

To what extent has the implementation of new privacy policies from Apple affected the well being of advertisement based companies and how is it going to affect the industry in the future?

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Introduction

Background: Several firms in the growing internet age have adopted the use of selling targeted advertisements to businesses, allowing them to have a more effective marketing approach. These work based on collection of user data allowing a more personalized approach deemed to be highly effective in terms of sales growth as it specifically showcases the wants of users that are tracked by the firms that sell these advertisements. Companies that sell targeted advertising use data and advanced advertising technology to deliver tailored and personalized advertising to specific audiences. App Tracking Transparency (ATT) is a privacy feature introduced by Apple in iOS 14.5 in April 2021. ATT requires all apps to ask users for permission to track their activity across other apps and websites. This means that apps can no longer track users without their explicit consent. Our research aims to address key aspects such as the technical implementation of ATT, its effects on data collection practices, user behavior, and advertising strategies. We are interested in learning more about the workings of ATT within the iOS ecosystem, including how user consent is obtained and how that affects the limitations placed on data collection. Additionally, we aim to analyze the impact of ATT on advertising effectiveness, user targeting, and the measurement of ad campaign performance. Understanding user perceptions and behaviors in relation to ATT is also crucial to adapt our strategies. By conducting this study, we hope to arm ourselves with information that will help us navigate the changing landscape of user data privacy, enabling us to develop wise digital advertising strategies that prioritize user privacy while providing the best outcomes for our stakeholders.

Literary review

Apple implemented ATT in response to growing concerns about user privacy. In recent years, there has been increasing public awareness of the ways in which companies collect and use user data. ATT gives users more control over their data and helps to protect their privacy. A pop-up will appear when an ATT-using app is installed asking the user if they want to allow the app to track their activity. If the user agrees, the app will be able to collect data about their use of the app and other apps and websites. Our team's main objective in studying App Tracking Transparency (ATT) is to get a thorough knowledge of its effects on user privacy and the environment for online advertising.

Notable players in this space include *Google Ads*, a leading platform that allows businesses to show ads across a variety of Google-owned properties using sophisticated targeting options. *Facebook ads*, powered by the popular social media network, allow advertisers to target specific demographics, interests, behaviors, and locations. *Amazon Advertising* makes it easy to promote products directly on its e-commerce platform, leveraging rich purchase data. *Twitter Ads* provides advertising solutions on the Twitter platform, while *LinkedIn Ads* focuses on reaching a professional audience through targeting based on industry, job title, and more. These companies play an important role in helping businesses effectively engage with their target audience through targeted advertising strategies.

iOS 14.5 introduced a new privacy feature called App Tracking Transparency (ATT) in April (Site it mate)2021. applications must get users' consent from ATT before monitoring their activities on websites and other applications. This has had a severe impact on businesses who rely on targeted advertising and rely on user data. Major impacts were noticeable in terms of revenue as there was a loss in advertising income for businesses that rely on advertisements has been one of ATT's most immediate effects. (Site it mate)According to an eMarketer analysis, ATT might lower global advertising revenue by \$10 billion in 2022. This is so that advertisers can't as easily target ads to users who are most likely to be interested in their goods or services. ATT has decreased advertising income while also making it more challenging for marketers to focus their ads. Before ATT, advertisers had a number of options for tracking people across many websites and applications. They were able to target ads to users who had recently expressed interest in their goods or services thanks to this. However, ATT prevents advertisers from following users across numerous apps and websites without their consent. The

effectiveness of advertising campaigns has decreased as a result, making it harder for advertisers to target their ads.

Ad revenue on iOS devices decreased 15% in the first quarter of 2022 compared to the same time in 2021, according to a report by the Interactive Advertising Bureau (Site it mate). The analysis also discovered that the gaming and social media sectors saw the greatest fall in ad income.

In summary Apple's new privacy restrictions have had a significant impact on advertising-based businesses. Ad revenue on iOS devices fell 15% in the first quarter of 2022 compared to the same time in 2021. This reduction has pushed businesses to respond in a variety of ways, including the use of contextual targeting, the switch to subscription models, and the investment in new technology. However, the long-term implications of Apple's privacy standards for the advertising business remain unknown. Although the regulations have made it more difficult for marketers to target specific consumers, resulting in lower ad income for certain organizations, others have been able to adapt and survive. As a result, the total effect of Apple's privacy regulations on the advertising business is unknown.

Methodology

Facebook (Meta) is one the largest targeted advertising revenue based companies and because of Apple's App Tracking Transparency (ATT) policy, Facebook lost the ability to track the majority of its iPhone users. In the first quarter of 2022, 85% of iPhone users chose not to be tracked (site), costing Facebook \$10 billion in advertising income in 2022. ATT may cost the firm an additional \$10 billion in sales in 2023, according to the company (site it). Facebook has taken many steps to mitigate the impact of ATT. To begin, it is creating new techniques for measuring ad performance using aggregated data and questionnaires. Second, Facebook is moving its attention to directly gathering first-party data from its users in order to target adverts based on their interests and demographics. Finally, the firm is working with advertisers to develop new ad forms that rely less on tracking user behavior across apps and websites (site). Although the impact of these initiatives is yet unknown, Facebook is under pressure to maintain its advertising income in the face of Apple's privacy reforms.

According to a Lotame survey (site), while 85% of iPhone users in the United States first opted out of monitoring when ATT was released in April 2021, this figure has stayed pretty consistent. ATT has been chastised by Facebook, who claims that it harms small businesses and stifles innovation. The corporation has even pondered taking legal action against Apple. Apple, on the other hand, has defended ATT by emphasizing the significance of user data management. ATT, according to the firm, does not affect small businesses and, in fact, has strengthened competition in the mobile advertising sector. The feud between Facebook and Apple over ATT continues, and the long-term repercussions for both firms are unknown.

Snapchat has dealt with Apple's App Tracking Transparency (ATT) regulation that has had a significant impact on Snapchat. The company's revenue fell by 22% (site) in the third quarter of 2021, owing primarily to ATT's greater difficulties in identifying consumers and targeting them with adverts. Snapchat has made various modifications to accommodate the new regulation. To begin, the platform is relying more on first-party data by directly gathering information from its users, such as age, gender, and hobbies. Snapchat may now target users with adverts based on this data, even if they have opted out of monitoring. Furthermore, Snapchat is actively creating alternative ad formats that are less reliant on monitoring, including choices that allow marketers to target users based on their interests without using tracking has resulted in increasing competition in the mobile advertising sector. (site)

It is yet too early to judge the success of these reforms, despite all of the efforts. In spite of ATT, Snapchat is still committed to developing effective methods for generating income. Since the installation of ATT, about 82% (site) of Snap's Apple device users have decided to opt out of tracking, dramatically reducing Snap's capacity to follow and target users with advertisements. As a result, Snap had a 20% year-over-year reduction in revenue in the first quarter of 2022. The business attributes this decline to ATT.

Google felt the effects of Apple's App Tracking Transparency (ATT) policy much like other businesses that rely on advertising. Google reported 8% year-over-year revenue loss in the first quarter of 2022, which the firm attributed to ATT's difficulties with ad targeting. According to a Lotame analysis, 62% of iPhone users choose not to have their app activity tracked when ATT was implemented. Given Google's outspoken opposition to the policy, it is probable that the ratio is significantly greater for Google users.

Google has used a variety of tactics to combat ATT's impact. First off, the business is depending more and more on first-party data by getting data like age, gender, and hobbies directly from its consumers. Google can target people with ads thanks to this data. advertisements according to their tastes, even if they have chosen not to be tracked. Second, Google is working intensively to create new ad types that rely less on monitoring. For instance, the business is experimenting with ad formats that let marketers target consumers based on their

interests without requiring substantial cross-app and cross-website tracking. Last but not least, Google and Apple are working together to investigate alternate strategies for targeting customers with adverts while maintaining their privacy.

Although it is still too soon to tell whether these strategies are effective, Google is dedicated to beating ATT by coming up with revenue-generating ideas. The company's normal growth trajectory was significantly altered by the sales fall in the first quarter of 2022. Additionally, Google has had to expand its research investing on research and development to find novel ways to target ads without doing a lot of tracking. Additionally, Google has transferred some of its attention to other parts of its company that depend less on advertising than its core search business, such as cloud computing and artificial intelligence. Google's future prosperity depends on its ability to handle the changes brought about by the post-ATT advertising landscape.

Linked-In Ads faced several challenges as a result of Apple's App Tracking Transparency (ATT) policy. The restriction, in the first place, made it more difficult for LinkedIn to follow users across other applications and websites, impeding its ability to properly target advertising to people who had expressed interest in its goods or services. Second, fewer users chose to be tracked as a result of the policy, which lowered the amount of data LinkedIn could utilise for ad targeting. The results of these modifications were visible in the decrease in LinkedIn's income. ATT was highlighted as a significant problem impeding LinkedIn's ability to successfully target users with advertisements during the first quarter of 2022, which resulted in a 15% year-over-year decline in revenue for the company. The research by Lotame (site) underlined indicating that because of the platform's outspoken resistance to the regulation, the figure was probably larger among LinkedIn users.

In order to mitigate the consequences of ATT, LinkedIn used a variety of strategies. First, the corporation began relying more on first-party data by asking individuals directly for details about their hobbies, gender, and age. Even if users had chosen not to be tracked, LinkedIn was still able to target them with adverts based on their choices thanks to this information. Additionally, LinkedIn has been studying alternatives that allow advertisers to target users based on their interests without the requirement for cross-app and cross-website monitoring in the development of new ad formats that are less dependent on comprehensive surveillance. Additionally, LinkedIn and Apple have worked together to create more ethical ways to target consumers with advertisements. Despite the difficulties presented by ATT, LinkedIn is dedicated to discovering revenue-generation options even if it is too early to judge the efficacy of these strategies. The company's prior growth trajectory was significantly deviated by the revenue dip seen in the first quarter of 2022. Additionally, LinkedIn had to spend more money on research and development to find novel ways to target advertisements without heavily relying on monitoring. Additionally, the company has transferred some of its attention to other parts of its business that rely less on advertising income than its core professional networking business, including cloud computing and artificial intelligence. LinkedIn's capacity to innovate and adapt will be essential to its continued success as it navigates the changing advertising landscape in the post-ATT age.

A number of prominent businesses in the targeted advertising sector, including Facebook (Meta), Snapchat, Google, and LinkedIn, have been significantly impacted by the introduction of Apple's App Tracking Transparency (ATT) policy. Due to the restrictions on tracking user behavior and the decline in people opting in to tracking, all of these businesses have faced difficulties.

Due to a sizable portion of iPhone users electing not to be monitored, Facebook (Meta) has seen considerable losses in advertising revenue. The business anticipates losing \$10 billion in advertising revenue in 2022 and perhaps another \$10 billion in 2023. Facebook is experimenting with different methods for evaluating ad success, depending on surveys and aggregated data, as well as shifting its emphasis to obtaining first-party data directly from users, in an effort to lessen the impact. Collaboration alternative ad formats that rely less on monitoring are now being developed with advertisers.

Due to ATT, Snapchat has also seen a drop in income and user identification. The third quarter of 2021 saw a 22% decline in the company's sales. In order to adapt, Snapchat is relying more on first-party data and creating other ad formats that depend less on user behavior tracking. Similar revenue decreases were observed by Google and LinkedIn, and both companies have taken action to mitigate the effects of ATT. Both businesses are putting more of a focus on gathering first-party information and creating fresh ad forms that rely less on monitoring. Despite the variations in their individual businesses, these organizations have one thing in common: they're all trying to adapt and come up with new ways to target people with adverts while still protecting their privacy. They are funding alternate approaches, relying on first-party data, and collaborating with partners to explore solutions.

These businesses and Apple have had disagreements about the ATT policy. While Apple defends the policy by highlighting the significance of user data management, Facebook has publicly criticized ATT, stating it hurts small companies. The long-term effects of this conflict and ATT's influence on the advertising industry are yet unknown. These businesses have generally been adversely impacted by ATT, suffering from decreased

income, rising expenses, and changes in priorities. They share an emphasis on gathering first-party data and creating alternative ad formats as they aggressively explore ways to get over these obstacles and make money in the post-ATT future.

Results and Findings

Policies are crucial in order to protect the privacy of users, the implementation of ATT does showcase to the general public that Apple does indeed make major decisions in order to protect the privacy of their users. This could be seen as a marketing tactic which has worked out in their way, but has arisen major conflicts between companies looking to benefit them along their operations. The ability to track users has been taken away from companies such as Facebook, Google, Snapchat and Linked In but this ability is still an option available to Apple. The wide usage of innumerable Apple products allows the company to have a significant portion of the population's data to be collected if they wish to do so. The real underlying reason for ATT could be the creation of a path for Apple to enter the targeted advertising space by driving out/eliminating the existing competition in the field.

Apple's adoption of ATT might potentially provide the corporation a chance to enter the advertising industry and create a monopoly there. Apple has certain advantages that may help it succeed, such as its sizable user base of more than 1 billion active devices, which provides a sizable market for its advertising goods. Additionally, users may be more inclined to share their data for advertising reasons due to Apple's well-known reputation for prioritizing privacy and security. Additionally, Apple has considerable sway over the iOS ecosystem's advertising industry thanks to its ownership over the App Store, the main distribution channel for apps on iOS devices. However, Apple would face a number of obstacles on the way to becoming a significant force in the advertising sector. With seasoned behemoths like Google, Facebook, and Amazon dominating the industry, it is already quite cutthroat. Apple would need to distinguish itself from these rivals in order to stick apart which could be the exact reason ATT was implemented. Apple would also need to abide by all applicable rules and regulations governing the gathering and use of user data because the advertising sector is subject to strict controls.

Showcasing how many users opted out of tracking, has shown the resistance users are willing to put in order to keep their privacy. The vocal criticism from Facebook and others has led their brand image to deteriorate due to their negligence of satisfying the average user in terms of privacy. Apple has gained significant positive publicity, but the intentions of entering the advertising market could undo the positives of this policy as it would reverse the very thing they advertised to be wrong. ATT used as a strategy to establish themselves as an advertisement monopoly could be challenging but is however possible through indirect implementation of the pre-existing targeted advertisements. A more fine tuned refined version that showcases the use of privacy protection as a way of advertising and reaching the audience or even influencing Android users to switch could work out of Apple. Something similar to the email system they introduced in late 2022 that promised to keep confidentiality but also extract data to advertise effectively could be a strategy Apple could employ.

Future Scope

Both fascinating and unpredictable are the possible future reach of Apple's integration with ATT and its prospective foray into the advertising business. The greater attention that ATT is giving to customer privacy and data monitoring might enhance consumer awareness and fuel a rise in the demand for privacy-focused goods and services. As a result, creative advertising tactics that rely less on tracking and more on contextual targeting and user permission may be developed. A new player joining the market who specializes in privacy-centric advertising solutions and makes use of cutting-edge technology is another potential. The regulatory environment and competitive dynamics, however, will be extremely important in determining the direction of the advertising business. The result will rely on variables like changing customer preferences, regulatory choices, technology developments, and a company's capacity for market adaptation are all factors.

Conclusion

Additionally, the success and revenue of businesses that rely on advertisements have been significantly impacted by the introduction of ATT. One of the biggest corporations that relies on targeted advertising income, Facebook, lost the ability to follow most of its iPhone users. 85% of iPhone users choose not to be followed in the first quarter of 2022, costing Facebook \$10 billion in lost advertising revenue. Due to the limitations on tracking user behavior and the drop in people opting in to tracking, Snapchat, Google, and LinkedIn all saw losses in income. In the first quarter of 2022 compared to the same period in 2021, iOS ad revenue fell by 15%. These businesses have had to adjust by using additional first-party data, developing substitute ad layouts as well

as purchasing new equipment to lessen the effects of ATT. The long-term effects of Apple's privacy restrictions on the advertising sector, however, are yet uncertain. Even if Apple supports ATT as a tool to safeguard user privacy, there are still disputes and debates between Apple and the impacted firms over how the policy would affect startups and innovation. Overall, the adoption of new privacy regulations from Apple, in particular ATT, has had a negative impact on the success and revenue of businesses that rely on advertisements.

ATT represents the possible transition from ad-based to subscription-based business models. Businesses may lessen their reliance on targeted ad income by charging customers directly for access to their services. However, because customers would now have to pay for services that were previously provided for free or at a reduced cost funded by ads, this change might result in increased pricing for consumers. Services like social media, messaging apps and other services that relied on advertisements for their income are likely to start generating revenue by directly charging for their services. It's crucial to remember that the ATT policy itself does not primarily dictate how the policy will affect consumer costs. Businesses have the freedom to investigate alternate tactics and sources of income to lessen the likelihood of price rises brought on by the restrictions on targeted advertising. They can concentrate on raising the value of their goods or services, boosting the client experience, and varying their sources of income. Furthermore, the implementation of ATT can also drive innovation in the advertising industry.

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