

# AD-BLOCKERS AS A NEW GROUP OF STAKEHOLDERS OF CONTEMPORARY BUSINESS ORGANIZATIONS

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## Introduction

Recent years have brought a constant and extremely dynamic growth of the digital advertising market. In 2017, expenditure on advertising in digital media amounted to USD 228.44 billion and accounted for 39.1% of total expenditure on advertising, while in 2021 this number is expected to grow further to 49.6%. At the same time, spending on mobile advertising is also growing at a very dynamic pace. In 2017, it amounted to USD 142.78 billion, which constituted a growth of 33.6% in comparison to 2016 (eMarketer, 2017b). This increase takes place primarily at the expense of traditional media, and is related to the fact that Internet users spend more and more time online, hence, the level of consumption of digital media in various forms is constantly growing (comScore, 2018). According to the eMarketer report from April 2017, an adult American uses various types of media for more than twelve hours a day, of which almost six hours are spent on digital media. At the same time, for an increasing part of the time, they peruse the media using mobile devices such as a smartphone or tablet. In 2014, the average was 2 hours 18 minutes, and the forecast for 2019 is 2 hours 42 minutes a day (eMarketer, 2017a).

One of the consequences of these phenomena is a rapid increase in the number of digital advertisements received by users. It is estimated that an average Internet user receives 11,250 ads per month. In these conditions, their defence against the number of advertisements they receive is more and more widespread use of ad-blocking solutions on their personal computers and mobile devices (Elliott, 2017). Therefore, a new, increasingly numerous group of stakeholders, using electronic space in their activities, is coming up to life, and their influence is increasing at a rapid pace. By blocking digital advertising, it disrupts the ecosystem of digital advertising with a destructive effect on its participants and causing measurable financial losses. The global economic costs of ad-blocking are increasing at an extremely rapid rate. In 2013, they amounted to USD 7.2 billion, while just three years later they were estimated at USD 41.4 billion (Statista, 2017).

Therefore, in the situation when this phenomenon is developing dynamically and it has a destructive impact on the functioning of the entire electronic economy as well as the advertising model, this article aims to analyse the challenges and threats associated with the emergence of a new group of stakeholders (*ad-blockers*) using electronic space in their activities and the opportunities associated with managing them.

In order to achieve the research goal, various scientific methods and techniques have been applied. They include: a critical review of literature, logical deduction and on-line survey.

## The position of ad-blockers among the stakeholders and the types of their impact on them

The concept of stakeholders emerged in an internal Stanford Research Institute (SRI) memorandum in 1963, in which stakeholders were referred to as “groups without whose support an organisation would cease to exist.” These included shareholders, employees, customers, suppliers, lenders and society. This concept was promoted two decades later by Freeman in his book *Strategic Management: A Stakeholder Approach*. He defined the concept of stakeholders much more broadly than in its original form, namely as “any group or individual who can affect or is affected by the achievement of the organisation’s objectives” (Freeman, 1984). This definition has been extended and clarified (Wielki, 2012). In this sense, stakeholders are “groups or individuals that can influence or experience the impact of an organisation’s activities of any kind in relation to its objectives. They can thus help it to function and to achieve these objectives, as well as have a variety of destructive effects on these processes” (Wielki, 2012). This concept of the role of stakeholders will be used for the purposes of this publication.

Looking at such a definition of stakeholders, it is clear that ad-blockers fit perfectly into the definition. By using the Internet to achieve their personal goals, they function, like businesses, in an electronic space that is constantly developing and evolving, around the global open network infrastructure and related tools, which forms the backbone of the Internet (Wielki, 2012). In this space, interests of organisations using it for promotional purposes, publishers displaying the advertisements and Internet users collide, and the result of this specific conflict of interest is the development of the ad-blocking phenomenon.

Looking at the electronic space from the point of view of the stakeholder theory, entities operating in it can be divided into three basic groups (Wielki, 2012).

1. Known and identifiable entities operating in electronic space, affecting the organisation;

2. Unknown and/or hardly identifiable entities operating in electronic space, having a real impact on the functioning of the organisation;
3. Identifiable and unidentifiable entities operating in the electronic space, neutral from the point of view of the functioning of the organisation.

From the point of view of the above typology, ad-blockers definitely belong to the second group.

At the same time, all entities operating in the electronic space may influence the organisation in many different ways. In general, this impact can be divided into two main types:

- direct one; or
- indirect one.

The direct impact of the electronic space elements should be understood as an impact which is intentionally aimed at resources of a given organisation. On the other hand, the indirect impact of the electronic space elements means the impact that is not deliberately aimed at the resources of a specific organisation, but ultimately affects them. From this point of view, we may say that the impact of ad-blockers is indirect.

At the same time, entities operating in the electronic space, impacting organisations either in direct or indirect ways, may influence two types of organisational resources:

- tangible ones (such as financial resources);
- intangible ones (e.g. brand, credibility, reputation or customer trust).

The impact types described above can take two main forms:

- „physical”; or
- „non-physical.”

The first type of impact of entities operating in the electronic space occurs when their basic impact and actions taken by them are directed at the organisation's IT system. The latter occurs when the actions taken by the entity are not aimed at the IT system – they do not involve any attempts to break into the organisation's IT systems, infect it with any type of malware or any form of attack on it. The activities of the ad-blockers definitely constitute the second form of activities. From the point of view of the above typology of the impact that the electronic space has on organisations, the growth of the ad-blocking phenomenon is clearly in line with the diagram presented in Figure 1.

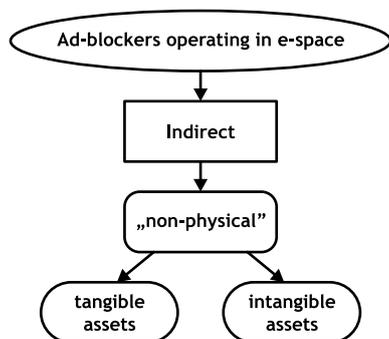


Figure 1. Ad-blocking in the context of types of impact of the electronic space elements on business organisations  
Source: own compilation

## Model of ad-blocker impact on organisations and economic effects of the ad-blocking phenomenon

As already mentioned, ad-blocking has an ever-increasing economic impact on the ad ecosystem. Ad-blockers are becoming another group that has a destructive effect on the ecosystem itself. It is estimated that half of the expenditure on advertising goes to the fraud ecosystem, which comprises elements such as fake accounts on Facebook and Twitter, fake websites, bots pretending to be visitors (fake visitors/bots) and many others. The functioning of the fraud ecosystem results in lower return on advertising (ROI) for advertisers and lower revenues for publishers, as some of the money simply does not go to them (Fou, 2017). In their context, ad-blocking generates two types of costs, namely direct and hidden costs.

As regards the first type of costs, these are costs related to the reduction of advertising revenues of publishers. They have been growing rapidly since 2013, reaching USD 41.4 billion in 2016 (Fig. 2). At the same time, Ovum expects these costs to reach USD 75 billion by 2020 (Willens, 2017).

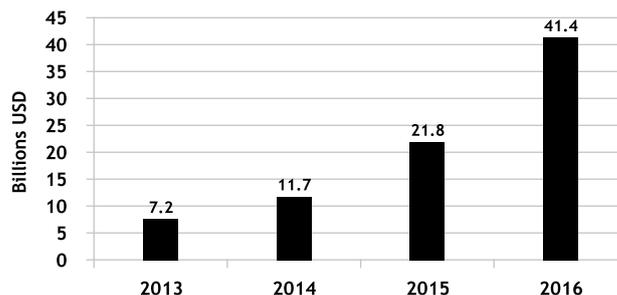


Figure 2. Global direct costs of the ad-blocking phenomenon  
Source: own compilation based on (Statista, 2017)

As far as hidden costs are concerned, they mainly concern small and medium-sized publishers, and they are created according to the following mechanism: blocking advertising results, as in the case of all publishers, in a drop-in advertising revenue. This in turn reduces their ability to invest the revenue in the content presented on the website. As a result, they become less attractive for consumers. As a result, the traffic generated by the website is reduced, and as a result, advertising revenues are reduced (Shiller et al., 2017).

The model of the impact of ad-blocking on ad publishers in the context of the two cost types described above has been shown in Figure 3. Path 1–2 refers to direct costs generation. They appear when visitors use ad-block solutions on their devices, cutting off the revenue stream reaching publishers (they are paid by advertisers a certain amount of money for each display of their advertisement to a visitor to their website). Path 1–2–3–4–5–6 refers to the generation of hidden costs, according to the previously described mechanism.

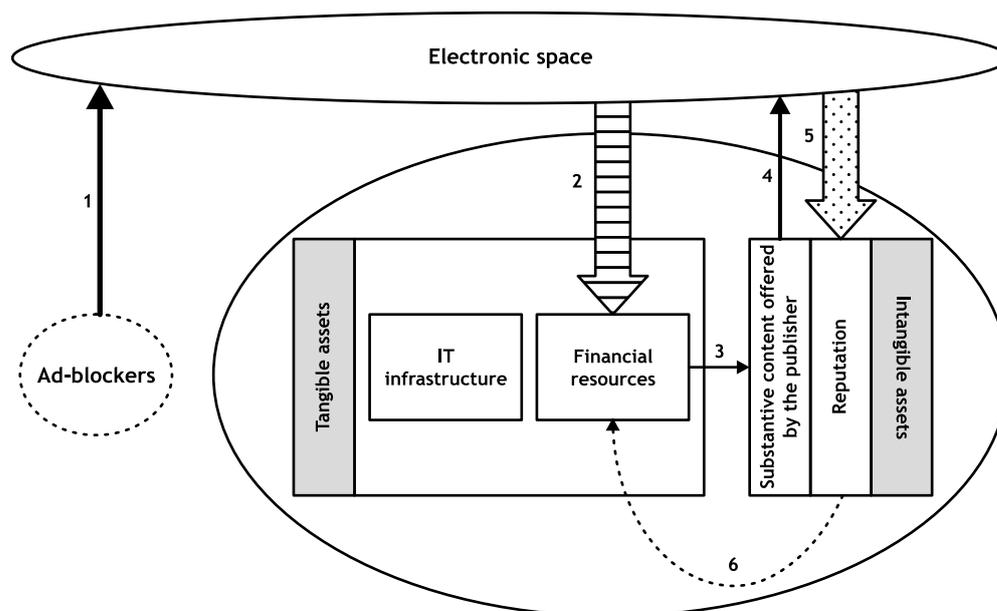


Figure 3. Model of the impact of ad-blocking phenomenon on online publishers  
Source: own compilation

## Reasons for the impact of ad-blockers on organisations in the light of literature analysis and own research

The analysis of numerous publications and reports on the development of the phenomenon of ad-blocking indicates several fundamental reasons for its creation and growth. For example, a study conducted in the US in May 2017 shows a number of key reasons, such as (Statista, 2018):

- Too many ads are annoying or irrelevant (49%);
- I think there are too many ads on the Internet (40%);
- I find online ads intrusive (40%).
- In turn, in Australia the key factors, according to the results of IAB Australia survey, are (IAB Australia, 2016):
- Just too many ads on sites (61%);
- Ads are disruptive (59%);
- Don't like ads that target or follow me (52%).

Similar results can be found in other publications (eMarketer, 2016). With the secondary data from the reports on the phenomenon of ad-blocking and the motivation of users to apply these types of solutions, a decision was made to obtain the primary data by conducting our own research on a deliberately selected group of individual Internet users for the purposes of comparison. The respondents were students from two Polish universities

and the group was selected, according to three criteria i.e.: country of origin, age and education. Such a selection of population resulted from the following premises. First, according to the 2017 OnAudience.com report, Polish Internet users are the leading nation when it comes to use of ad-blocking solutions (OnAudience.com, 2017). As to the second criterion, a decision was made to select a sample of 19–25-year olds, based on the assumption that this age group uses the Internet intensively or very intensively. The most active Internet users, as the literature analysis shows, often use various types of ad-block solutions (OnAudience.com, 2017a). At the same time, as the data from the reports indicates, the users of solutions blocking advertisements are better educated (PageFair, 2017a). Because of this, undergraduate, graduate and doctoral students were included in the cohort.

The study was carried out on three cohorts of respondents. The first cohort encompassed students of the Faculty of Economics and Management of the Opole University of Technology (OUT) and the research was conducted in the period of 01.02.2017–19.05.2017. The research on the second cohort of respondents was conducted between 04.11.2017–18.02.2018 and encompassed students of the Faculty of Economics of the University of Economics in Katowice (UEK).

Table 1. Structure of respondents

Survey edition	University	Number of male students	Number of female students	Total
First	OUT	41	137	178
Second	UEK	105	137	242
Third	OUT	38	78	116

Source: own compilation



The third cohort of the survey included another group of students from the Faculty of Economics and Management of the Opole University of Technology and the research was conducted in the period of 09.01.2018–19.04.2018. In total, 536 respondents took part in the research and the study took the form of a survey conducted using Google Forms (the structure of respondents has been shown in Table 1).

The survey questionnaire consisted of nine closed questions and six sociodemographic ones. There were six main subjects of interest in the study i.e.: Internet access tools applied, intensity of using the Internet, the level of ad-block type solutions deployment across devices, the reasons for using ad-block type solutions, on-line services where ads are particularly annoying and the conditions under which respondents would be willing to stop using ad-block solutions.

The assumptions that the study group belongs to the group of ad-block solutions users have been confirmed. 61.1% of respondents admitted using such solutions, which is significantly higher than the average for Polish Internet users. Laptops were the main type of devices where the respondents had installed ad-blocking software (87.5%), while desktops were the second most popular group, with only 32.7% respondents admitting to installing such solutions. At the same time, despite the widespread use of smartphones, respondents rarely installed ad-block-type software on them (16.2%).

The results of the study have confirmed the reasons for using ad-blocking solutions that appear in the studies carried out in other countries. The respondents picked the most important reasons for blocking ads, which included:

- I am annoyed by the ads displayed online (89.9%);
- Too many ads are displayed online (76.4%);
- I cannot view page content due to ads (68.5%);
- I am not interested in products/services shown in ads (52.4%).

For the participants of the study, the ads are most annoying when it comes to browsing the content of websites (67.5%), using social media (60%) and e-mail (48.1%), as well as shopping online (45.4%).

## Opportunities related to ad-blocking management by organisations

The presented above analyses show that the phenomenon of ad-blocking is a real challenge for organisations using the electronic space in their business activities, and ad-blockers are growing into a new, more and more influential, group of stakeholders. In this situation, when the economic impact of ad-blocking activity is growing at an extremely rapid pace, it becomes necessary for organisations to take actions in order to manage this new group of stakeholders as effectively as possible and to minimise the impact of their activity. In this context, seven apparent strategies can be identified. They include:

1. A strategy based on appealing to users to stop using ad-blocking solutions and educating them (*appeal and educate*);
2. A strategy based on deploying pay-walls;
3. A strategy based on displaying advertisements that cannot be blocked by ad-block companies;

4. A strategy based on the use of adaptive advertising approach;
5. A strategy based on paying developers of ad-blocking solutions;
6. A strategy based on permission and incentive advertising;
7. A strategy based on an attempt to develop systemic solutions;

Regarding the first one, it is a strategy based on appealing to users to stop using blocking solutions. After detecting that users are using a solution of this kind, they receive messages trying to convince them, using various arguments, to cease such activities. The effectiveness of such an approach is difficult to assess due to the scarcity of available data (eMarketer, 2017).

The second strategy is to block access to the content for users who use ad-blocking solutions. As far as the effectiveness of this type of approach is concerned, the results of carried out own research indicate that such an approach may be effective. In a situation where the condition for accessing the content is to disable the ad-blocking software, the majority of respondents (67.1%) declared that they were doing so, while one third (32.9%) declared that they were looking for other websites offering similar services or content. However, according to the research conducted by PageFair, this type of behaviour is characteristic of younger Internet users. As many as 74% of the users who apply ad-blocking solutions in the US, surveyed in November 2016 left websites when faced with ad-block walls (eMarketer, 2017).

The third of the strategies used is related to displaying advertisements which cannot be blocked by companies offering ad-blocking solutions. The Facebook social network has successfully implemented such a strategy. Eyeo, the company which developed Adblock Plus, the most famous ad-blocking solution, made efforts to break the solution created by Facebook, but at the moment they only managed to achieve partial and temporary successes (PageFair, 2017).

The fourth strategy is a solution proposed by PageFair, based on measuring the costs of ad-blocking on the side of publishers, which then helps to balance these costs by displaying alternative ads to Internet users using ad-blocking solutions (PageFair, 2018).

The fifth strategy has been successfully applied by Internet giants such as Google, Microsoft and Amazon, and works by paying the aforementioned owner of Adblock Plus for not blocking their advertisements. The amount paid is equal to 30% of the revenue they would obtain from advertising if it were not blocked (O'Reilly, 2015).

The sixth strategy was implemented by Verizon in Selects Reward Program. In this programme, users accumulate points and rewards based on their voluntary consent to displaying third-party, targeted advertising based on user-specific data (Verizon, 2018).

The seventh and last strategy is an attempt to develop systemic solutions that take into account the interests of both publishers and consumers of digital advertisements. The result will be a new model of a digital advertising ecosystem, in which the way, form and scale of displaying advertisements will be acceptable for users. The *Coalition for Better Ads* initiative, which brings together the most

important players in the online advertising market, has made efforts in order to accomplish this goal. Within its framework, initial standards were created for a new type of online advertising, which were tested on a group of over 25,000 consumers (Coalition for Better Ads, 2017).

## Summary

The development of the ad-blocking phenomenon is becoming a real and economically significant problem for organisations that use the electronic space to achieve their own business goals, while ad-blockers are growing into a new group of their stakeholders. By blocking digital advertising, they interfere with one of the basic business models used online – the advertising model, thus affecting two groups of entities operating within the digital advertising ecosystem, namely advertisers and advertising publishers. The former, incurring increasing expenditures on specific advertising activities in the electronic space as a result of ad-blockers, are not able to achieve their goals, such as brand awareness or purchase influence. On the other hand, publishers lose revenues as a result of the direct and hidden economic costs of ad-blocking, which have been mentioned above.

As it has been shown, in this situation, publishers try to take various actions, most often of a limited scope. It seems, however, that apart from this type of activities bringing various, more or less permanent effects, systemic solutions are required. Without them, it is difficult to expect the scale of ad-blocking phenomenon to diminish, especially in the situation, where one of the reasons for its growth – the number of advertisements – will continue to grow in the face of ever-increasing expenditure on digital advertising. In these conditions, it becomes crucial to develop systemic solutions focusing on the second main reason for its growth, in this case the aggressiveness of advertising. Initiatives such as the Coalition for Better Ads mentioned above are moving in this direction. However, their effectiveness will be determined by their widespread use by the industry, which is not that obvious. It is also worth mentioning that the issue is neither easy nor unambiguous in case of yet another, often cited in various studies, reason for the growth of the ad-blocking phenomenon – poor adjustment of advertisements to the interests of the recipients.

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## **Adblokerzy nową grupą interesariuszy współczesnych organizacji gospodarczych**

### **Streszczenie**

W artykule analizowane jest zjawisko blokowania reklam cyfrowych (*ad-blocking*) i wyzwania oraz zagrożenia związane z wyłanianiem się adblockerów jako

nowej grupy interesariuszy organizacji wykorzystujących przestrzeń elektroniczną w swej działalności gospodarczej. Przeanalizowano miejsce adblockerów wśród interesariuszy organizacji oraz zidentyfikowano typy ich oddziaływania na nie. Omówiono również skutki ekonomiczne zjawiska blokowania reklam cyfrowych oraz przedstawiono autorski model oddziaływania adblockerów na wydawców działających on-line. W dalszej części przeanalizowano przyczyny rozwoju tego zjawiska na bazie danych wtórnych oraz wyników badań własnych. Artykuł kończy omówienie siedmiu zidentyfikowanych strategii działań podejmowanych przez różne organizacje i podmioty w kontekście ograniczania zjawiska blokowania reklam cyfrowych i szkód związanych z aktywnością adblockerów.

### **Słowa kluczowe**

blokowanie reklam cyfrowych, otoczenie organizacji, przestrzeń elektroniczna