# ANALYSIS

More than a quarter of UK shoppers will be using ad-blocking software by 2017, so how should retailers adapt their strategies? Grace Bowden investigates

# How retailers can tackle the rise of ad-blocking

It's clear there is an appetite for ad-blocking software among online shoppers. Forrester Research has found there were 77 million active users of ad-blocking software in Europe last year, and that it costs the advertising industry an estimated £15.2bn globally in lost revenue.

Consumer trend and insight company Future Foundation's head of innovation, Josh McBain, says: "Ad-blocking is here to stay, so retailers need to build an advertising model that demonstrates clear value for shoppers."

However, some ad-blockers have impacted the functionality of retailers' websites by removing website text and video content from online stores.

Last year, Walmart and Sears both had product pages and images on their websites barred by ad-blocking technology provider Crystal's software, despite the content not being advertising.

Digital marketing research company Emarketer's senior analyst, Bill Fisher, says: "What ad-blocking software does is indiscriminate and sometimes it can block quite useful script that isn't advertising.

"It's a bit like putting weedkiller on your garden – you're killing the weeds, but you might take out some of the roses as well."

## Data protection

So why are an increasing number of shoppers choosing to use ad-blocking software? One of the main motivations for using the technology stems from a lack of clarity over what retailers and advertisers do with customer data.

"What we are seeing is the rise of the consumer capitalist: shoppers who appreciate the value of their data to businesses and want something tangible in exchange for sharing it," says McBain.

"More shoppers see customer data as their personal property when shopping online, so brands need to do a better job of communicating the value exchange of what benefits the shopper will get for sharing their information."

The lack of clarity regarding what retailers are doing with shoppers' data has led to increased concern about online advertising in comparison with more traditional media.

About a third of European consumers actively avoid TV and newspaper adverts, in comparison with the 60% who avoid online ads, Forrester Research shows.

Use of customer data and privacy is a red flag for online shoppers and ad-blocker users, but it's not their only concern. For many, online advertising is a frustrating interruption of their shopping experience.

"One reason we found as to why consumers were installing ad-blocking software was because digital advertising is very annoying and often irrelevant," says Fisher.

"Shoddy use of data from retailers, advertisers and suppliers is not working particularly well and is really frustrating consumers."

## Unwanted intrusions

Disruptive adverts are also cited as a significant irritation for online shoppers. "Before ad-blocking, shoppers couldn't avoid online ads and they were very interruptive," comments Forrester Research analyst Samantha Merlivat.

"When you're on a mobile or smaller screen it's even more distracting and really stops whatever you're trying to do, so I think it's seen as very intrusive from that perspective."

Ad-blocking technology made the headlines last October when Apple permitted iPhone users to install the software on its latest operating system.

The day after Apple announced that it would allow users to install ad-blockers on their mobiles, downloads of related apps, such as Crystal, Purify and Adblock Fast, topped the charts in the brand's app store. Growing popularity of the technology has caused a significant rise in the number of options available for shoppers.

While some companies, such as Channel 4, have banned ad-blocking script from running on their websites, McBain stresses that this is not a course of action retailers should take.
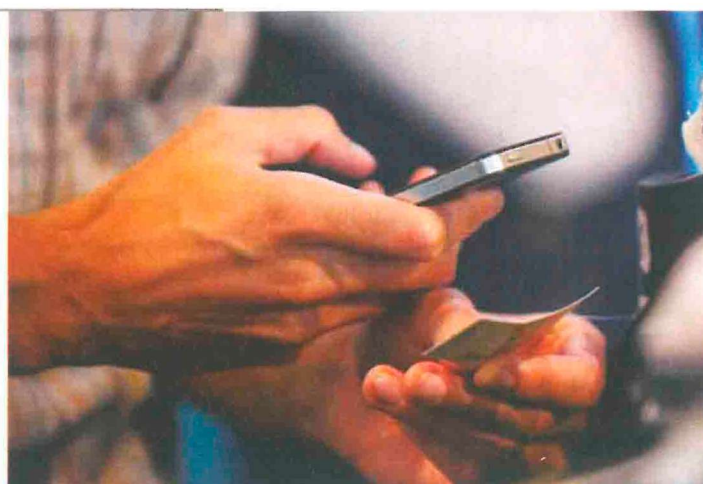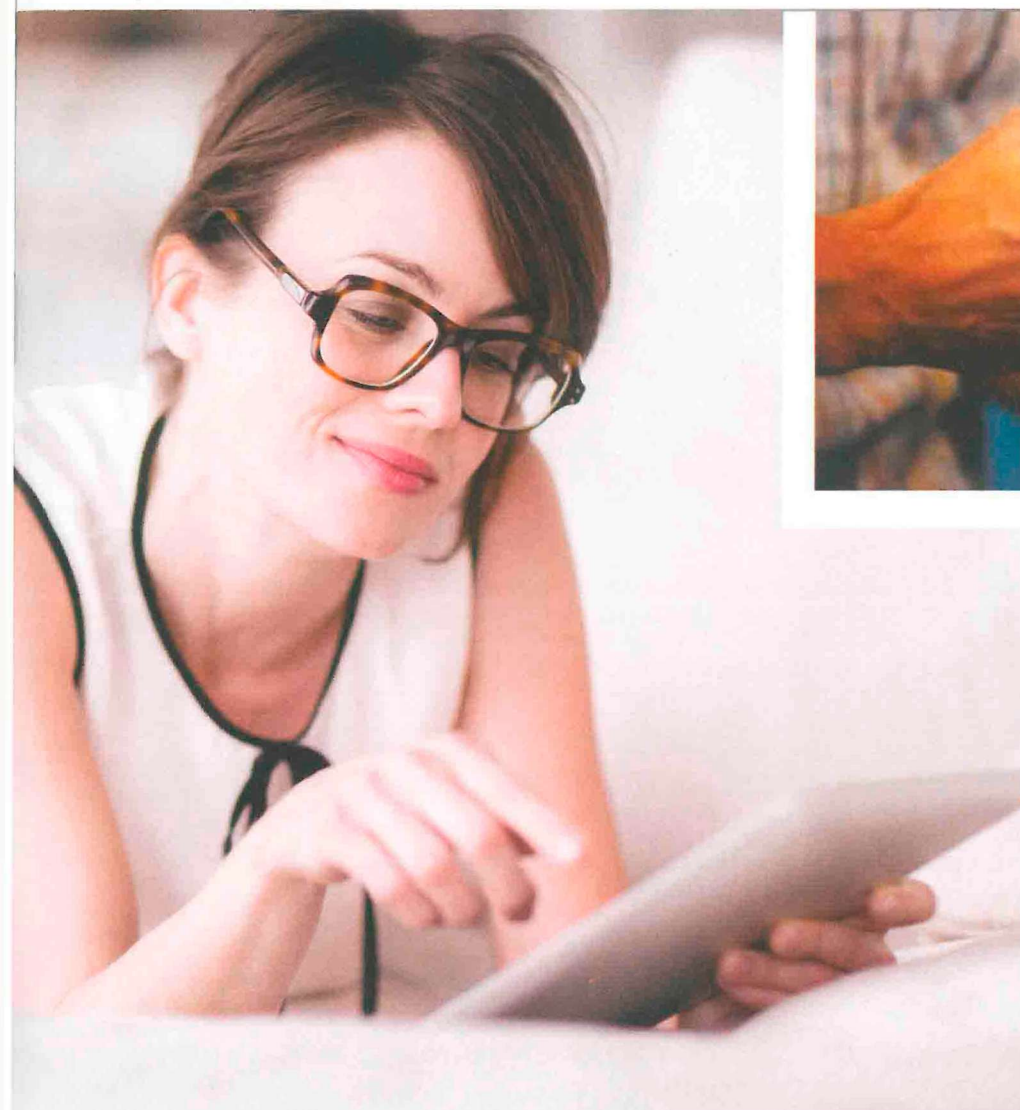
"The tactic of trying to prevent shoppers using ad-blocking technology won't work for

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**Future Foundation**

retailers and could have a big impact on customer loyalty and brand reputation," he claims.

So what steps can retailers take in order to re-engage shoppers in online advertising?

Better use of customer data, increased investment in native advertising and imposing a limit on the number of times shoppers are sent targeted ads per day could be a good place for retailers to start when rethinking their online marketing strategies.

"There is still a place for traditional ads online, but they have to be less frequent, more targeted and more relevant," says Merlivat.

Furniture etailer Made.com, which advertises through a variety of social media platforms, has not seen a significant impact of ad-blocking on its online marketing strategy.

Commercial director Anna Kilner says: "We are cognisant of this industry issue, but so far we have seen no meaningful impact on the success of our marketing campaigns, which continue to drive strong top-line growth.

"Made.com's digital marketing attribution model focuses more on click-proven formats than impressions, and continue to scale native formats."

More variety in advertising, such as branded videos and written content, which would fit more naturally into the content of online publishers such as Facebook, Instagram and Pinterest, could also increase customer engagement.

Retailers should also consider offering shoppers incentives to engage with their online advertising, such as prize draws, discounts or access to exclusive content.

## Building blocks

Ad-blocking technology is relatively new and the bigger players are taking steps to be more accommodating of retailers' marketing.

Rather than imposing a blanket ban on all advertising, some ad-blockers are creating 'white lists' of the kind of advertising content they will permit based on format, size and frequency.

It is difficult to measure the exact effect of ad-blocking on retailers' online sales.

However, Alastair Dent, head of product for marketing company iProspect, which works with retailers including Asda, is quick to downplay the technology's impact.

"The impact of ad-blocking really matters to us and our clients, but Google keeps improving its shopping products and Facebook keeps improving its dynamic product ads.

"Retailers will keep investing in those avenues as long as they deliver sales, and the pace of development in publishers' technology is outpacing ad-blockers."

For the moment, ad-blockers are not used by the majority of online shoppers, so many retailers may not see the incentive in adapting their advertising strategies.

However, it is a trend that is growing at pace. Emarketer predicts that, by the end of next year, 27% of UK internet users will have ad-blocking technology installed on at least one device.

It is therefore essential that retail marketers are aware of its effect to ensure their online ads are future-proofed and fit for purpose.