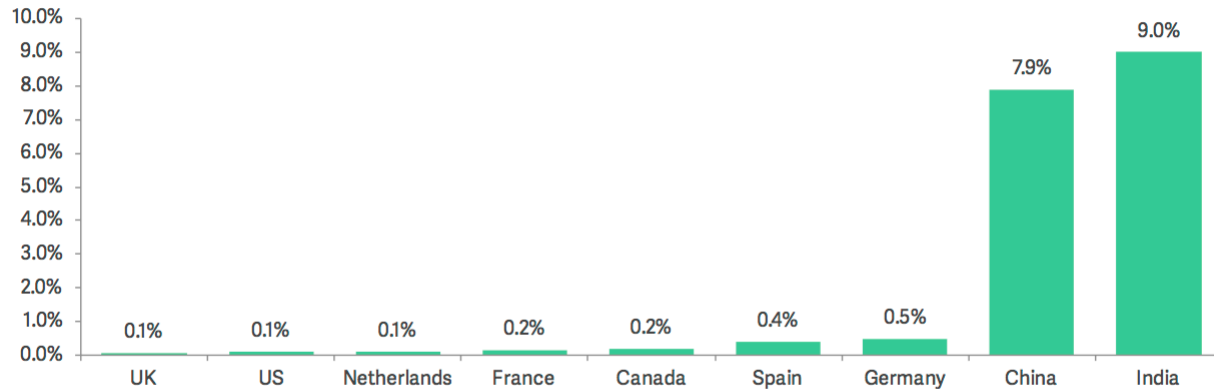
TIA_q5_New: For the following question, even if you do not currently use ad blocking software/ apps we would still be interested in your opinion...
Which, if any, of the following do you think would make you less likely to use ad blocking software/apps (please select all that apply)
Base: All GB Adults online (2052)

Ad Blocking – Incidence by Content Category



- In Canada, Sports and Online Games lead the way in ad blocking categories – reflective of demographic.
- In Germany, Lifestyles is the highest category measured.

Ad Blocking – Mobile Ad Blocking Lags in Adoption

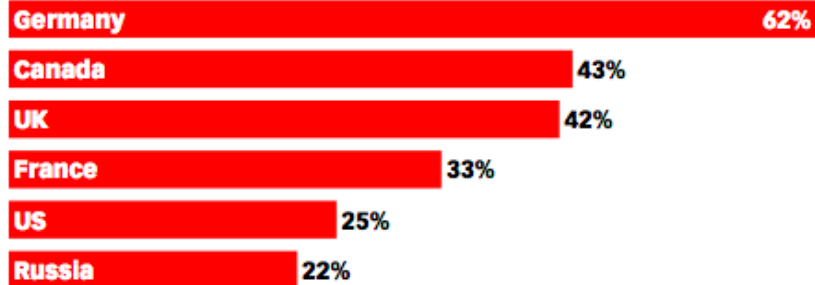


- Introduction of ad blocking in iOS9 and recently, Samsung is expected to increase mobile adoption of ad blocking in North America and Europe

Ad Blocking – Video Content Vulnerability

Share of Time Spent Viewing Ad-Blocked Desktop Video Content in Select Countries, April-June 2015

% of total time spent viewing desktop video content



Note: represents activity among users viewing video via JW Player
Source: Secret Media and JW Player, "Adblock and the Global Video Market," Sep 14, 2015

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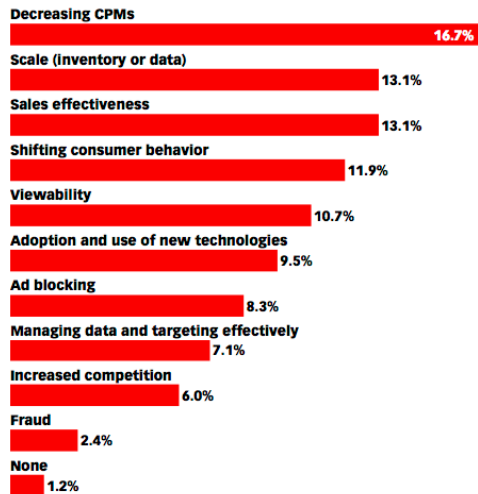
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- Video in Canada as a format saw 28% growth in revenue year over year to \$266 million.
- Placed in the top-3 formats this year, with 7% share of total revenue

Ad Blocking – Under the Revenue Radar

Largest Problem Facing Their Overall Digital Ad Sales Business According to US Publishers, Sep 2015

% of respondents



Note: n=84
Source: Operative and MediaPost Communications, "The Profitable Publisher: The Future of Publishing in Digital," Oct 15, 2015

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- 60% of publishers in Europe and the US were measuring rates of ad blocking in Q4 2015, and another 18% were planning to do so.
- Only 14.5% of US publishing industry professionals said their company had a strategy to deal with it,
- More than half of respondents said they didn't have a strategy for ad blocking, and nearly one-third said they didn't know
- 77% of US publishing professionals focused on ad operations had not used a third-party service to help combat ad blockers.

IAB's Position on Ad Blocking

Powerful Digital Leadership

The IAB believes in an ad funded internet. Our goal is to help make all forms of digital advertising more effective, efficient and relevant to people's interests. We want to help brands reach their audience and to provide revenue to publishers so they can continue to make their content, services and applications widely available at the appropriate cost. We believe ad blocking undermines this approach.

IAB Action

1. Disarm Ad Blocking's Technical Merit

In October 2015 we launched the L.E.A.N. Ads program. Supported by IABs around the world, L.E.A.N. stands for Light, Encrypted, Ad choice supported, Non-invasive ads. These are the principles that will help guide the next phases of advertising technical standards for the global digital advertising supply chain.

L.E.A.N. Ads do not replace the current advertising standards many consumers still enjoy and engage with while consuming content on sites across all connected devices. These best practice principles will guide an additional set of standards that provide choice for marketers, content providers, and consumers.

IAB Action

2. Tools Providing Transparency for Publishers

On March 7th, 2016 IAB launch a global detection code accessible to IAB member publishers. This code will allow publishers to immediately detect the use of ad blockers on their site making it difficult for ad blockers to operate in stealth mode.

IAB Action

3. Provide Publishers with a Playbook on Options - DEAL

On March 7th, 2016 IAB launched a playbook for publishers under a framework entitled [DEAL](#):

- D**etect ad blocking, in order to initiate the conversation
- E**xplain the value exchange that advertising enables
- A**sk for changed behaviour in order to maintain an equitable exchange
- L**ift restrictions or Limit access in response to consumer choices

The IAB Tech Lab has pulled together best practices based on activities in the field and have consolidated these into a comprehensive guide.

Accessible to members of IAB – contact us for a copy.

IAB Action

4. Education

Continuous efforts to educate young Canadian consumers on the value of advertising and its important role in the eco-system.

- Colleges
- Universities
- Articles
- Consumer-facing ads