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AOP Ad Blocking Guide 2017



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INTRODUCTION: THE JOURNEY WE'RE SETTING OUT ON

Ad blocking continues to grow, creating a major problem for the industry. Publishers are losing revenues and advertisers are losing audience reach but our members are fighting the threat.

There is still much work to do, however. We need to educate users about the value exchange and the fact our members provide free, premium content that is funded by advertising, encouraging opt-in in the process. Core revenue is at risk and the additional threat to mobile is alarming.

This guide forms part of our campaign to attack the problem; it flows on from our February workshop and our Forum in June, as part of a sustained plan to create progress in this area, and to define a position and collective action, whilst also engaging with the ad industry to drive better standards.

It was agreed at our February workshop that, while the commercial implications of ad blocking are a huge threat to our members, the majority of C-suite stakeholders are less aware of the scale and impact of the problem. Richard Reeves, Managing Director of the AOP, explained that “in some instances members don’t know how much they’re losing and some have no provision in place to combat ad blocking or to audit it. No-one fully understands the scale and potential risk.”

As such, we believe there is a need to create content and data which will alert member organisations at CEO level to the nature of the threat.

The purpose of this document is to:

- 1 Show the scale of the problem - in terms of numbers of users blocking ads, an exploration of the impact on advertisers, alongside an audit on the financial impact on publishers.
- 2 Share best publisher experience on user interaction and methods to combat ad blocking.
- 3 Share the collective strategy we are embarking on to combat ad blocking.

Ultimately, the AOP exists to provide a forum where members can share and exchange experiences and learnings. We strive to create a clear action plan with our members and actively work to identify practical solutions, rather than just talking about them. To this end, collaboration is key – publishers, advertisers, creative agencies, and brands must work together to agree on advertising standards that will secure and enhance the delivery of online content, improve the overall user experience, and negate the perceived need for ad blockers, which is the root cause of this challenge.

The Scale of the Problem:

AD BLOCKING ADOPTION

Whilst some data shows ad blocking on a plateau, the more complete picture is one of growth with very high growth rates in mobile. The problem is not going away.

The Global Picture

Mobile ad block usage is surging internationally and has overtaken desktop usage.

- The global number of desktop and mobile devices that block ads grew by **142 million** YoY to reach **615 million** devices Dec 2015 - Dec 2016.
- Mobile ad block usage grew by **108 million** YoY to reach **380 million** active devices globally Dec 2015 - Dec 2016.
- Desktop ad block usage grew by **34 million** YoY to reach **236 million** active devices globally Dec 2015 - Dec 2016.

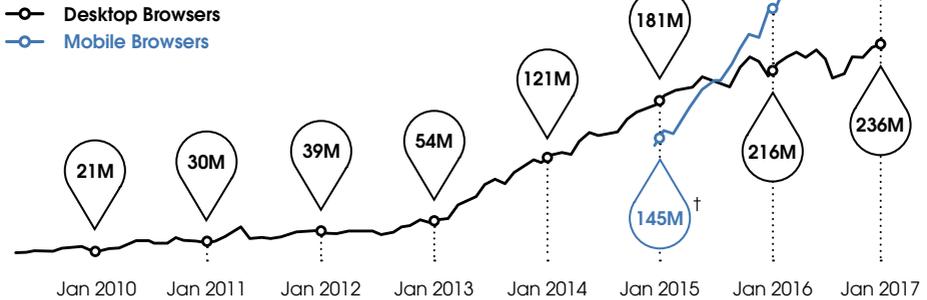
The reasons for ad blocking are recorded quite consistently across a number of different surveys. People use ad blockers because they feel that ads are annoying and disruptive.

Usage of ad blocking software varies by demographic, with young, male audiences most commonly employing this type of technology. We must listen to these end users who have complained about factors such as interruptive ad formats and slow loading times. There are too many disjoints in our industry. Real time bidding has compounded the problem. We need to see creatives, account teams and clients coming together, ensuring that ads are fit for purpose.

Devices Using Adblock Software on the Open Web

PageFair Adblock Report 2017

(April 2009 - Dec 2016)



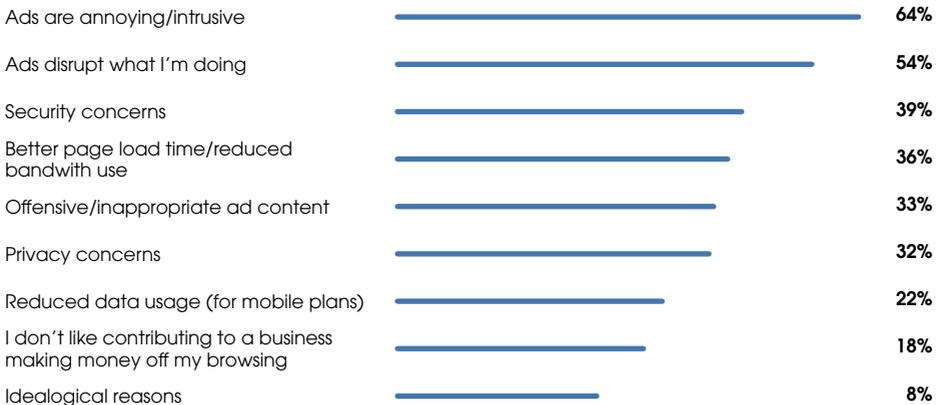
† PageFair's estimate of ad block usage on mobile browsers was updated on November 2016 in its revised Mobile Adblocking Report



Why Do You Use An Ad Blocker?

HubSpot Adblock Plus Research Study, Q2 2016

Base: 731 ad blocker users in the US, UK, Germany, and France



The Scale of the Problem:

THE ADVERTISER IMPACT

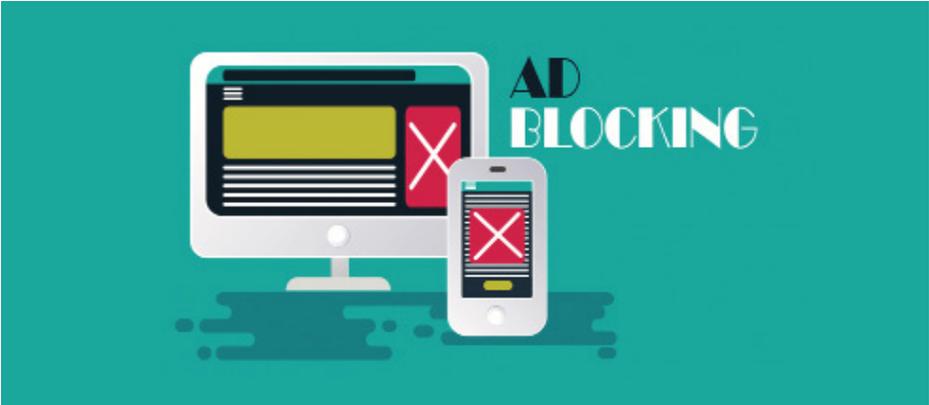
Whilst average ad block rates within AOP members currently hover around the 12% mark (and close to 30% on desktop), the trend is far more pronounced in younger audiences and key verticals such as gaming, where block rates are as high as 50%. The impact on advertisers is growing as they need to generate reach against large parts of their audience who reject advertising.

At the same time, several studies have shown that communications placed within premium publisher environments deliver a positive impact on brand consideration, favourability and trust. This is a fight we need to engage in because premium publisher environments – those supplied by our members – outperform other digital placements and supply trusted digital environments in which the ecosystem can thrive.

Yet Mark Finney, former Director of Media and Advertising at ISBA, noted at the AOP Ad Blocking Forum in June, that ad blocking is not one of the top five issues for clients in 2017. The impact of the blocked web needs to be carefully monitored, he warned, urging the industry to appeal to reason when communicating with end users. He also identified some recurrent features of annoying ads – long pre-rolls ads; pop ups which are impossible to close; and those which play automatically or are oversized, for instance.

A word of warning:

GOOGLE TO ADD AD BLOCKER TO CHROME IN EARLY 2018



In June of this year, it was widely reported that Google had confirmed its controversial Chrome ad blocker plans, fuelling fears that the search giant could use the ad blocker to protect its interests. Considering Chrome's position as the world's most popular browser, every ad blocking strategy needs to plan for this development.

Google says its ad blocker will only target adverts that the Coalition for Better Ads – a group Google is a member of – considers to be “unacceptable”. It claims that its technology will penalise non-compliant ads even if they're “owned or served” by Google itself.

Publishers can find out if their ads are compliant by using Google's Ad Experience Report, which is designed to help them spot and fix issues. This provides screenshots and videos of annoying ad experiences it has identified to make it easy to find and fix the issues.

Reports over the summer months suggested that the ad blocker is now starting to show up in pre-release versions of the Chrome for Android app.

The Scale of the Problem:

PUBLISHER FINANCIAL IMPACT

We have conducted an audit of publisher members to determine revenues lost to ad blocking. The figures are significant and create an opportunity for revenue recovery.

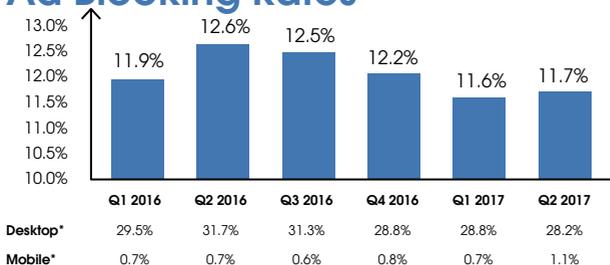
We had input from 15 members, as the remaining members are not yet measuring impact. Currently one member pays Ad Block Plus, so their ad block rate is zero. The methodology for lost revenue was:

- Self-declared blocked impressions (via procedures specific to each publisher).
- Self-declared 'lost' income (again based upon preferred internal approach).

The publishers chose to calculate lost revenue, via differing internal mechanisms, to help to illustrate the extent of the ad blocking problem. These were self-declared statements around how many ads that have been blocked and what each member believes this means each quarter for lost revenue.

Anthony Jones, Head of Insight at the AOP, pointed out that “on the face of it, ad blocking peaked in Q2 2016 and then declined. But there is a strong school of thought that what we are currently seeing is just the tip of the iceberg, as some of the new technology is impacting our ability to measure the true extent of the problem – in effect blocking the tracking software as well as the ads. Additionally, there are new browsers, new software and new ad blocking technologies emerging all the time. In Asia, for instance, ad blocking technology is built into phones and browsers. There is a view that it is only a matter of time before this technology gets mass uptake in Europe.”

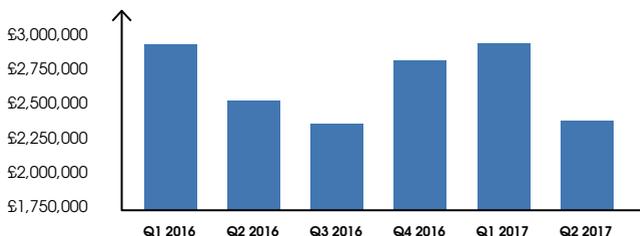
Ad Blocking Rates



L12M Average = 11.9%
Peaked in Q2 2016
Range by company:
2.1% - 21.1%
Max individual title:
44.4%

* = not every publisher was able to split out by platform

Estimated 'Lost' Revenue (£)



L12M Lost = £10,659,944
Max Publisher Loss:
£1,919,875
Median Publisher Loss:
£681,258

The maximum loss that a publisher had declared was just under £2 million in a year. The median – as there was a big range – was fractionally under £700k a year. The members losing the most are those whose portfolio of brands is skewed towards young or techie adults.

Whilst the bulk of publishers are losing revenues in the hundreds of thousands, some are losing millions. This higher figure equates to the losses incurred by larger publishers, while the average cost of ad blocking for publishers is close to £700,000 per year. Ad blocking is not an issue the industry can afford to ignore.

With the help of our membership, we will continue to collect data ongoing, which will enable us identify trends as we try to help to steer the industry towards a successful future. It is worth noting that some publishers are already recovering hundreds of thousands in revenue per month, which highlights the fact that there is a very clear opportunity here for publishers who take action.

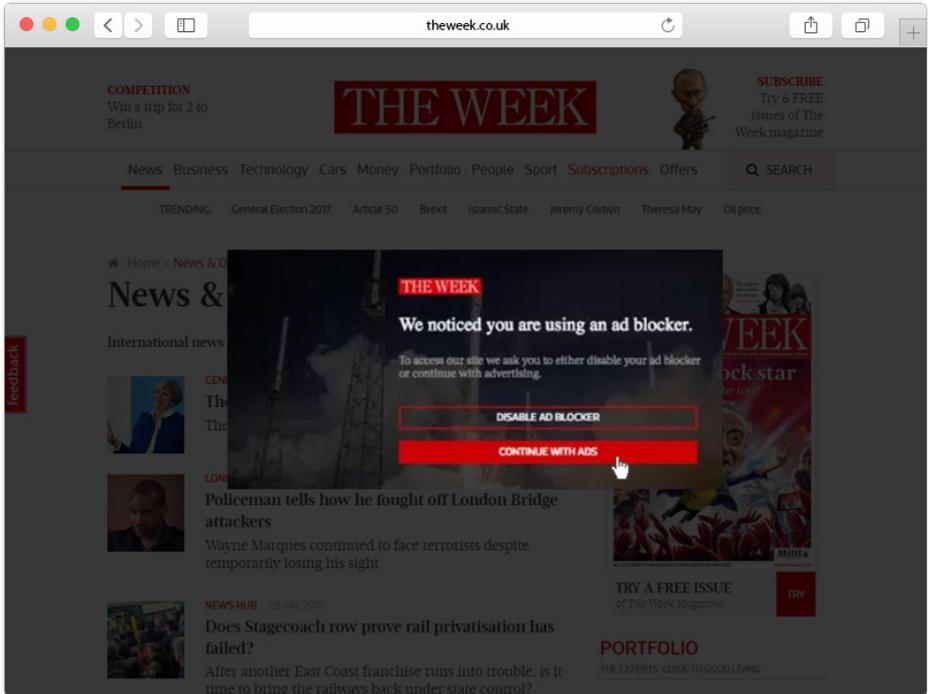
PUBLISHER EXPERIENCE ON USER INTERACTION

In February this year, Dennis, one of the UK's largest consumer magazine publishers, announced the results of a six-month ad blocking test period using Sourcepoint's technology.

The key objectives of the test were to learn about the preferences of different audience segments such as those browsing in particular countries or arriving at sites via social media versus search, and to determine the most effective combination of compensation alternatives.

Resulting Insights From the Six-month Test Period Included

- Up to 57% of users opted to continue their visit with ads enabled via a one-click solution
- Up to 38% of users selected to add the publisher's site to their ad block whitelist
- Messages that featured multiple compensation options increased engagement rates and configurations that featured two compensation choices increased user engagement by an average of 61%
- Engagement rates with messages that were easily dismissible by users were 80 times lower
- When users chose to view video content in exchange for ad-free browsing, Dennis measured a 75% view-through rate



Commenting on the campaign, Nick Flood, Product & Commercial Ops Director at Dennis, said “we firmly believe a value exchange needs to be established between brands and users to safeguard future revenues.” He described the results from the test period as ‘extremely encouraging’, adding: “In a short period of time we were able to re-engage a significant proportion of ad block users that visit our sites. We will be incorporating this data into future strategy considerations.”

The full press release from the Dennis and Sourcepoint’s case study can be found on the AOP website.

SUCCESS IS PURE ADDITIONAL REVENUE

The experience from Oliver Von Wersch of Von Wersch Partners in the German market shows similar progress against ad blocking.

Key Learnings from the AOP Ad Blocking Forum, 14 June 2017

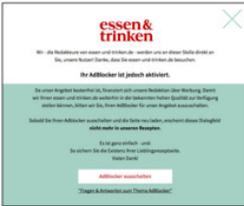
- Never trust figures communicated in the market - measure your own and ensure accurate tracking, while testing hypotheses.
- A/B testing and intensive work on the best possible user communication is worth the effort. Generally, the better the wording the higher the reduction. Some argue that 'soft' messages don't work, but only publishers with exclusive content can attempt a hard line strategy, akin to a paywall. Publishers are continuing to test explore and consider various approaches, such as encouraging subscriptions and targeting messages at specific segments.
- The fight against ad blocking is only in publisher's hands. Working to continuously improve standards and user experiences must be a priority for all premium publishers. No other player in the value chain will help you. But the success will be all yours which is: pure additional revenue.
- We must work on ad quality at the same time as working on user communication. Digital advertising is, slowly, coming of age. We are working with the industry to improve ad user experience because this helps to combat ad blocking. As such, we are campaigning for premium trading standards and the end of slow-loading ads which obscure content unnecessarily.

Gruner + Jahr

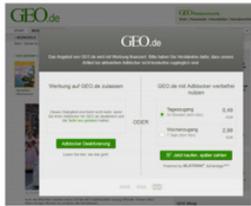
Three different approaches to combat ad blocking:



User Communication



Limited Access



Technical Circumvention



Some remarks on an efficient anti-adblock strategy



-43%
Adblock Users

-23%
Adblock Users

-27%
Adblock Users

-52%
Adblock Users



-28%
Adblock Users

-11%
Adblock Users

-32%
Adblock Users

Some remarks on an efficient anti-adblock strategy



A summary of the AOP Ad Blocking Forum, by Andrew Bartlam from InstartLogic, can be found on the AOP website.

VIBRANT AD BLOCK INSIGHTS

A study by Vibrant Media found when looking at the reasons as to why consumers block ads, it typically comes down to users finding ads disruptive and annoying. People don't have a lot of patience and, unfortunately, heavy ads seriously add to a website's load time.

Quite simply, the more ads put in front of consumers, particularly the hefty ones, the more likely they're going to be to use an adblocker. Ad weight as well as the experience should always have been a concern for advertisers and publishers, but as more consumers are downloading ad-blockers, it is now a critical quality when looking at ad technology and quality.

Key Findings:

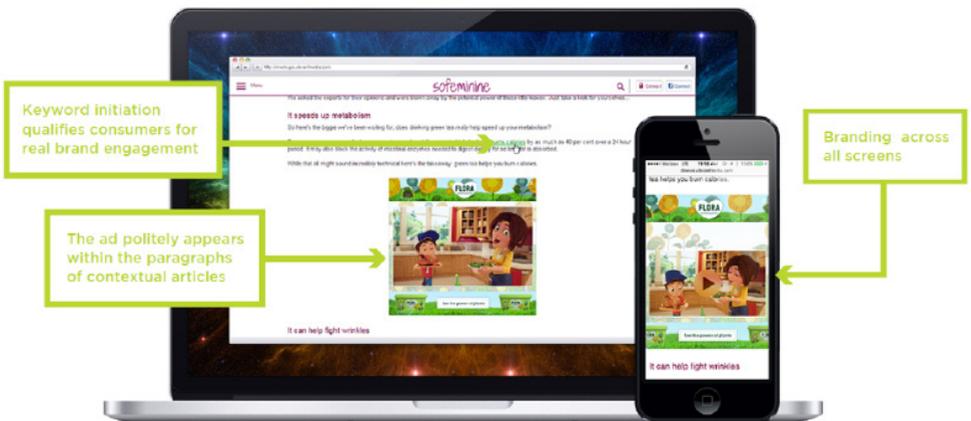
- 74% Block ads because they feel that advertising is interruptive
- 55% find ads annoying
- 54% feel that ads slow down their web browsing

Case study – Tech Platforms Supporting Publishers

Ads should never get in the way of a consumer's access to content. Advertising needs to fit into the consumers experience seamlessly. It should create a positive user experience through contextual, relevant placement and the technology used should be light to avoid delaying consumer's content experiences.

Vibrant Media took the above points on board and built a new tech platform, which is IAB L.E.A.N compliant and able to provide the lightest ad experience on a publisher

page. Investing money, time and resources into creating a new technology, Vibrant’s algorithm is now smarter, faster and more efficient than ever before to provide publishers and users with a non-invasive ad experience.



To further enhance user experience, Vibrant also updated the original In-Text ad format to make it more applicable for today’s consumers. With the switch to more linear feeds and the growth of mobile, Vibrant created a new user-initiated in-feed unit which dynamically positions brand ads within the heart of premium, relevant editorial.

Whilst the industry still has a long way to go, offering a combination of light, intelligently targeted and non-intrusive ad experiences allows publishers to offer a true value exchange and will help in the fight against ad blocking.

AD BLOCKING TECH VENDOR VIEWPOINTS

We asked six of the major anti-ad blocking technology vendors for their views on the best way of approaching the challenge facing publishers today and the methods they have tried and tested so far. Here's what they said about themselves and what they offer.

INSTART LOGIC

Instart Logic is a late-stage private company with over 200 employees that was founded in 2010. We have many clients, including more than 25 of the Comscore 100.

Our approach to the ad blocking challenge is simple. With Instart Logic's platform, consumers view a publisher's website exactly as the publisher intended, including advertising, regardless of whether an ad blocker is present.

Publishers should act to combat ad blocking by ensuring they are delivering high quality advertising, deploying an application like Instart Logic to recover revenue, and educating customers about the impact of ad blocking on the publishing industry.

Our elevator pitch is that after adopting Instart Logic, organizations with digital advertising-based revenue models, including publishers, media companies, gaming companies and classified advertising firms will immediately gain 3 percent to 15 percent higher revenue.

When deploying our platform, we work with publishers to ensure they are delivering a high quality experience for ad blocking readers, ensuring those readers will enjoy a

premium experience. Our platform then transparently recovers advertising revenue.

A continuing industry development affecting publishers is that ad blocking technologies are being widely adopted, including by industry leaders such as Apple and Google, with no break in sight. Publishers should respond by adopting quality ad standards, such as those advocated by the Coalition for Better Ads. They should also respond by focusing on providing compelling content, customer education about publisher challenges, and adopting technical solutions such as those provided by Instart Logic to restore revenue.

JAMATTO

Up to now, adblockers have been used by a very small segment of consumers, and predominantly only on desktop. Without any technology shift, adblockers are already making their way into the mainstream.

But technology is marching on. In recent months, moves by huge players such as Google & Apple, telecoms providers and even governments are paving the way for adblocker adoption to rapidly reach 70%+. Beware the publisher who does not have a plan in place. You can't fight it. Embrace it. Let your readers have a choice in how they compensate you.

A number of the motives behind consumers installing an ad blocker are quite reasonable, rapidly leading to thorny debate over the ethics of adblocking. But at the end of the day, the consumer is king. Without a single solution that appeals to these myriad motives, politely offering the consumer a choice is key – while gently educating them into understanding why ads are important for newspapers' well-being.

Already 16 newspapers on 3 continents are using Jamatto to offer their readers three choices: (1) please whitelist their newspaper; (2) please pay a small amount to read a single article or for a time-based microsubscription (e.g. 15p for 15 minutes); or (3) opt out and 'let journalists go hungry'. With a single line of code (just one, we promise), publishers receive a tailored, on-brand, ab-testing-optimised adblocking solution that convinces 70%+ of adblocker-using consumers to whitelist their newspaper; or generates £2-£15 RPMs from the remaining 30% (including those who opt out).

PAGEFAIR

PageFair offers a suite of solutions that cover all publisher requirements: analytics, messaging, content access control, display-ad recovery, video-ad recovery, GDPR data leakage prevention.

PageFair protects over two billion ads for publishers every month, giving publishers full control over their ad serving in a way that adblock companies are not able to hack. PageFair's "server side rendering" technology enables publishers to automatically convert their normal ads into IAB LEAN / Coalition for Better Ads compliant formats that address user concerns about advertising. It also gives publishers complete control over third party data access through the ad creative, preparing them in advance for the GDPR.

PageFair can work with publishers' direct campaigns, or source programmatic demand. It continually integrates additional demand sources to maximise revenue recovery, and non-direct CPMs can exceed over \$5. Unlike many competitors, PageFair has official agreements with its programmatic partners, so publishers can be confident that they will be paid.

Publisher Merriam-Webster says "PageFair has been a great partner for Britannica and Merriam-Webster. The integration was straight-forward, and the team at PageFair has been incredibly responsive to our requests".

Some TV publishers who have exclusive access to new shows prefer to use PageFair's technology differently. Zach Mannon, Vice President of The CW (one of US' largest nationwide TV networks) says "We partnered with PageFair to support our outreach to users to switch off adblock. PageFair has years of experience helping hundreds of publishers address adblocking, and working with them has given us ironclad adblock detection & messaging". Within one month of starting with PageFair The CW's adblock rate halved, from 15% to 7.9%. Now, with PageFair still live on the site, it is 3.4%.

(Note: CWtv.com is only properly accessible from IP addresses in the United States).

UPONIT

Founded in 2015, Uponit has 15 employees who work with leading premium publishers worldwide.

Publishers today face existential threats to their business. Ad blocking is one challenge that is not going away and can be solved quite easily.

Ad recovery is the only approach which has been proven to work over the long term and at scale. It works because it provides users with a streamlined access to the content they came for, without requiring any complex actions on their behalf. In fact, publishers using us have experienced similar engagement behaviors with minimal complaints. Ad recovery done right also renders ad blockers completely ineffective.

Uponit offers the only ad recovery solution today that is seamless to deploy, providing publishers with full ad coverage using their existing ad servers and operations, with full pixel and cookie support, as well as with ongoing immunity against all ad blockers.

We've recently released a case study with Israel's no.1 entertainment site (100M PVs). In the first half of 2017, we helped Mako increase its display ad revenues by 32%-39%, while average session times went up by 3.2% and bounce rates went down by 0.4%. There were less than 10 user complaints on ad blocking over this period. Today, we also recover video ads on their editorial and VOD sections.

As long as it is easy, free and legit for users to block ads - they will, just as they skip ads on TV. Google's upcoming Chrome ad filter will help cleaning up the ecosystem but it is unlikely to reduce the appeal of ad blockers, due to its relatively lax guidelines. On mobile, ad blocking will grow fast as browsers differentiate themselves from Chrome by providing more functionality around privacy, tracking prevention and ad blocking.

SOURCEPOINT

Founded in 2015, Sourcepoint's clients include Axel Springer, Dennis publishing, Future Publishing, Gamer Network, Gannett, Hearst UK, Immediate Media, Oath and Turner.

Sourcepoint's Dialogue™ solution is the world's first technology platform that allows users to choose how they compensate publishers for premium content.

Sourcepoint believes that the rise in ad block usage is a symptom of the lack of transparent value exchange between publishers and consumers. We believe that every publisher should employ a strategy to combat ad blocking as the challenge isn't going away. However, with the right conversation between the user and the publisher it can and should be proactively managed in order to both educate the user and reclaim lost value.

We have seen huge success with publishers encouraging users to whitelist their sites or to compensate them via alternative compensation routes such as data exchange, registration, subscription sign up and direct payment.

In the last year we have won the 'Best use of technology' award at the Digiday Publishing Awards and were shortlisted as 'Best Media Technology Partner' at the AOP Digital Publishing Awards 2017 for our work with Dennis Publishing.

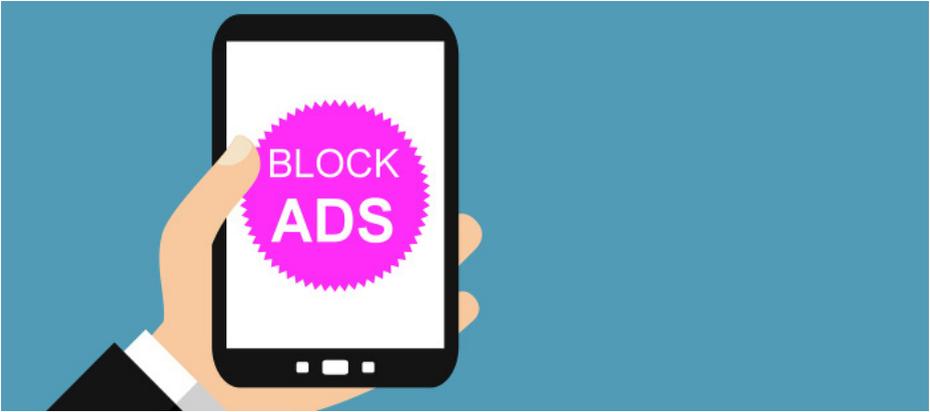
The developments being seen with Google Chrome, Apple Intelligent Tracking, GDPR etc are all additional drivers that should prompt publishers to engage their users in conversation about compensation choice?

What is key is that every Publisher must have a strategy that combats the ongoing ad blocking threat to their sites and to the industry as a whole.

ORIEL

Founded in 2014, Oriel believes consumers need choices in how they pay for the content they receive, and publishers should have the tools they need to ensure advertising continues as a clear, easy and profitable choice. Oriel offers the most comprehensive ad recovery technology to deliver publishers' own ads and analytics, and a complete messaging and analytics platform.

Due to the blocking of analytics, many adblock users aren't even detected by publishers:



While the problem looks like it's leveling off, in reality the growth of adblock remains linear. And now, with GDPR and eprivacy regulations on one side, and the crush of Google, Apple, Facebook and Amazon on the other, publishers need to get paid for their content more than ever.

Most adblock tech out there is blockable, creating a tiring and unproductive cat-and-mouse game with users. Oriel isn't. That means publishers can reach all users, regardless of browser or adblock technology to unblock both ads and analytics - including programmatic - and maximise their revenue opportunity.

The adblock threat has moved to the browser level, and the large global platforms are making it harder for publishers to deliver revenue and grow. Publishers should take a much firmer line with the large platforms to ensure that publishers' own future is taken into consideration, and have maximum freedom to deliver revenue.

Additionally, there is a core group of anti-advertising "fundamentalists" who want to eliminate advertising at any cost, but refuse to pay for the content via other means. There is a new generation of users coming that unfortunately are beginning to feel that great content can actually be free. Publishers should ensure that content is paid for via whatever method users choose - subscription, advertising, etc. - but ensure that all pay for it in some way.

OUR COLLECTIVE STRATEGY FOR AD BLOCKING

Our investigation into the size and impact of ad blocking on AOP members has identified a significant, and evolving, issue. Blocking rates are around 30% on desktops; with a number of members losing the opportunity to monetize over a £1million of inventory that's being blocked.

The dynamic nature of the issue means the position is constantly changing as new technology arrives – some of which hinders publishers' ability to accurately measure the extent of their ad blocking problem. Inertia, or lack of publisher response, is not an option.

The case studies we have highlighted throughout this guide demonstrate that:

- A hard block, crafted for a specific audience and offering a choice between disabling the ad blocker or opting in to ads, is the most effective.
- Offering the option of subscription or micropayment is rarely taken up at present, but does provide the user with an understanding of the value of the content and increases the uptake of opt-ins.
- Full recovery of ads by circumvention of ad blockers is successful, with Facebook a key proponent
- Pure additional revenue in significant sums is the reward for these efforts.

Over and above these individual efforts, our members are discussing joint (research) initiatives to combat the negative impact of ad blocking, because if publishers in coherent verticals act on the same day or over the same period then users do not have

an alternative publisher to go to. Moreover, if consent allows opt in to different publisher's sites, perceived value to the user is higher and a greater number of users will be opted in to premium publisher advertising in the first place.

What next?

We are calling on our members to participate in collective action. We want to find collective ways to communicate the benefits of free premium content and to deliver a positive advertising experience. We intend to run our first actions across a coherent group of publisher members across specific verticals, such as automotive, lifestyle and technology. This won't be easy - there isn't a one-size-fits-all solution as audiences vary widely, but we are working hard behind the scenes to bring this aim to fruition.

Education and clear standards that everyone can follow are vital, especially in an ever more automated industry. When users understand the role ads play in powering the content they consume, most will opt in. That's why we are committed to communicating the benefits of free premium content to users, as well as finding ways to standardise messaging for each audience segment, through collective working, and providing an advertising experience they don't want to block.

The context of GDPR also heralds a wider scope of regulated data and regulated activity, with more rights granted to the end user. Greater audience control and choice will lead to calls for more transparency as well as a recalibration of the existing data value exchange. It is in this context of choice, value and trust that the challenge of ad blocking must be viewed and it represents both a threat and an opportunity for premium publishers.