

Ad blockers may benefit websites, users, and the market at large

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Millions of websites, including some of the largest Internet companies (e.g., Google, Yahoo), depend on advertising as their main source of revenue, allowing them to offer their content for free. The use of

software that blocks ads has surged in recent years, presenting a challenge to platforms that depend on ad revenue. A new study sought to determine the effect of ad blockers on websites' ability to generate revenue and on users' experiences. The study found that contrary to common assumptions, ad blockers may offer some benefits to companies, users, and the market at large. The findings have implications for how online platforms make decisions about advertising.

The study, by researchers at Carnegie Mellon University and the City University of Hong Kong, appears in *Management Science*.

"While most speculations point to a grim outlook for advertisers and platforms as a result of ad blockers, the results of our study offer a glimmer of hope by arguing that ad blockers could actually benefit companies," suggests Kannan Srinivasan, Professor of Management, Marketing, and Business Technologies at Carnegie Mellon University's Tepper School of Business, who coauthored the study.

An [ad blocker](#) is a type of software, usually added by a user as an extension to an Internet browser, that prevents ads from appearing on the browsed webpages. When a user with an ad blocker visits a website with ads, the blocker identifies the ad content and prevents it from loading—as a result, the website does not receive [ad revenue](#) for that user.

Researchers devised an analytical model to assess the effects of ad blockers by modeling competition, the rate of advertising, and users' sensitivity to advertising. The authors identified two classes of users: One that is more sensitive to ads and uses ad blockers and one that does not use ad blockers. Based on the prevailing conditions, each [platform](#) had three options to manage the potential use of ad blockers by some users:

1. Ban ad blocking: Continue displaying ads and ban ad blocking. If a viewer used an ad blocker, he or she has to disable it to gain access to the site.
2. Allow ad blocking: Continue to display ads and allow ad-blocking software by any user who installs it.
3. Charge fees for ad blocking: Stop displaying ads and offer only an ad-free site with a subscription fee.

Based on their work, the researchers concluded that ad blockers may be helpful in one of four ways:

- They can make the market more efficient by filtering users who are sensitive to general ads, allowing websites to target more intense ads to the rest of the users.
- They benefit users by allowing the removal of ads that annoy them.
- They help regulate the ad industry by motivating the advertising platform to pay a fee to the ad-blocking company to include it in a list of ads that are allowed past the blocker.
- A more efficient market can boost the quality of websites' content, which also benefits users.

"Our study has implications for platforms dependent on ad revenue, providing general guidelines regarding how they should proceed with decisions about advertising," according to Stylianos Despotakis, Assistant Professor of Marketing at the City University of Hong Kong, who coauthored the study. "For example, if a website has users who are generally sensitive to ads, then its platform cannot expect to receive a lot of ad revenue, even when it prevents the use of ad blockers. By allowing ad blockers, both the platform and the users can benefit."

R. Ravi, Professor of Operations Research and Computer Science at Carnegie Mellon University's Tepper School of Business and a coauthor of the study, adds: "To estimate users' ad sensitivities, platforms can do tests under differing conditions to decide the ideal course of action to manage ad blocking."

More information: Stylianos Despotakis et al, The Beneficial Effects of Ad Blockers, *Management Science* (2020). [DOI: 10.1287/mnsc.2020.3653](https://doi.org/10.1287/mnsc.2020.3653)

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