



Never Block

NEVER let ad blockers BLOCK your revenues

***RECOVER LOST REVENUE
FROM AD BLOCKERS***

exoClick

EXECUTIVE SUMMARY

Ad blockers have become an issue of increasing concern for the online advertising industry. As of June 2015 there were 198 million desktop ad block users, with global growth at 41% year on year (Q2 2014 - Q2 2015.) Latest research shows that there is a possible increase in the number of ad blocker users on mobile devices too. The financial impact of ad block usage cost publishers \$22 billion in lost revenues in 2015.

As an attempt to address the ad block situation the Interactive Advertising Bureau (IAB) has created the LEAN advertising program which outlines a set of alternative standards that provide choices for advertisers, publishers and users. Additionally the digital ad industry and publishers have been trying out several alternative solutions to combat ad blockers with various levels of effectiveness.

ExoClick is here to help and provide guidance to publishers and this document examines in detail which ad blockers are on the market, how they work, what solutions the digital ad industry is currently using and how effective each solution is. Furthermore, ExoClick has developed its own technological solution called NeverBlock which has already improved affected publisher revenues by up to 40%.



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WHAT ARE AD BLOCKERS?

The ad block phenomenon has become a major headache for the advertising industry and especially for publishers. Users are now able to remove ads and still view a website's content for free, even though it is the revenues generated by the advertisements that allows publishers to continue to provide this free content.



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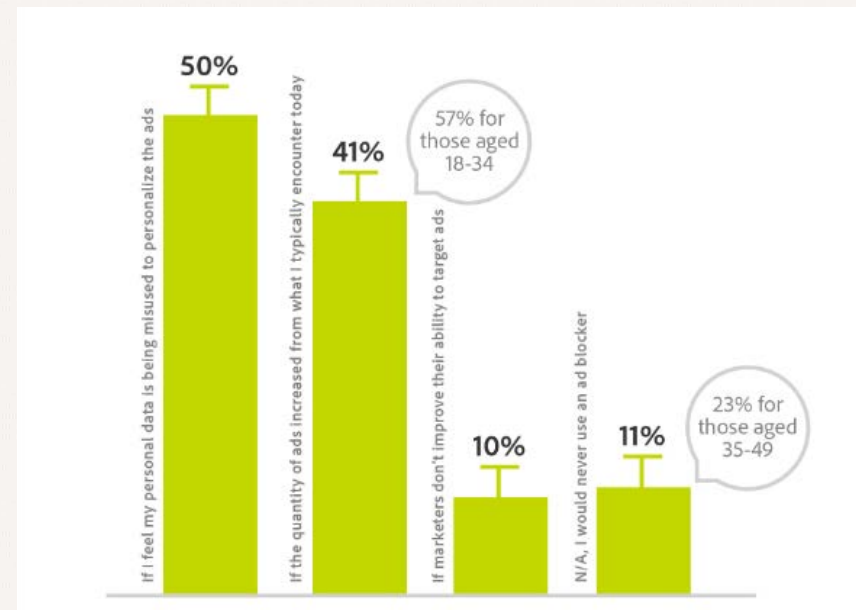
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Why do people use ad blockers?

There are several reasons why users are installing ad blocking software. According to [Pagefair's annual report](#), privacy and safety concerns were the primary reasons to enable ad blocking. Other reasons include the excessive amount of ads that appear and ad relevance.

The Pagefair study was conducted in the US, therefore webpage load times was not included as a reason for installing an ad blocker, however, some news articles say this is the number one issue for Asian countries, where mobile connections are slow and data consumption is expensive.

FIGURE 1 - Reasons to start using an ad blocker



SOURCE: [The 2015 Ad Blocking Report | Inside PageFair](#)



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Figure 2 below gives some startling facts from Pagefair's report regarding the growth and the effects of ad blocking:

- Ad blocking is estimated to have cost publishers nearly \$22 billion during 2015 in lost revenues.
- As of June 2015 there were 198 million desktop ad block users.
- Global growth of ad blocker installs is 41% year on year (comparing Q2 2014 - Q2 2015.)

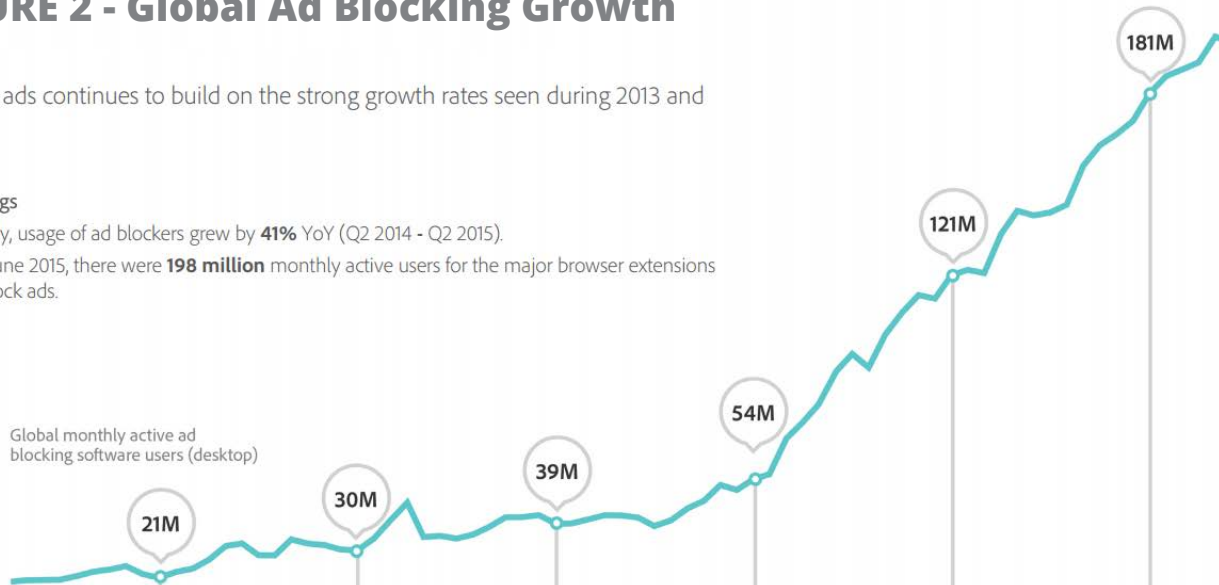
FIGURE 2 - Global Ad Blocking Growth

Blocking ads continues to build on the strong growth rates seen during 2013 and 2014.

The findings

- Globally, usage of ad blockers grew by **41% YoY** (Q2 2014 - Q2 2015).
- As of June 2015, there were **198 million** monthly active users for the major browser extensions that block ads.

Global monthly active ad blocking software users (desktop)



Later in this document we will examine how the digital advertising industry has created solutions to help publishers who are seeking an antidote to ad blocking.



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Ad Block products

There are two major ad blockers on the market, [AdBlock](#) and [Adblock Plus](#), with over 300 million downloads is the most popular add-on/extension.

A lesser known ad blocker is uBlock, which is supported by the [uBlock development team](#) and [AdGuard](#) which is the only ad blocker that requires the user to purchase a license. There are also others on the market, [Shine](#) is an ad blocker which is integrated directly with telecommunication companies without the need of installing an extension. The majority of ad blockers also provide ad block software for mobile.





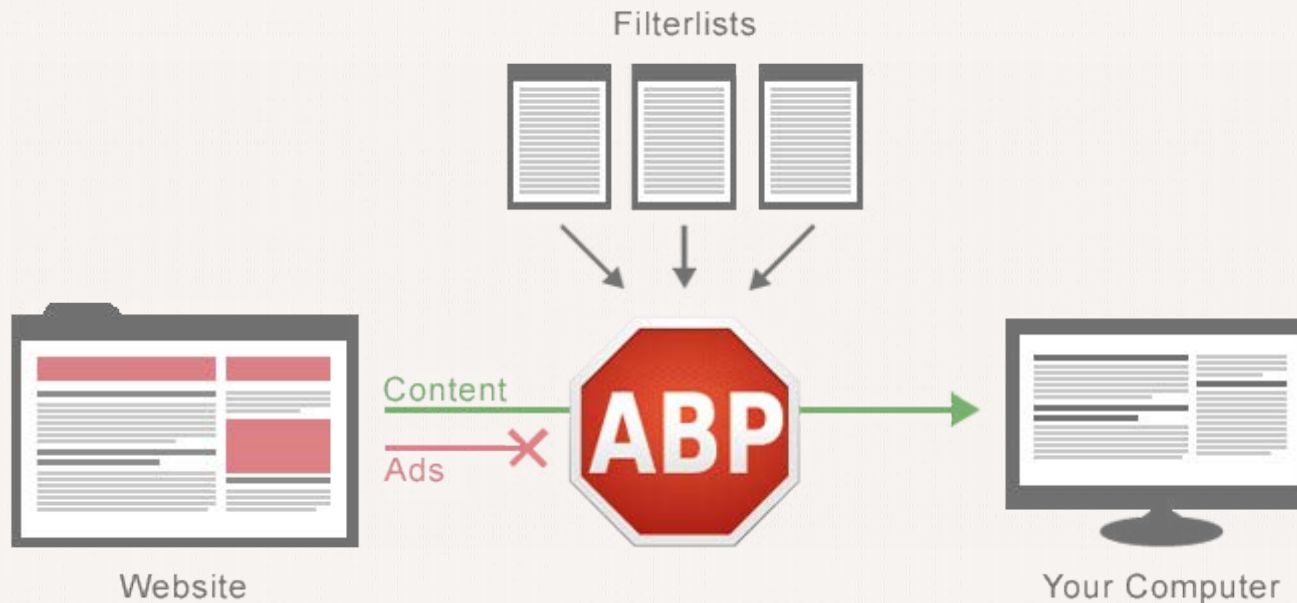
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How do they work?

Ad blockers maintain open lists of domains known to display advertising and they block any requests from the browser to these domains. So for example, when a browser makes a request to an ad server, the ad blocker will catch this request and block the domain of the ad server.

FIGURE 3 - How does an Ad Blocker work?





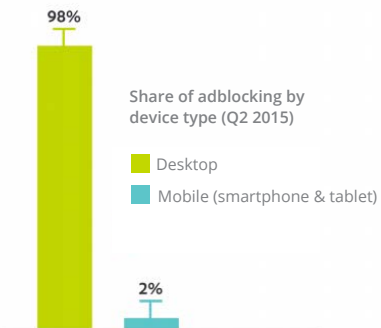
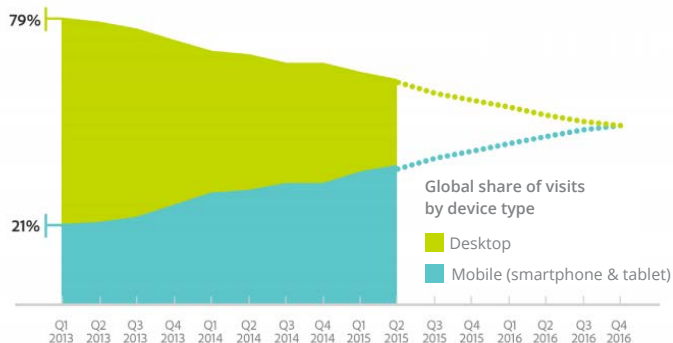
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DESKTOP vs. MOBILE AD BLOCKING

Latest reports indicate that ad blocking on desktop devices is growing fast and yet the effects of ad blocking on mobile is still in its infancy. [Google trends](#) shows that specific Google searches for mobile devices only started to appear in 2013. By January 2016 Google searches including android and iPhone terms, represented only 3% of the total volume between the terms adblock, android adblock and iPhone adblock, [Google trends report](#).

FIGURE 4 - Mobile is yet to be a factor in ad blocking growth



The accelerating growth of ad blockers on desktop and the possibility of it spreading to mobile, makes ad blocking one of the most important threats for the advertising industry. Again the [annual report from PageFair](#) shows only 1.6% of ad block traffic on the PageFair network in Q2 2015 came from mobile devices.

Although a large portion of online browsing is performed from mobile devices, mobile ad blocking is still very underdeveloped. The release of iOS 9 in the Fall of 2015 may be a game changer, as it will allow users to easily install ad blocking from the App Store.

The findings

- In Q2 2015, mobile accounted for **38%** of all web browsing
- Only **1.6%** of ad block traffic on the PageFair network in Q2 2015 was from mobile devices.

The Bottom line

As technology develops and ad blocking plug-ins become more commonplace, the growth in ad blocking usage will receive yet another catalyst. This has the potential to challenge the viability of the web as platform for the distribution of free ad-supported content.

SOURCE: The 2015 Ad Blocking Report | Inside PageFair



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However, the latest news from the main global smart phone players shows that this spread is about to come.

- The release of iOS 9 from Apple in 2015 included the blocking extensions for Safari. Now it is easy for users to install ad blocking from the App Store.
- Also Google, which initially banned several Ad blockers from Google Play, changed its decision. Apps like Adblock and Fast Crystal are now available on Google Play.
- As a consequence to the above news, Samsung Internet for Android browser is now supporting ad blocking capabilities. Note, this browser is pre-installed on its Android phones.
- UC browser from the Alibaba group, the second most used mobile browser worldwide and the top one in Asia, also offers ad blocking capabilities through its app browser extension. What is new, is that this browser extension is now enabled by default.



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WHAT ARE THE SOLUTIONS?

LEAN ads

The Interactive Advertising Bureau (IAB) is an advertising business organization that develops industry standards, conducts research, and provides legal support for the online advertising industry. To address the issue of ad blocking the IAB has developed the LEAN Ads program. LEAN is based on the principles of Light, Encrypted, Ad choice supported, Non-invasive ads. LEAN ads will not replace the current advertising standards, however it does provide alternative choices for advertisers, publishers and users. According to the IAB, these choices include frequency capping on retargeting, negative retargeting after a purchase has been made, volume of ads per page and an optimized user experience.

FIGURE 5 - LEAN Ads program by IAB Tech Lab



ExoClick fully supports the LEAN initiative from IAB and will continue to provide choices for our publishers to match ads with their user-base.

[SOURCE: Getting LEAN with Digital Ad UX | IAB](#)



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Publisher and ad network solutions

Publishers and ad networks have tried a variety of methods to deflect the spread of ad blockers while still preserving the current model of online advertising that ultimately permits the distribution of free content online.

To analyze the effectiveness of each solution we have examined them using the model of Enforcement (the level of enforcement needed for users to accept the ads) vs Effectiveness (the level of effectiveness the solution gives to publishers). We have rated these from 1 to 10 with 1 being the lowest value.

- Do Nothing
- Take Legal Action
- Kindly Ask
- Getting Whitelisted
- Deny Access
- Serve Alternative Ads
- Change Domains
- Serve Unique Ad Impressions



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1) Do Nothing

(Enforcement level : 0, Effectiveness level : 0)

A common approach from publishers is to do nothing and wait and see. Additionally, many publishers think that ads are simply hidden by ad blockers and impressions are still counted, but the ad servers are not called to serve the ad because they are blocked, so no impressions are counted.

This solution delivers zero revenue and is not sustainable in the long term.

2) Take Legal Action

(Enforcement level : 0, Effectiveness level : 0)

Lawsuits from media agencies (RTL, ProSiebenSat1, Zeit Online, Handelsblatt and Axel Springer) against Adblock Plus have all been unsuccessful. This initiative would require coordinated action from global entities, such as the IAB. Until now, there hasn't been much work done against ad block companies using this type of action.

This solution is costly in legal fees and it can take years to implement new legislation.



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3) Kindly Ask

(Enforcement level : 1, Effectiveness level : 1)

This is probably one of the most common actions publishers have taken when they detect a user is using an ad blocker. A pop up or banner message appears asking them to turn off their ad blocker to view the content.

Unfortunately, [studies](#) show that displaying a message to users and asking them to disable their ad blocker is not very effective. The percentage of users who will actually do this is extremely low, less than 1%.

There is almost no risk using this solution, except from some very strict guidelines of advertising programs, such as Google AdSense, which may consider it as an incentive for viewers to click on your ads.

4) Get Whitelisted

(Enforcement level : 4, Effectiveness level : 1)

Based on Adblock Plus' [Acceptable Ads Manifesto](#), publishers can now whitelist their web pages in order to show ads if they comply with Adblock Plus' criteria. These criteria are very strict, not allowing: animated ads, hover effects, autoplay-sound, video ads, expanding ads, interstitial page ads, rich media ads, pre-roll video ads, etc.



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To be placed on Adblock Plus' whitelist is usually free for smaller websites, as long as the above criteria are met. However, even if a website is whitelisted, publishers cannot use third party ads from non whitelisted ad networks, therefore the revenue stream is limited considering the restrictions in ad formats and collaboration opportunities.

It is also possible for advertising agencies and ad networks to get whitelisted, but not for free. In 2015 Adblock Plus from Eyeo confirmed paid deals between Google, Microsoft, Amazon and ad-serving company Taboola. Due to the volumes and the value of the ads distributed by these companies, it allows them to pay to get whitelisted.

However, this solution is not sustainable in the long term for several reasons:

1. Only Adblock Plus is making paid agreements to allow ads. There are many other ad blockers that do not do this, so it is impossible to get whitelisted on all of the ad blockers.
2. In 2016 Adblock Plus signed another paid agreement with the Criteo ad network, which specializes in retargeting. Many users claim that retargeted ads are an invasion of their privacy and security. Privacy and security are considered to be a key reason users are installing ad blockers. When users realize that they are being retargeted again it will drive them to install another ad blocker which will not allow the whitelisted ads.
3. Blocking all the whitelisted ads from companies who have paid or not is as easy as installing an ad blocker. Every user can simply deselect the "Allow some non-intrusive advertising" tick-box in the Adblock Plus settings and the user will not see the ads, which wastes the payment the company has made.



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5) Deny Access

(Enforcement level : 10, Effectiveness level : 4 - uncertain)

This solution consists of denying access for users of ad blockers to either part of or all of the content of the publisher's site.

This solution is a strong enforcement towards users because it completely denies access to content. However, its effectiveness may vary depending on the reputation of the website and the uniqueness of its content. So, if a site prohibits access to ad blocker visitors, it is very likely that these users will go to another website with the same or similar style content, making this highly risky.

[Bild.de](https://www.bild.de) was one of the most famous cases where the site blocked access to ad block users. After the unsuccessful lawsuit against Adblock Plus, publisher Axel Springer requested visitors of Bild.de to either turn off their ad blockers or pay a monthly subscription fee for a mostly ad free version.

According to Axel Springer's report, this solution saw positive results with 40% of ad blocker users deactivated the ad blocker extensions or subscribing to the paid version.

Bild.de enforces users to remove ad blocker

The screenshot shows the top of the Bild.de website. At the top left is the 'Bild' logo. To its right are navigation links: '1 MONTH € 0.99', 'WETTER' with a weather icon and '11°C MÜNCHEN', 'BILD.SHOP' with a shopping cart icon, 'COMMUNITY' with a speech bubble icon, and 'LOGIN' with a lock icon. Below these is a horizontal menu with categories: 'HOME', 'IMAGE plus', 'NEWS', 'POLITICS', 'MONEY', 'ENTERTAINMENT', 'SPORTS', 'NATIONAL LEAGUE', 'LIFESTYLE', 'COUNSELOR', 'TRAVEL', 'CAR', 'DIGITAL', 'GAMES', 'REGIO', and a search icon. Below the menu is a video player area with a white overlay box containing the text: 'With Adblocker activated, you can no longer attend BILD.de'. Below this text is a red button that says 'Disable Adblocker Now' and a smaller link that says 'or subscribe Picture Smart'. Below the overlay box is the headline 'Why are there some BILD.de?' and a small line of text at the bottom: 'You are seeing this page because you have turned a Adblocker. Disable this'.



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6) Serve Alternative Ads

(Enforcement level : 3, Effectiveness level : 5)

Showing alternative ad content refers to the display of affiliate ads or ads from a few advertisers with whom there is a direct agreement, so when an ad blocker user is detected, these ads will show instead.

In both cases this solution consists of hosting the ad creatives at the same domain as the website, so ad blockers consider the ads to be part of the website. This solution is mostly applicable for publishers and not ad networks, however, it limits the amount of ads that can be shown as publishers have to manually implement the ads on their site.

In the case of affiliate ads, publishers get each of the ad creatives from an affiliate program and then upload them onto their website, which is time consuming for the publisher.

Publishers who opt for this solution should be careful about the implementation. Firstly, the name of the ad creatives and the hosting directory are important elements to be concerned about, as there is still a risk that ad blockers will block them. In the short history of ad blockers we have seen examples of publishers having essential files blocked on their sites, because they were hosted in the same directory as the ad creatives.



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Lastly, considering that only a few large publishers will be able to sign direct agreements with advertisers on a flat fee model, few affiliates ads are able to provide a significant amount of revenue. This is because affiliate ads pay based on conversions only. Additionally, it is common knowledge that revenue comes from well targeted advertising, therefore it is very unlikely that small/medium sized websites will have the infrastructure to identify and distribute personalized ads.

7) Change Domains

(Enforcement level : 10, Effectiveness level : 6)

Because ad blockers are based on domain blacklists, it is possible to bypass them by constantly changing the domain names of the ads. This practice has been used by single publishers and also by ad networks. This solution is probably the most aggressive against ad blockers and is also the most profitable one.

The risk however is much higher than any of the previous solutions mentioned. Ad blockers will soon identify the new domains as the source of ads and begin to start blocking them.

If the implementation uses reverse proxies to make ad content appear as if it comes from the publisher side, the local path can easily be identified by ad blockers. There is also the risk that ad blocker will block elements from the website more aggressively. For example, blocking all third-party JavaScript, third-party images, etc. So this might cause the site to not function correctly for ad blocker users.



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8) Serve Unique Ad Impressions

(Enforcement level : 10, Effectiveness level : 8)

This solution consists of bypassing ad blockers by serving each ad creative from a unique url outside of the publisher's website. This technology ensures that the urls cannot be identified and therefore cannot be added to the ad blocker block lists.

The implementation of this solution is easier than the previous solution mentioned, as the ads are not distributed from the publisher's side. Moreover, the uniqueness of the url reduces the need to maintain the implementation, because it is much more difficult for the ad blocker to identify it. This solution is cost free for publishers and it immediately delivers all of the lost revenues from ad blocker users.

Similarly to the other solutions there is always a risk. In this case, when ads start appearing to ad blocker users, they might complain to the ad blocker that they are using. When ad blockers identify a publisher circumventing their technology, it is possible that they will investigate and try to block the ads again by using the same methods as in the previous solutions. For instance, by blocking external elements of a website, JavaScript, third-party images, etc. The ad blockers may or may not be able to block the ads, however, this may then break some external functionalities of the publisher's website.

We hope that ad blockers won't start blocking website elements blindly, which until now, they haven't. So this solution will deliver positive results in the short term and possibly the long term too.



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FIGURE 6 - Ad Blocker Solution model Enforcement vs Effectiveness





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EXOCCLICK AND AD BLOCKERS

Platform features

ExoClick supports IAB's LEAN initiative and will continue working on different standards that fulfill publishers and advertisers needs as well as user expectations. We have developed several platform features to address the reasons why users are using ad blocking by offering ad choices to publishers:

- ExoClick provides intrusiveness filters to its publishers which allows publishers to choose between different levels of intrusive ads and filter out animated banners.
- We have created an optimised ad banner compression system, which significantly reduces load times for websites displaying our ads to provide a better user experience.
- We reject publishers who have websites with overcrowded ads.
- Our unique pixel allows negative retargeting options to combat privacy and security issues for users.
- We are currently working on new ad formats and ad choices to be made available to our publishers.



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In order to provide publishers with an immediate solution to ad blocking we have launched [NeverBlock](#), a technological solution to serve and increase unique ad impressions. NeverBlock has already been implemented by several desktop and mobile sites and the results are very promising.

NeverBlock benefits:

- Impression and revenue growth from ad blocker users (this depends on geographical distribution of the visitors on each site.) We have seen global impressions grow from 10% to 40% and average revenue growth from 10% to 40% or higher.
- eCPM from ad blocker users is similar or higher than it is for non ad blocker users.
- Conversion rates for ad blocker users and specifically for the pop ad format are higher. Initial data shows a higher performance of up to 42%.



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NeverBlock success story of a publisher with +200,000 impressions per day

We analyzed one of our clients, who implemented our NeverBlock solution. We collected data during the month of February 2016 and we discovered some very interesting insights:

- Average global impressions grew by +40%
- Average global revenue grew by +44%
- eCPM for ad blocker users is 10% higher than for non ad blocker users
- Impression and revenue growth from ad blocker users, depended on the origin of country. From the top 20 GEOs of the publisher's site, revenues increased, with the lowest being Russia at 8.29% and the highest being Germany with an increase of 140%.

The table on the next page displays the additional impressions and revenue the publisher received from the 20 most popular GEOs as traffic sources.



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Table 1 - Additional impressions and revenue as a % of growth per country

COUNTRY	IMPRESSION INCREASE FROM AD BLOCK USERS	REVENUE INCREASE FROM AD BLOCK USERS
United States	36.39%	29.23%
Germany	83.57%	140.86%
United Kingdom	39.18%	26.08%
Sweeden	72.95%	59.12%
France	63.80%	98.41%
Canada	46.32%	29.64%
Switzerland	40.66%	57.57%
Russia	7.03%	8.29%
Spain	37.05%	11.18%
Netherlands	50.53%	38.82%
Poland	51.35%	45.63%
Norway	47.91%	39.80%
Austria	61.62%	106.08%
Finland	66.62%	50.88%
Denmark	53.17%	57.37%
Belguium	48.44%	49.82%
Turkey	17.23%	19.29%
Czech Republic	37.53%	68.49%
Italy	30.30%	31.46%
Australia	43.56%	28.23%
Brazil	25.20%	11.87%



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CONCLUSION

Ad blocking is a problem that impacts the whole advertising industry and the foundations of the Internet for free content distribution. Its negative impact on advertising revenue has raised awareness and it needs to be addressed in the short and long term.

Unfortunately, there is no silver bullet solution because each different solution has its own variable costs and risks. IAB's proposal foresees a fragmented market, where publishers will continue providing rich media advertising, LEAN advertising and subscription services. Therefore, publishers will have to choose between all of the available solutions with different levels of enforcement and effectiveness.

ExoClick is an expert in the digital advertising field and we are here to support and work with publishers and help them optimise their ad spots in whichever solution they decide to implement and help them to provide a better experience for their users.

Speak to your ExoClick account manager or contact info@neverblock.com to find out more about our highly effective technological solution [NeverBlock](#).



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ADDITIONAL RESOURCES

PubNation Blog - Publishers Fight Back: How The Top 50 Websites Combat Adblock

<http://blog.pubnation.com/publishers-fight-back-how-the-top-50-websites-combat-adblock/>

IAB - We messed up.

<http://www.iab.com/news/lean/>

AdBlock

<https://getadblock.com/>

Adblock Plus

<https://adblockplus.org/>

PageFair 2015 Report on Ad Blockers (PDF)

http://downloads.pagefair.com/reports/2015_report-the_cost_of_ad_blocking.pdf

PCWorld - Here's how to block 'whitelist' ads from Adblock Plus

<http://www.pcworld.com/article/2879412/heres-how-to-block-whitelist-ads-from-adblock-plus.html>

Mondaynote - The Ad Blocking Industry: Global, Large, Threatening

<http://www.mondaynote.com/2015/12/06/the-ad-blocking-industry-global-large-threatening/>

Adage - IAB Explores Its Options to Fight Ad Blockers, Including Lawsuits

<http://adage.com/article/digital/iab-surveys-options-fight-ad-blockers-including-lawsuits/300228/>

The Guardian - German broadcasters lose Adblock Plus legal challenge

<http://www.theguardian.com/media/2015/may/27/german-broadcasters-adblock-rtl-prosiebensat1-eyeo>



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