# The Threat of Online Adblockers

Shaun Henry

6/3/23

# Problem Statement

# The Threat of Adblocking Software

Recently, adblocking software has become much more common amongst internet users and this trend is expected to continue, especially on mobile devices.

All three GYF business units are currently free for all users and rely upon advertisers to generate a majority of GYF's revenue, with 70% of total digital ad revenue coming from mobile devices in the past year.

These adblockers pose a **major threat** to **revenue**, **data-acquisition,** and **marketing capacity** for both GYF and its advertisers.

A strategy must be created to help minimize the damage to GFY's business model.

# Application Exercise – Customer Analytics
Acquiring User Data

The data team recommends employing **descriptive research methodologies** to better understand the problem GYF is facing with adblockers. We are **aware of the problem, though it is not clearly defined**.

**Mobile Surveys**:
To better understand why users are opting for adblockers, the data team recommends mobile surveys be employed though GFY's various platforms.

**Focus Groups:**
Focus groups will also be administered to acquire fewer, though more in depth data from users.

# Strategy

# Acquiring Data

To better understand how to combat adblockers, we must first understand general market sentiments.

Common ad complaints of competitors include **intrusive ad formats**, **irrelevant and overly frequent ads**, and **impact on data usage**. It is highly probable that GFY's ads include any or all of these.

**User feedback is needed** to understand if this is the case. If true, the data team must work on **improving the ad experience for users** to minimize damage to, if not, improve GFY's bottom line.

The data team will attempt to minimize adblocker usage through **user's voluntary disablement**. **Maximizing user happiness** with better advertisement experience is the goal.

# Three Part Plan

**Acquiring User Feedback:**

- Mobile Surveys: Used to acquire large-scale and quick feedback. These surveys will appear when a user first loads one of GFY's various mobile sites. They will be optional and will only appear for a portion of users, through random administration. Questions must address reasons for using adblockers such as relevance of ads, preferred ad sizes, types, and locations, as well as impact on data usage.

- Focus Groups: Used to acquire smaller-scale though more in-depth feedback. Members will be paid for their time and will encouraged to converse with each other about problems with GYF's sites and potential solutions to address them.

**Working with Ad Partners:**
GYF needs to work with our ad partners closely to create more relevant and appealing ads for our users. User feedback via mobile surveys and focus groups will dictate strategies.

**A/B Testing:**
Different variations of advertisement types and positions should be tested on GYF's users to test the effectiveness of user engagement. Those that produce the most engagement will be built upon.

# Application Exercise – People Analytics

GYF has been looking to hire a Senior Associate Director for Digital Advertising Strategy. This new employee will be second-in-command for addressing and implementing the problem of adblockers.

The application process was winnowed down to Carrie Candidate and Peggy Prospect, and metrics were recorded for each.

Using the metadata on **correlating application metrics** with **subsequent performance**, we can predict which candidate will be better using the table below:

Using weighted metrics to tally the total value of each candidate, **Carrie Candidate** would be our pick.

| Metric | Correlation | Carrie Candidate | Peggy Prospect | Carrie Candidate | Peggy Prospect |
|---|---|---|---|---|---|
| Work Samples | 0.54 | 1 | 0 | 0.54 | 0 |
| Cognitive Ability Tests | 0.51 | 1 | 0 | 0.51 | 0 |
| Structured Interview | 0.51 | 0 | 1 | 0 | 0.51 |
| Jog Knowledge Tests | 0.48 | 0 | 1 | 0 | 0.48 |
| Integrity Tests | 0.41 | 1 | 1 | 0.41 | 0.41 |
| Personality Test | 0.31 | 1 | 1 | 0.31 | 0.31 |
| Reference Checks | 0.26 | 1 | 0 | 0.26 | 0 |
| | | | **TOTAL** | **2.03** | **1.71** |

# Effects and Measurement

# Short Term Effects Likely Negative

**Customers:** User retention may take an initial hit as advertising structure will see varied experimentation. Some users may abandon GYF's sites altogether as poor experiences become more likely. As GYF acquires more data on user preferences, retention will surely even out and may even see an increase as ad experiences improve.

**Revenue:** Revenue will surely see a decrease relative to the pre-adblocker market. In a quickly evolving market, GYF can only hope to minimize the damage imposed by new technology. The strategy is necessary though, as without intervention market share would quickly dwindle. Acting quickly and decisively is the best strategy to stay ahead of GYF's competitors.

**Internal Organization:** Having a highly experimental strategy will put a strain on resources. If GFY does not have the required resources for to implement this strategy then downsizing may be necessary. However, this can provide a great opportunity for employee evaluations going forward.

# Application Exercise – Operations Analytics
Resource Allocation

GYF is looking to enroll its employees in its training programs. Two of these programs are called "Hard Skills Program" and "Soft Skills Program," each of which have two sub-programs: "External" and "Internal."

The data team needs to decide how to best allocate the budget of $65,000 amongst these four categories.

GYF's management has calculated productivity returns for each of the four programs:

|          | Hard Skills | Soft Skills |
|----------|-------------|-------------|
| Internal | 0.2         | 0.6         |
| External | 0.7         | 0.4         |

These returns are the expected extra productivity in the next period that is achieved for each dollar spent on training.

However, management has given three requirements for this resource allocation:
1) The Hard Skills training program must achieve at least $20,000 in the total net productivity increase.
2) The Soft Skills training program must achieve at least $12,000 in the total net productivity increase.
3) The Internal program should achieve at least 60% of the net productivity increase realized for the External program.

# Application Exercise – Operations Analytics (Cont.)
## Resource Allocation

**Constraints:** Budget $\leq$ 65,000     **Decision Variables**: $S_{HI}$ = Spending (Hard/Internal)

Hard Productivity Increase $\geq$ 20,000     $S_{HE}$ = Spending (Hard/External)

Soft Productivity Increase $\geq$ 12,000     $S_{SI}$ = Spending (Soft/Internal)

Internal $\geq$ 0.6*External     $S_{SE}$ = Spending (Soft/External)

**Objective Function**: Maximize Total Net Productivity Increase = $0.2*S_{HI} + 0.7*S_{HE} + 0.6*S_{SI} + 0.4*S_{SE}$

Plugging all of this into the Excel Solver function we get:

$S_{HI}$ = **$0**

$S_{HE}$ = **$38,235**

$S_{SI}$ = **$26,765**

$S_{SE}$ = **$0**

Net Increase = **$42,824**

**Net Productivity Increase (in $ per $ spent on training)**

| Training | Hard Skills | Soft Skills |
|---|---|---|
| Internal | 0.2 | 0.6 |
| External | 0.7 | 0.4 |

**Total Net Productivity Increase ($)**

| |
|---|
| **42824** |

**Spending Amounts $ thousands)**

| Training | Hard Skills | Soft Skills |
|---|---|---|
| Internal | 0 | 26765 |
| External | 38235 | 0 |

| | | | | |
|---|---|---|---|---|
| Total Spending Budget | 65000 | <= | 65000 | |
| Productivity Increase in Hard | 26765 | >= | 20000 | |
| Productivity Increase in Soft | 16059 | >= | 12000 | |
| Productivity Increase Internal v. External | 16059 | >= | 16059 | = 0.6 * External |

Wharton UNIVERSITY of PENNSYLVANIA    ONLINE

# Measurement

The mobile survey and focus group results will dictate priority of changes in advertisement. More common categories of complaints will receive more attention by the data team and our ad partners.

A/B testing will be administered randomly to users in which ad type, size, location, frequency, and load time of site will be some of the independent variables that fluctuate. The combinations of variables that receive lesser user engagement will be eliminated and the those that receive greater engagement will proceed. This process will see several iterations until the increase in user engagement sees minimal returns.

Final success will be measured by changes in revenue received from ad customers and user data acquisition on GYF's sites.

**Hypothesis:**

By enhancing the advertising experience for users on GYF's various platforms, revenue from such platforms will increase.

**Key Drivers:**

- Customer satisfaction – Net Promoter Score can be measured through the customer survey question "how likely are you to recommend this product to friends on a scale of 1 to 10?" An increase in this score over time would insinuate higher customer satisfaction.
- Number of users – Users will be measured by overall web traffic and interactions on GYF's sites.
- Ad revenue – Measured by purchases by companies to place ads on GYF's sites.

**Linkage:**

The enhanced experience of GYF's advertising model will improve customer satisfaction with the various sites.

This improved satisfaction will drive more users to the sites through word of mouth recommendations.

Greater web traffic will entice advertising customers to place more ads on GYF's sites and pay more for each ad, driving up GYF's revenue.

Wharton
UNIVERSITY of PENNSYLVANIA

ONLINE

# Conclusion

Adblockers pose a major threat to the business model of GYF and must be acted upon quickly and decisively.

The restructuring of GYF's advertising is the best option for the near future to mitigate this threat. Acquiring user feedback, working with ad partners, and employing A/B testing will be the three step process for mitigation.

During this period of uncertainty, we will most likely see lower levels of revenue and data acquisition relative to pre-adblocker times, though this should not focus be the focus. All players in the market are dealing with this problem and GYF can gain a competitive advantage if its acts quickly.

The end goal is to minimize ad revenue loss through user's voluntary disablement of adblockers. Maximizing user approval of advertisements is the strategy to reach this.

If loss in revenue is too large, other strategies may need to be employed, such as forcing users to disable adblockers upon entry to GYF's various sites and/or offering an ad-free option with a paid subscription model. Even still, the improvements in advertisement structure will carry over to future solutions driving up revenue.