Monetizing any form of content has always included the implicit understanding that there is an exchange necessary between viewer and provider to subsidize the myriad of costs involved in making and presenting that content. Audiences may not realize it, but there is an admission price to gain access to the content they want, whether it’s a one-off direct payment, a subscription, or a requirement to view sponsor messages advertising products or services.

For digital publishers and broadcasters who choose advertising as their preferred exchange, there is a fierce adversary that threatens to severely disrupt the entire ad ecosystem: ad blockers, which are estimated to drain nearly $22 billion in global ad revenues in 2015—rising to over $41 billion next year. However, solutions are growing to circumvent these blockers, and unlock ad inventory and revenues.

As a content format, video is especially expensive to produce; as an ad format, it commands some of the highest CPMs due to its ability to be highly engaging and convey rich messages. Ad blocking therefore impacts the video business with particular severity and unique implications for digital video content providers.

This white paper will explore the rise of video ad blocking around the world, what’s being done to beat the blockers, and offer some key recommendations to digital content providers going forward.
A BRIEF HISTORY AND OVERVIEW

While display ad blocking started much earlier, the roots of video ad blocking can be traced back to the early part of this decade, particularly among online gaming communities, and primarily in Europe. There, young tech-savvy gamers intent on longer, immersive content experiences drove the development of software to block desktop browser ads from disrupting them. At the same time, with the advent of ad-skipping on DVRs like Tivo, many consumers were introduced to a virtually ad-free viewing experience. This was augmented by the rise of binge-watching on SVOD services like Netflix that don’t show advertising.

In the early ad blocking period, digital publishers and broadcasters began to rely on indirect, passive methods to halt the problem. Eager to grow audiences, they were afraid of alienating viewers by using forceful measures. Instead, they focused on detecting and monitoring ad blocking behavior to better understand the problem. Some created consumer messages to educate their audiences on the content value exchange and to request that they cooperate by not using ad blockers. Google, realizing the damage ad blocking could do to its profits, created a Contributor program, proposing ad-free navigation in exchange for a fee ranging from $1 to $3 a month. More often, these efforts just served to highlight the issue; viewers saw that ad blockers were working and told others—which drove higher ad blocker adoption rates.

As the problem expanded, some content providers started to take a more direct, aggressive stance by blocking content, slowing video streams or decreasing stream quality to viewers who used ad blockers. This alienated audiences, who often moved to competitive content sites. In a highly controversial practice, some ad blocker companies have more recently offered to whitelist ads in exchange for a direct publisher fee. Ultimately, neither the direct or indirect methods have served to substantially free blocked ad inventory for content providers on their terms.

Today, with the potential revenue impact on the rapidly growing digital video ad market and the continued rise of ad blocking rates in various countries (currently ranging from 15% to over 30%), the industry has now shifted its focus towards ad tech solutions to thwart ad blockers. These anti-ad blockers quietly and efficiently unlock ad inventory to increase revenues, while creating the least disruptive consumer viewing experience. Ad block user forums suggest that in some cases an interesting byproduct of anti-ad blocker use has been to direct user frustration towards the ad blockers themselves—not the content providers.

Although still more common in Europe (the highest ad blocking rates are seen in Germany, where a top ad blocker company started and where digital privacy is a key concern), the ad blocking problem has rapidly expanded around the world. A recent report noted that while ad block usage grew 35% in Europe in the past year (to 77 million monthly active users), during the same period it increased 48% in the U.S. (to 45 million monthly active users), and 41% globally (to 198 million monthly active users). In the U.S., the 2016 Presidential election could accelerate further growth among users trying to avoid a barrage of political ads.

Consumers polled across various countries have cited the top reasons they use ad blockers include too many ads (repetitive or re-targeting), intrusive and irrelevant ads, slow browsing speed, and privacy concerns. Sometimes, an ad blocker may be part of an anti-virus offering and the user may not even be aware of it.

The 18–34 year-old male Millennials are still driving ad blocking behavior; recent studies indicate that nearly 2 out of 3 Millennials block ads. Gaming and tech industry verticals are currently affected the most, in line with these demographics and the history of the issue. However, ad blocking is likely to continue growing across other verticals and mainstream demographics as time goes on and Millennials age, and as the issue expands from desktop to mobile environments. Reports suggest that those more likely to refrain from using ad blockers include heavy mobile users focused on ecommerce and product research, who may want a strong ad experience around these activities.

CASE STUDY

A top broadcaster was challenged to grow premium video ad inventory in the face of increasing ad blocking use and lost revenues. With the implementation of Ooyala’s anti-ad blocking solution, this company unlocked over 25% additional inventory in the first month of use.
HOW AD BLOCKERS WORK

Typically, an ad blocker plug-in sits in a web browser and monitors outgoing ad requests. It filters and blocks ads before a request is made to an ad server; video content starts without ads being played so a user skips right to the content experience. Both video and display ads can be blocked in this manner. A provider can not see blocked inventory (blockers conceal this inventory) so they are not able to accurately plan, forecast and earn revenue. Blockers can also often block the links that track ads, which are how providers get paid.

Free or low-cost ad blockers have grown alongside browsers with extensions to support them. Google’s ad business ironically has ad blocker-built extensions for Chrome to contend with, as a key driver of ad blocking growth. Because this is a community effort (not just one ad blocking company), ad blockers can often quickly be updated to evade solutions that try to stop them, so it remains a constant challenge for providers to handle the problem on their own.

While historically ad blocking has been an issue within desktop environments, as more video content and users move to mobile devices these will be a key focus going forward for ad blocking and solutions. Mobile users are particularly keen on reducing the impact of ads on data usage and load times. Although less than 2% of ad blocking is on mobile now, the numbers on ad blocking within mobile are certain to rise dramatically in the coming years and are already substantial in areas like India and China.

Change is apparent within the iOS 9 ad blockers for mobile web browsers, while native mobile apps (which far surpass browsers for mobile ad spend) are not as affected—which could possibly be an Apple strategy to drive native app usage. However, some early apps for ad blocking that were offered via the Apple App Store were proxied through servers that carried consumer data as well, which sparked privacy concerns and spurred the company to remove them.

Social media has been more immune to ad blocking as well, as their in-app ads are not yet affected. Data caps could also become effective ad blockers, but could again alienate viewers who may balk at having to pay for more additional usage while also getting data-intensive ads.

ANTI-AD BLOCKERS TO THE RESCUE

Although a number of strategies exist to try to combat video ad blockers, none has proven as effective as the advances in ad technology, which have brought anti-ad blockers to the market. There are currently two main options for anti-ad blockers—server-side ad stitching (SSAS) and client-side video player plug-ins. In the SSAS model, ads are stitched into the video stream so ad blockers would have to block content as well as ads. However, sophisticated ad blockers can detect and spoof the ad segments to block them. Also, ad formats like VPAID and non-linear ads like overlays are not able to be supported by SSAS, and must be delivered separately.

With these challenges, companies are moving toward video player plug-in models. Here, anti-ad blocking technology is quickly deployed via a plug-in to a video player. The plug-in circumvents the ad blockers immediately to allow the request to the ad server, thereby unblocking the ad inventory and delivering the advertising content. These plug-ins have little risk, as some can be implemented at low to no cost, but work best in owned and operated environments (vs. syndication) where providers have the most control over their traffic. They have also been primarily Flash-based, but HTML5 versions are on the horizon as the industry continues to move to this protocol.

“It is easy for consumers to forget that ad dollars support much of the premium video programming they’re watching. From innovation to production to delivery. The proliferation of ad blockers is jeopardizing billions in ad revenue this year, wreaking havoc on the content monetization ecosystem. The opportunity for an anti-ad blocking solution to remove publisher monetization obstacles while unlocking receptive, targeted audiences to advertisers already overwhelmed by gaps in viewability, transparency and forecasting, all without diminishing user viewing experiences, has never been more significant — or more crucial.”

REBECCA PAOLETTI
CEO AND CO-FOUNDER, CAKEWORKS

Overcoming the Ad Blockers
RECOMMENDATIONS

Overall, content providers should consider these strategies to address ad blocking issues, weighing both user experience and revenue impact:

- **Employ an anti-ad blocking solution:** This standalone method is the most simple, cost-efficient and effective option overall to gain and see the inventory you are supposed to have and to maintain a constant defense against ad blockers.

- **Include a mix of monetization methods for your content:** Explore subscriptions and transactions, in addition to advertising. Along with their ad-based offering, Hulu now offers the option for an ad-free subscription experience at a higher monthly cost, giving consumers more choice over their content admission fee.

- **Accept ads that are more personalized to your audiences:** Targeted ads are more welcome to viewers and less likely to induce methods of avoidance; recent reports note that they increase brand favorability and intent to purchase.

- **Look at alternate creative and video ad formats that are less intrusive and quicker to load:** This can help decrease consumer complaints about the impact of ads on their viewing experience.

- **Consider implementing native ads:** Ad blockers work on native ads delivered through an ad server (currently, but that is also changing); however, they do not yet work on native ads that are delivered as content.

- **Move towards using native mobile apps vs. mobile web browsers:** Ad blockers are (currently) not as effective in a native app environment.

- **Increase transparency around consumer data collection and privacy:** This can help reduce consumer concerns around protection of their information.

CONCLUSION

While ad blocking continues to grow around the world and across platforms, digital content providers have a number of options for combatting the issue and securing their revenue streams, while satisfying their audiences and maintaining the value exchange for content.

Recover lost revenue opportunities today by deploying Ooyala’s Anti-Ad Blocker. Contact sales@ooyala.com for more information.