



Mobile ad-blockers: saved by the app?

Deloitte Global predicts a mere 0.3 percent of all mobile device owners (comprising smartphones and tablets) will use an ad-blocker by end-2016. This is likely to put less than \$100 million (0.1 percent) of the \$70 billion mobile advertising market at risk¹⁷⁶.

An ad-blocker is a software file that blocks access to sites that deliver advertising files. These include the visible, such as banner and pop-up ads, and those operating in the background, such as trackers, which log a user's online activity. Data gathered by trackers can be used to determine which ads to serve, and can also be resold to third parties. Without an ad-blocker, a request for a 500-word online article may download these 500 words and additionally a large quantity (up to 20 megabytes, equivalent to 1,000 pages of text) of advertising files (advertising copy and trackers)¹⁷⁷.

For users, the most immediate impact of ad-blockers is page load times: a page that would have taken 10-15 seconds to load over a fast 4G connection can now take 2-3 seconds. Further, pages are presented mostly ad-free and white space replaces the areas reserved for ads; no ads pop up to obscure what you are reading.

A less visible consequence of ad-blockers is that trackers get barred too, inhibiting the reuse and resale of the user's browsing patterns. Some sites install dozens of trackers onto a user's device. Further, each ad, while small in size, can readily feel obtrusive within the minimalist confines of a smartphone screen. All additional ad content can bulk up each web page considerably, potentially increasing load times, consuming data allowances, and depleting the battery.

Despite these benefits, we would expect very few mobile devices to have ad-blockers installed by end-2016.

Only a small minority of the 3.4 billion smartphones and tablets in use by end-2016 are likely to have native ad-blocking capability built into their operating system; of these most usage will be app-based and unaffected by device-level ad-blocking.

A key reason for this is that only a minority (about 20 percent) of the 3.4 billion mobile devices (smartphones and tablets) in use by end-2016 are likely to have native ad-blocking capability built into their operating system. This reduces significantly the addressable market for device-level ad-blocking. These devices are forecast to generate about \$6 billion in browser-based ad revenues in 2016.

Additionally, most time spent on mobile devices is app-based, but ad-blockers only filter out browser-based content¹⁷⁸. In the US for example, about 90 percent of time spent on mobile devices is within an app, and only a tenth in a browser¹⁷⁹. This means that ad-blocking at the device level is applicable only for a minority of devices, and for a minority of the time.

Mobile ad-blockers do not block all ads: they prevent access to about 50,000 scripts (commands that are executed on a device automatically). The more sites that are added, the more processing power is required to check each site requested against the list. So ad-blockers cannot be fully comprehensive. Some of the companies providing ad-blockers offer to delist (also known as 'white list'), sometimes for ads that are not deemed intrusive, and occasionally for a fee.

An additional barrier to adoption is consumer inertia: for an ad-blocker to be operational, the user needs to select, download, and adjust the settings on their device. We expect most ad-blockers will be paid-for, as free ad-blockers' efficacy may be compromised by their use of 'white lists'.

Given all these factors we expect only a minority – at most two percent (10 million) – of the addressable market to have an ad-blocker installed and active by end-2016.

We would also expect advertisers to redeploy ads to apps or to websites not affected by ad-blocking and as a result may not reduce their spending on mobile. So websites with minimal advertising, and those with fast-loading advertising, may be net beneficiaries of ad-blockers.

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185. Safari application program on iOS devices has offered a 'reader mode' for years. iPhone, iTunes, Apple Pay, Apple TV, Safari are trademarks of Apple Inc., registered in the U.S. and other countries. Deloitte Global's TMT Predictions 2016 is an independent publication and has not been authorized, sponsored, or otherwise approved by Apple Inc.

An ad-blocker is a software file that blocks access to sites that deliver advertising files.

We expect the adoption of ad-blockers will follow a different pattern to that for PCs, for which ad-blocking has been available for years. As of mid-2015, there were an estimated 200 million monthly active users of ad-blockers on PCs globally, with 77 million active users in Europe and 45 million in the US alone¹⁸⁰. The focus on app-based usage on a mobile device is likely to be a key reason why the relatively large-scale adoption of ad-blocking technology that has been experienced on PCs will not be replicated on mobile.

While we do not expect the impact of mobile ad-blocking in 2016 to be significant relative to the overall size of the market, its impact is likely to be felt disproportionately.

Smaller online-only publishers that rely entirely on advertising revenues and lack other forms of income, such as subscription, may be particularly affected. They may not have the resource to be able to optimize their sites to load fast, while still delivering advertising. They may also lack the funding to create an app within which ads could be delivered outside of the reach of ad-blockers.

It may also be the case that the most impacted news outlets are those focused on tech and gaming news, whose audience is most aware of ad-blockers and most likely to have deployed them for their PC-based usage.

Bottom Line

When ad-blockers first went on sale they stormed to the top of the app store charts in the first weekend¹⁸¹. Subsequently sales have fallen steadily¹⁸². However this should not be a cause for complacency. There is the possibility of a further wave of interest in ad-blocking, which could lead to a more significant wave of adoption.

Online publishers that rely on advertising for revenues should use the threat of ad-blocking to consider how best to enable easy payment for their content and not provide a vast array of consumer data as a condition of being able to contribute a dollar, or to insist on subscription.

The mobile advertising industry should also keep an eye on network-level ad-blocking¹⁸³. While in some markets this may be considered a contravention of net neutrality principles, regulation may change to enable this¹⁸⁴.

The industry should also anticipate how prevalent consumer inertia can be. For example, hundreds of millions of mobile users have been able to access an ad-free, text-only mode for reading content for years, but few have chosen to do so¹⁸⁵.

However we also anticipate that many mobile users would deploy their own form of organic ad-blocking by simply ignoring mobile websites with what they consider to be excessive advertising content. So even if ad-blockers are not popular, avoidance of ad-heavy sites may still be common.

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