Is there an #adlergic epidemic? Ad blocking across media

Deloitte Global predicts that 10 percent of North Americans over age 18 will be engaged in four or more multiple, simultaneous advertisement-blocking behaviors in 2018; we call these people adlergic. In a Deloitte Global survey conducted in mid-2017 of 1,096 Americans and 1,090 Canadians aged 18 to 75, we measured ad blocking across various media and devices. We found that while about three-quarters of North Americans engage in at least one form of regular ad blocking, a much smaller subset of about 10 percent blocks ads across four or more types of traditional and digital media channels most of the time. Some forms of ad blocking (such as software on computers and mobile devices, and streaming music and video services) are growing relatively quickly, while other forms of ad blocking (such as ad skipping with personal video recorders [PVRs] or changing channels on TV or radio) are stable or growing slowly. We predict the percentage of adlergic people will be about one percentage point higher in 2018 (see Figure 16) in North America.

The adlergic percentage is much higher for millennials aged 18 to 34, with over 17 percent blocking ads in four or more categories, and we expect this percentage to increase one or two percent in 2018. Nor is age the only demographic factor that seems to affect the tendency to block four or more categories. In all countries studied, people who were employed and had higher incomes and more education were all more likely (by 200 to 400 percent) to be heavy ad blockers than were less-educated people who were not working and had lower incomes (see Figure 19).

Finally, it appears that almost nobody blocks all ads. We are referring not to categories that are inherently impossible to block (for example, a highway billboard), but instead to the fact that across the seven major ways of blocking ads, the percentage who block all seven was zero or nearly zero in all countries surveyed in 2017, and we predict that will be true again in 2018.

While doing research on a different project, we happened to conduct the same survey in Turkey, and we include the findings for those who are interested. Turkish data is shown on all charts, but more detailed data can be found in a separate section below.

212. Ad-blocking on the rise in emerging markets: Mary Meeker, The Hindu Business Line, 1 June 2017: http://www.thehindubusinessline.com/catalyst/ad-blocking-on-the-rise-in-emerging-markets-mary-meeker/article9717805.ece.

213. Google to build ad-blocker into Chrome browser to tackle intrusive ads, The Guardian, 2 June 2017: https://www.theguardian.com/technology/2017/jun/02/google-build-adblocker-intrusive-ads-chrome-browser.

214. The Hindu Business Line: http://www.thehindubusinessline.com/catalyst/ad-blocking-on-the-rise-in-emerging-markets-mary-meeker/article9717805.ece.

215. Ad-blocking basically doesn't exist on mobile, The Register UK, 25 August 2017: https://www.theregister.co.uk/2017/08/25/ad_blocking_doesnt_exist_on_mobile/.

216. Nielsen Total Audience Report Q1 2017, Table 1A, page 15.

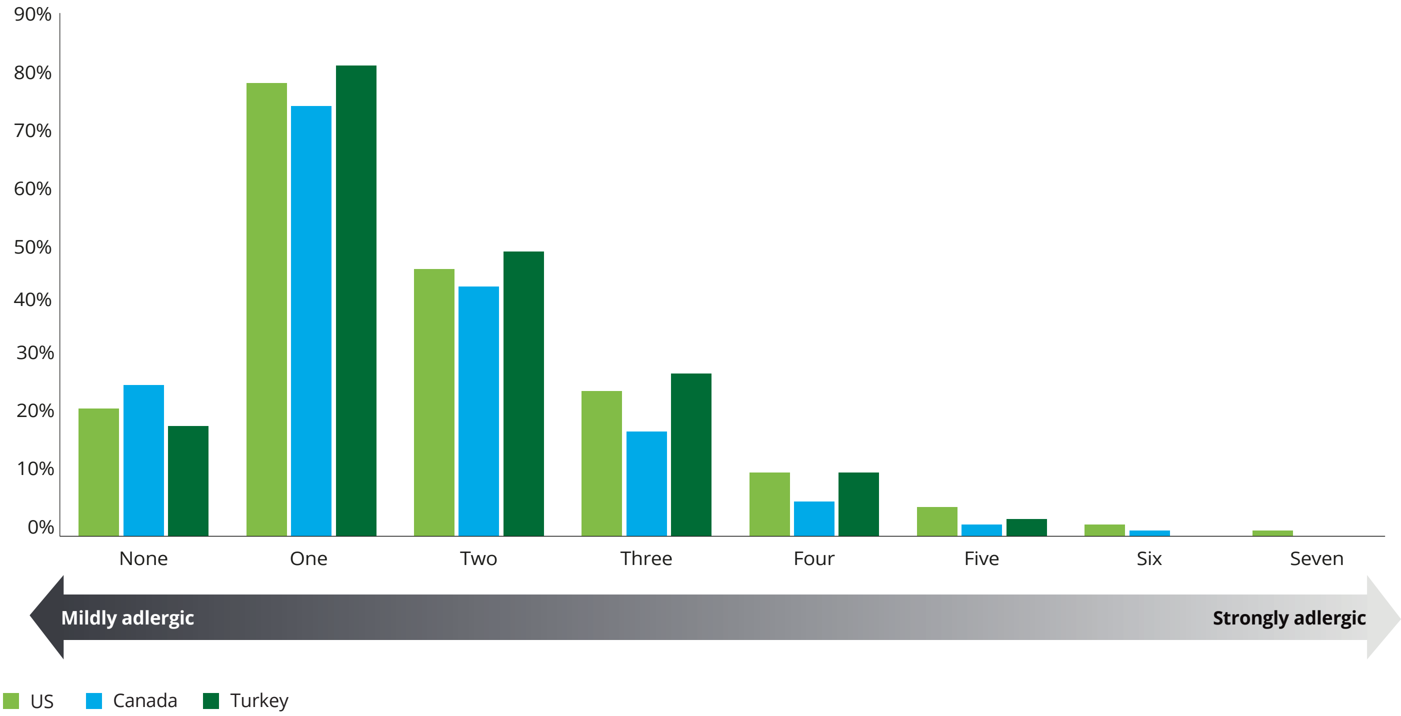
217. ThinkTV Basics, 2015-2016, Think TV, page 5, accessed 6 November 2017: http://thinktv.ca/wp-content/uploads/2016/11/thinktv_TV-Basics_Fall-2016_Nov-14.pdf.

218. Nielsen Total Audience Report Q1 2017, Table 1A, page 15.

219. ThinkTV Basics, 2015-2016, Think TV, page 5, accessed 6 November 2017: http://thinktv.ca/wp-content/uploads/2016/11/thinktv_TV-Basics_Fall-2016_Nov-14.pdf, page 5.

220. 2018 Advertising Spending Forecast by Category, Media Group Online, 13 October 2017: https://www.mediagrouponlineinc.com/2018-advertising-spending-forecast-category-25th-annual-economic-report/.

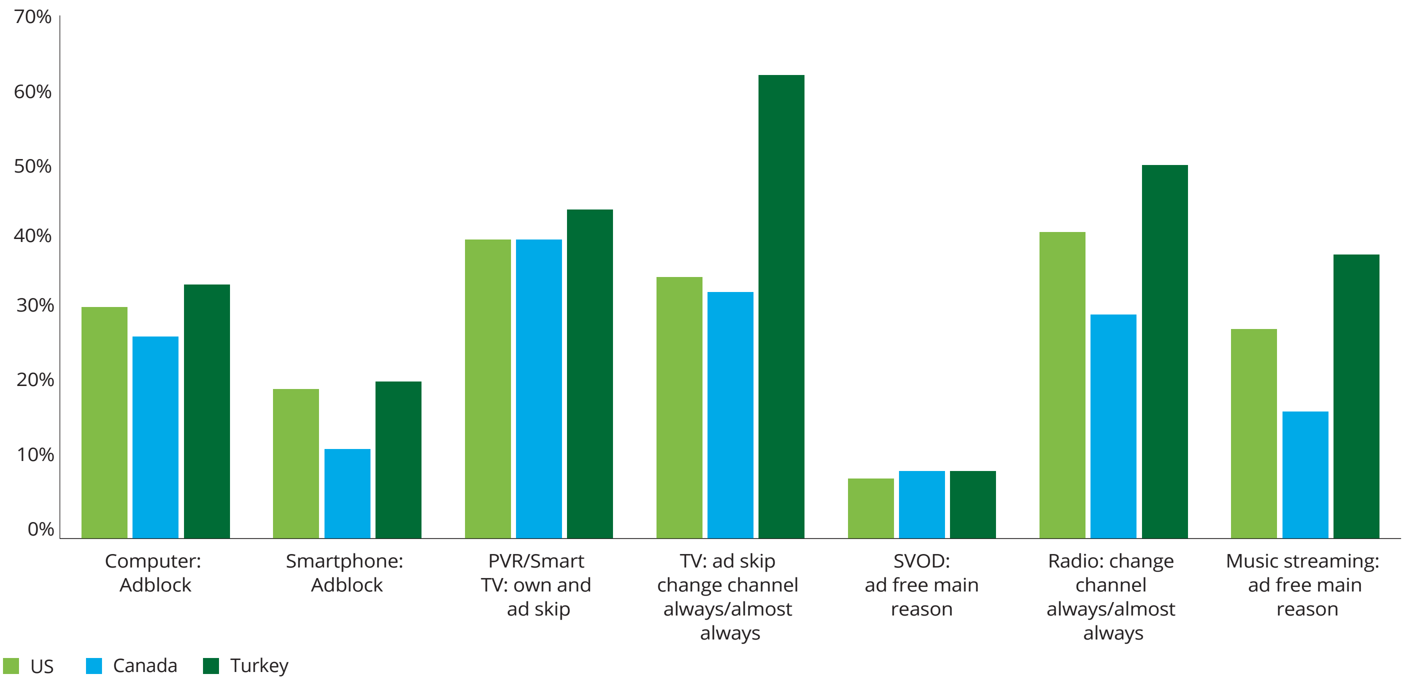
Figure 16. #Adlergic population measured by number of ad-blocking behaviors



Weighted base: Deloitte Global survey of adults USA (1,096), Canada (1,090), Turkey (1,061)
Source: Deloitte Global survey, Aug-Sep 2017

What are the various ad-blocking behaviors being counted as part of the adlergic population? See Figure 17 for an overview of how the various behaviors occur across the countries studied.

Figure 17. Ad blocking by category



Weighted base: Deloitte Global survey of adults USA (1,096), Canada (1,090), Turkey (1,061)
Source: Deloitte Global survey, Aug-Sep 2017

PC and mobile: Ad-blocking software on computers is not new: 18 percent of users in the US and 24 percent in Canada used the software as of 2016.[212] Deloitte Global's survey found that PC ad blocking was even higher in 2017, with 31 percent of Americans and 27 percent of Canadians using this technology. In both countries, men were over 10 percentage points more likely than women to use PC ad blockers, and also in both countries, 18-34 year olds were over 10 percentage points more likely than were the average of people of all ages. Indeed, 50 percent of 25-to-34-year-olds in the US said they used a computer ad blocker. Given the growth versus 2016 numbers, it seems likely that PC ad blocking will continue to grow and will almost certainly be in place on at least one in three computers in North America by 2018. That number could be even higher, as a popular web browser (both PC and mobile) may soon incorporate ad-blocking software without the need for users to download additional modules.[213] It will not block all ads, but it may block those that do not comply with the Better Ads Standard, such as ads that launch automatically and play loud music, for example.

Mobile phone ad blockers are common in some regions around the world. In one study, 28 percent, 13 percent and 58 percent of smartphone owners in India, China and Indonesia, respectively, used some version of the software. Some studies suggest that mobile ad blocking in North America is minimal – one percent[214] or even zero.[215] Our 2017 Deloitte Global survey showed much higher self-reported rates of mobile ad blocking; 20 percent of Americans and 12 percent of Canadians said they used a mobile ad blocker. The demographic trends in computer ad blocking were seen in both countries. Young people were more likely to use mobile ad blockers, and men were more likely than women; 30 percent of US men, compared with only 10 percent of US women, said they had a mobile ad blocker. It seems likely that the motivations for ad blocking on phones (data consumption, etc.) mean that the percentage of mobile ad blockers is likely to grow in 2018.

Traditional TV: In our survey, 65 percent of Americans and 60 percent of Canadians said they own either a smart TV or a digital video recorder (DVR), and of those, over 80 percent in each country said they watch recorded shows and use the fast-forward function for various reasons, while about 20 percent have the devices but never use that function; therefore, about 50 percent of the total population in each country have a device that permits fast-forwarding and use that functionality. In the US, 61 percent of those who have a smart TV or a DVR said they did it to skip ads rather than for other reasons, while the equivalent Canadian number was 67 percent. In the US, women with devices that allowed fast-forwarding were slightly more likely to skip ads (64 percent compared with 58 percent for men), and ad skipping was relatively consistent by age in both countries.

The more interesting demographic variations related to education and income. Americans who owned a smart TV or a DVR and had more education and the highest incomes were 13 percentage points more likely to skip ads, while those with children were less likely (by seven percentage points) to do so. Canadian data showed little difference by education or presence of children, but 70 percent of Canadians making more than C$100,000 annually who had the devices fast-forwarded to skip ads, while only 55 percent of those making less than C$25,000 did so.

According to the official TV measurement data, only 11 percent of all traditional TV viewing is time-shifted (watched after original broadcast) in the US,[216] and under 9 percent is time-shifted in Canada.[217] These numbers are broadly consistent across ages, with American 35-to-49-year-olds watching the most time-shifted content, at 14 percent; 18-24 year olds watching 10 percent nonlinear programs; and those age 65+ watching nine percent time-shifted shows. There is only slight variation by race in the US as well, with Black and Hispanic Americans consuming 8-9 percent of all TV in a nonlinear way, while Asian Americans are at almost 13 percent.[218] Canadian 18-34 year olds are more likely than average to time shift, at almost 12 percent.[219]

221. Social media marketing spending in the United States from 2014 to 2019, Statista, as accessed 6 November 2017: https://www.statista.com/statistics/276890/social-media-marketing-expenditure-in-the-united-states/.

222. Social media mavens wield 'influence,' and rake in big dollars, CNBC, 12 August 2017: https://www.cnbc.com/2017/08/11/social-media-influencers-rake-in-cash-become-a-billion-dollar-market.html.

223. Galore, the publishing company focused on 16- to-24-year-old women, has flipped media's business model, Business Insider, 25 August 2017: http://www.businessinsider.com/digital-publisher-galore-barely-even-bothers-with-ads-2017-8?utm_source=feedly&utm_medium=webfeeds.

224. The 2017 US Mobile App Report, comScore, page 5, 24 August 2017: https://www.comscore.com/Insights/Presentations-and-Whitepapers/2017/The-2017-US-Mobile-App-Report.

225. Ibid., page 6.

226. Ibid., pages 48-54.

227. FX's new $6 per month ad-free streaming service isn't for cord cutters, TechCrunch, 7 August 2017: https://techcrunch.com/2017/08/07/fxs-new-6-per-month-ad-free-streaming-service-isnt-for-cord-cutters/.

228. Where YouTube Red stands after a year, Business Insider, 5 January 2017: http://www.businessinsider.com/heres-where-youtube-red-stands-after-one-year-2017-1.

229. Product Placement Revenue Climbing 13.2% This Year, Broadcasting & Cable, 15 June 2017: http://www.broadcastingcable.com/news/currency/product-placement-revenue-climbing-132-year/141746.

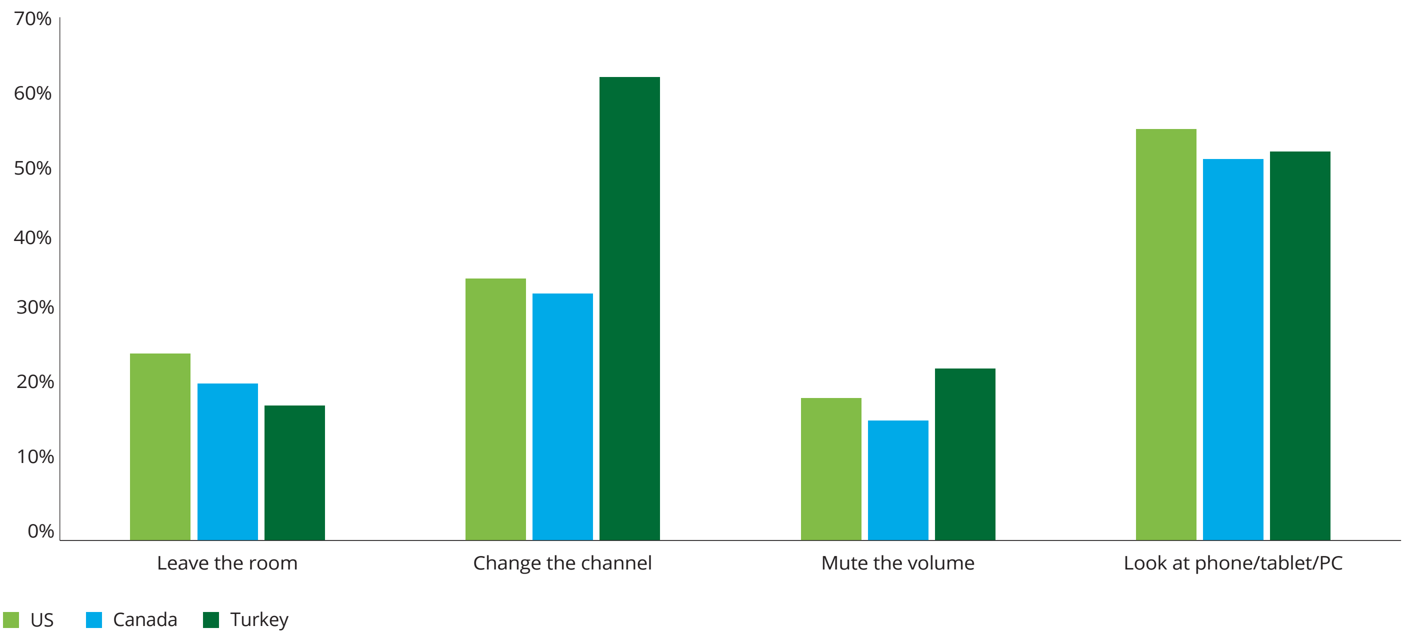
In the US, women with devices that allowed fast-forwarding were slightly more likely to skip ads (64 percent compared with 58 percent for men), and ad skipping was relatively consistent by age in both countries.

Even those who do not have DVRs or smart TVs can still engage in ad-blocking behavior; they can change the channel, mute the sound, leave the room, or look at their phone, tablet or computer (known as second screening) when a commercial comes on.

See Figure 18 for the US and Canadian data on those who always or almost always engage in these behaviors. Each behavior is slightly more prevalent in the US than in Canada, but the tendency toward each category is roughly similar in both countries. From the perspective of advertisers, not all ad-avoiding behaviors are equivalent. Leaving the room means the target of the advertisement sees and hears nothing; those changing channels probably see bits of ads; those muting may not hear the ads but still see the visual content; and those second screening on tech devices are likely still to hear the audio if not to concentrate on it.

There were important demographic variations in both countries. Those who were younger were more likely, sometimes by only a few percentage points, to do any of the four activities in order to avoid ads, but for second screening, 18-24 year olds were nearly 30 percentage points higher than the average for all ages, at 82 percent. And for all four behaviors, Americans with more education, higher incomes and a job (as opposed to being unemployed) were more likely to avoid TV ads. Not all of the differences were statistically significant, but many are. For example, 40 percent of Americans who were working or had a bachelor's degree or higher changed the channel always or almost always to avoid ads, while only 25 percent of those who were not working or had no college education did the same. The demographics in Canada were approximately similar but more muted, with narrower differences by age, gender, income and education.

Figure 18. "To avoid ads when watching TV, I always or almost always ..."



Weighted base: Deloitte Global survey of adults USA (1,096), Canada (1,090), Turkey (1,061)
Source: Deloitte Global survey, Aug-Sep 2017

It seems likely that the percentages using DVRs, smart TVs or any of the four other TV ad-blocking behaviors will remain similar in both Canada and the US in 2018.

Nontraditional TV, aka SVOD: Of course, not all video being watched in 2018 is traditional TV with ads. A number of subscription video-on-demand (SVOD) services are ad-free: 65 percent of Americans subscribe to one or more of these, and 47 percent do in Canada.

In Canada, however, it is important to note that language plays a big role. In the mainly French-speaking province of Quebec, SVOD penetration is 34 percent, while the average for the mainly English-speaking other provinces is 53 percent.

The demographics of SVOD customers are unsurprising. In the US, 89 percent of 18-24 year olds subscribe to at least one service, while only 36 percent of 55-to-75-year-olds do. Those who are working are at 70 percent, and those not working are at 56 percent. Those with any college education or degree had a figure of 67 percent compared with 55 percent for those with no college education.

Finally, 71 percent of those with incomes over US$75,000 had at least one SVOD, while those earning under US$25,000 annually were at 49 percent. Canadian demographic splits were about the same, albeit a little narrower.

There are many reasons why someone would subscribe to a paid streaming service; 46 percent of Americans who had SVOD said that the fact they are ad-free was one of the reasons for subscribing, while eight percent said it was the main reason they subscribed. The equivalent Canadian figures were 57 percent and nine percent, respectively.

Looking forward to 2018, it seems likely that the total percentage of homes subscribing to one or more SVOD services will increase, and it also seems likely that the percentage for whom being ad-free is the main reason would be about the same. If 70 percent of Americans have an SVOD subscription in 2018 and it is still eight percent who feel most motivated by being ad-free, then about six percent of all Americans and about five percent of English-speaking Canadians will be using SVOD as a form of ad blocking.

Radio and music: People can also subscribe to ad-free versions of streaming music. In our survey, 33 percent of Americans pay for at least one ad-free streaming music service, while in Canada the number is only 19 percent. In both countries, the familiar demographic trends follow, with those who are higher-income, more educated, employed and younger all being more likely to subscribe to at least one premium ad-free music service.

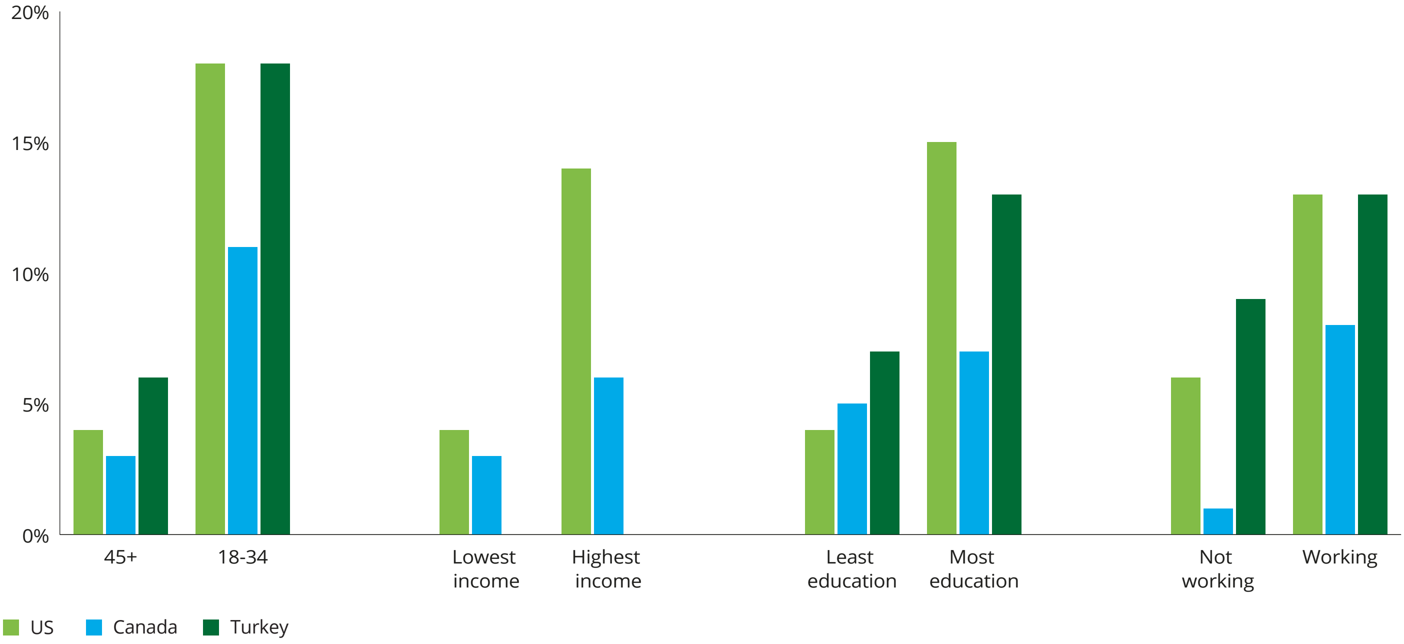
As one example, 41 percent of working Americans subscribe, while only 21 percent of those who are not working do so. Unlike SVOD, where the ad-free nature was the main reason for less than 10 percent of Americans and Canadians, the ad-free nature is a much more important factor in using premium streaming music services. Of Americans who had a subscription, 86 percent said the fact that there were no ads was either an important or an essential reason why they subscribed, and the equivalent number for Canadians was 89 percent.

And just as with traditional TV, there is a lower-tech version of ad blocking for traditional radio, especially when driving; 41 percent of Americans surveyed said they always or almost always change radio stations as soon as a commercial break occurs, with 30 percent of Canadians saying the same. There are unusually strong age-related effects in this behavior; over 60 percent of US and Canadian 18-24 year olds change stations always or almost always, while fewer than 20 percent of those aged 55-75 in either country do so.

Looking forward, Deloitte Global predicts that traditional radio ad-blocking behaviors will be more or less similar in 2018, but we do expect more people to subscribe to premium ad-free music services, with perhaps 30 percent of Americans subscribing to at least one service with the aim of avoiding ads.

The demographic divides within the adlergic population don't apply to just age. It also turns out that those who are more highly educated, have higher incomes and are employed tend to be more adlergic (see Figure 19). The absolute numbers of people in each country who are blocking four or more types of ads are small, so the results need to be interpreted with caution. That said, some of the differences are so large that they merit consideration and further study. These are, of course, demographics that are of particular interest to many broadcasters and advertisers. The percentages do not vary by gender, with women about as likely as men to be adlergic.

Figure 19. The demographics of those blocking four or more types of advertising



Weighted base: Deloitte Global survey of adults USA (1,096), Canada (1,090), Turkey (1,061)
Source: Deloitte Global survey, Aug-Sep 2017

It should be stressed that with only 10 percent of the US and Canadian population blocking four or more categories of media, the other 90 percent see a lot of ads, depending on the media channel, and do not seem to mind them enough to strive to avoid them. Roughly one in five is not blocking any ads. Further, though the adlergic group blocks many ads, they do not block all of them.

Most ad-blocking software filters out only a portion, and even the most dedicated DVR user usually still watches some TV live (often sports, reality, news, weather or award shows) and is therefore likely to see some, many or all of the ads.

The bottom line

Broadly speaking, it seems that if advertisers want to reach those who are blocking ads, especially those who are younger, employed, higher-income and better educated, then the ad categories that cannot be easily blocked are likely to be the fastest-growing ad categories for the next few years. Mobile and apps are expected to grow in the US in 2018 by 28 percent over 2017, out-of-home (OOH) by 5.5 percent (with digital OOH up 18 percent)[220], and social media ad spend by 14 percent.[221]

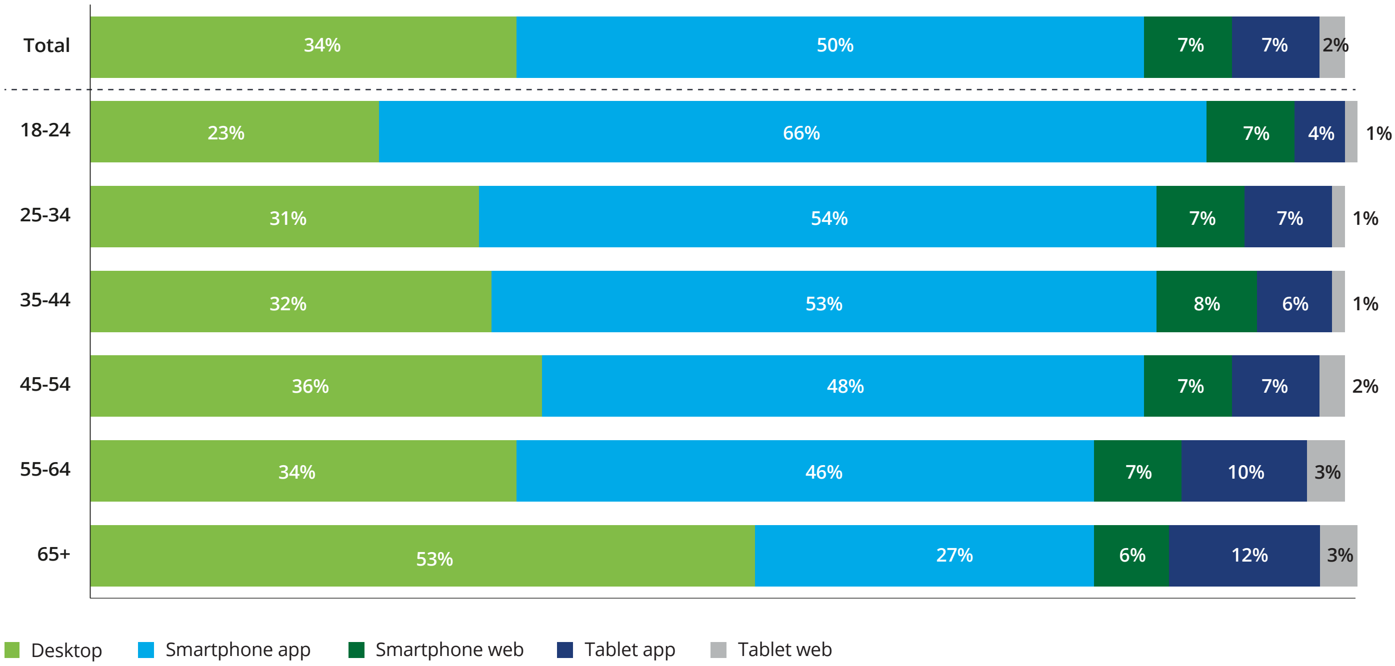
Even within social, there are growing subcategories that should be considered. The rise of the social media influencer was worth $1 billion in 2017, and this is expected to double by 2019, which is equivalent to over 40 percent compound annual growth.[222] When targeting the youth market, some advertisers are moving past influencers and sponsoring Slack channels (Slack is a digital workspace, and channels are how users communicate and share) and even festivals.[223]

The most obvious target for advertisers eager to get around the ad blockers should be digital mobile. Although computer (laptop and desktop) ad blocking is fairly common, at around 30 percent, mobile was lower, at a self-reported 20 percent, and we believe that number may be a large overestimate. Further, when ad blocking takes place on mobile, it occurs at the browser level and does not block in-app advertising. But how big is the mobile app market in terms of time spent?

According to an August 2017 comScore report on US habits, adults age 18+ spent 50 percent of digital media time inside smartphone apps and seven percent within tablet apps, for a total of 57 percent inside mobile apps.[224] However, that time split is for all adults. The youngest group, 18-24 year olds, spent 70 percent of their digital time inside mobile apps and only 23 percent on computers, while those age 65+ spent just under 40 percent on mobile apps and 53 percent on computers (see Figure 20 below).[225]

These averages are important, but advertisers need to keep in mind that in-app time spent varies dramatically by category of digital media. For social networking, gaming and dating categories, mobile app time spent is 70 percent, 81 percent and 79 percent, respectively. On the other hand, for all other categories, mobile apps make up less than half of time spent, and for travel and sports categories mobile app time is in fact lower than for desktop, at around 33-34 percent.[226]

Figure 20. Share of platform time spent, by age, 2017



Source: comScore Media Metrix Multi-Platform & Mobile Metrix, US, Age 18+, June 2017

Broadcasters may want to offer versions of their schedules that are ad-free (or largely ad-free) but have a monthly subscription cost. Some networks are already doing this,[227] although subscriber take-up of paid ad-free services has been modest thus far. As one example, the ad-free version of YouTube has an estimated 2.5 million subscribers,[228] while the ad-supported version reaches billions.

Product placement is another category that cannot be ad blocked. It was worth about $6 billion in the US for 2015 and is predicted to grow at over a 20 percent compound annual growth rate, to $11.44 billion in 2019.[229] Given that total US ad spending is over $200 billion annually, product placement is running at about 3-4 percent of total spend. It seems to be a significant factor only in the Americas. The US, Mexico and Brazil product placement markets make up over 80 percent of total placement spending worldwide.

Finally, time to talk Turkey – and other countries that aren't the US and Canada.

Although there are important differences between Turkey and the North American countries, the ad-blocking behaviors are strikingly similar. If anything, it seems that the actions of Turks and Americans are closer to each other, with Canadians being the outliers.

Those surveyed in Turkey seem to be more interested in changing TV channels or radio stations (Figure 17), and the gaps between those working/not working and most educated/least educated are narrower than in North America (Figure 19). But in general, and even in detail in multiple categories, the similarities are much greater than the differences.

This is probably not true for many other markets. In another English-speaking market, we suspect the level of ad-blocking behaviors would be much lower. In the UK, TV ad loads are much lower, and TV and radio commercial breaks are synchronized, for example. Therefore, we think that the motivation for changing channels and the effectiveness of the strategy would be reduced. Similarly, conversations with French audiences in 2017 would suggest that not only are SVOD levels lower, but the use of DVRs to skip ads also is much less common than in North America.

Therefore, caution must be used. The North American results do not apply globally – although, as the Turkish results show, neither are the North American results unique; other countries seem to show similar tendencies at least some of the time.

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