

Apple's Privacy Power Moves

How Apple's New Privacy Policy
Has Altered the Ad Ecosystem.



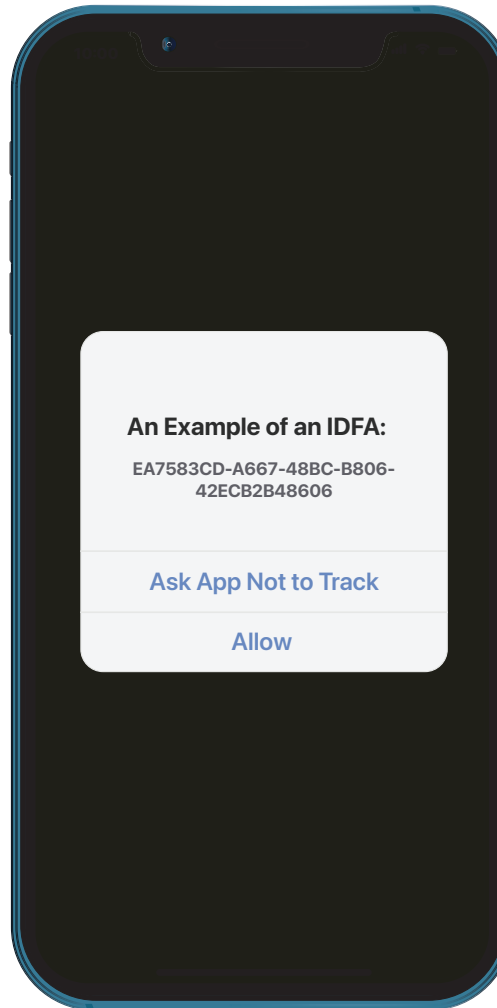
Apple's Privacy Power Moves

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Is Apple defying the laws of the advertising ecosystem for their monetary benefit?

Apple made significant changes within their privacy policy, straining their relationship with big tech. However, with Apples' advertisement business growing to \$3bn for the 2021 fiscal year, the decision of AppTracking Transparency has proven to be lucrative, but do they care for users' privacy?

Apples' new enhancement on privacy commenced on April 26th of this year with the release of iOS 14.5. The company's ongoing stance on becoming more privacy-friendly has entailed the controversial decision to give users opt-in capabilities of IDFAs within the iOS family (iPhones, iPads, and Apple TVs). What is an IDFA? This is Apples' Identifier for Advertisers. IDFA is a combination of random letters and numbers that identifies users iOS devices. Through IDFAs, advertisers track users' data to distribute personalised advertisements, run frequency capping, campaign measurement, and clicks to install apps. Apple believes "tracking should always be transparent and under your control". Apple's



decision to effectively phase out IDFAs allows users to control if and where their data is shared.

As Apple has stated, privacy is their top priority, but to the detriment of users and app developers. 9% of Australian iOS users since May this year opted-in to ATT (AppTracking Transparency), and in the US, only 11%. This substantially weakens the ad ecosystem, increasing Apple's revenue and lowering their competition for their advertising service [1]. ATT is a prompted message now mandatory for app developers wanting access to user's IDFA to create personal monetised advertisements. The choice is in the consumer's hands but with underlying consequences. To make up for lost revenue from in-app advertisements, app developers will implement subscription-based structures, in which Apple will surcharge 15%-30% for in-app transactions.

As Apple gives back freedom to users, MMP (Mobile Measurement Platforms) and AdTech companies are dealt with finding new marketing avenues. If Apple was not

already a threat, its multi-billion dollar advertising business has made a perturbing impact on MMPs and independent AdTech companies, making their decision on ATT more lucrative and the competition stiff. Consumers that opt-out of ATT will still be shown ads, but less relevant ones. Alternative solutions such as contextual targeting (based on the environment, instead of consumers) in the form of CTV (Smart TVs). CTV is based upon audiences and does not rely on IDFAs. Setting the standard for future advertising, CTV targets demographics, interests, and locations, creating an ecosystem in which user experience is preserved.

Through the phasing out of IDFAs and the need for big tech to develop alternative solutions to maintain strategic, targeted advertisements, Apple has thrown AdTech companies a bite-sized bone in the form of SKAdNetworks, introduced in 2018. This API aims to provide conversion data to advertisers [2]. This API allows for some leniency for advertisers, user privacy is not compromised, and this enables them

to verify how many installations from an advertisement and measure which campaigns are most effective. [3] SKAN is a solution for advertisers but holds some limitations on campaign slots and implementing a random 24-hour timer that delays observation. SKAN's approach to the market is measuring statistical methods and linking user's behaviour across different digital platforms.

User privacy is seemingly Apple's newfound pledge; like Apple's senior vice president of Software Engineering, Craig Federighi said, "Our goal is to create technology that keeps people's information safe and protected. We believe privacy is a fundamental human right". This is evident in their move towards a more secure environment for users; however, Apples' strategic power move to restrict the competitions access to users' data allows their ecosystem to be protected. Furthermore, Apple is a highly successful business. Their genius move on Big Tech companies comes at a cost for advertisers, but ultimately valuing their customer's privacy has been a profitable exercise.

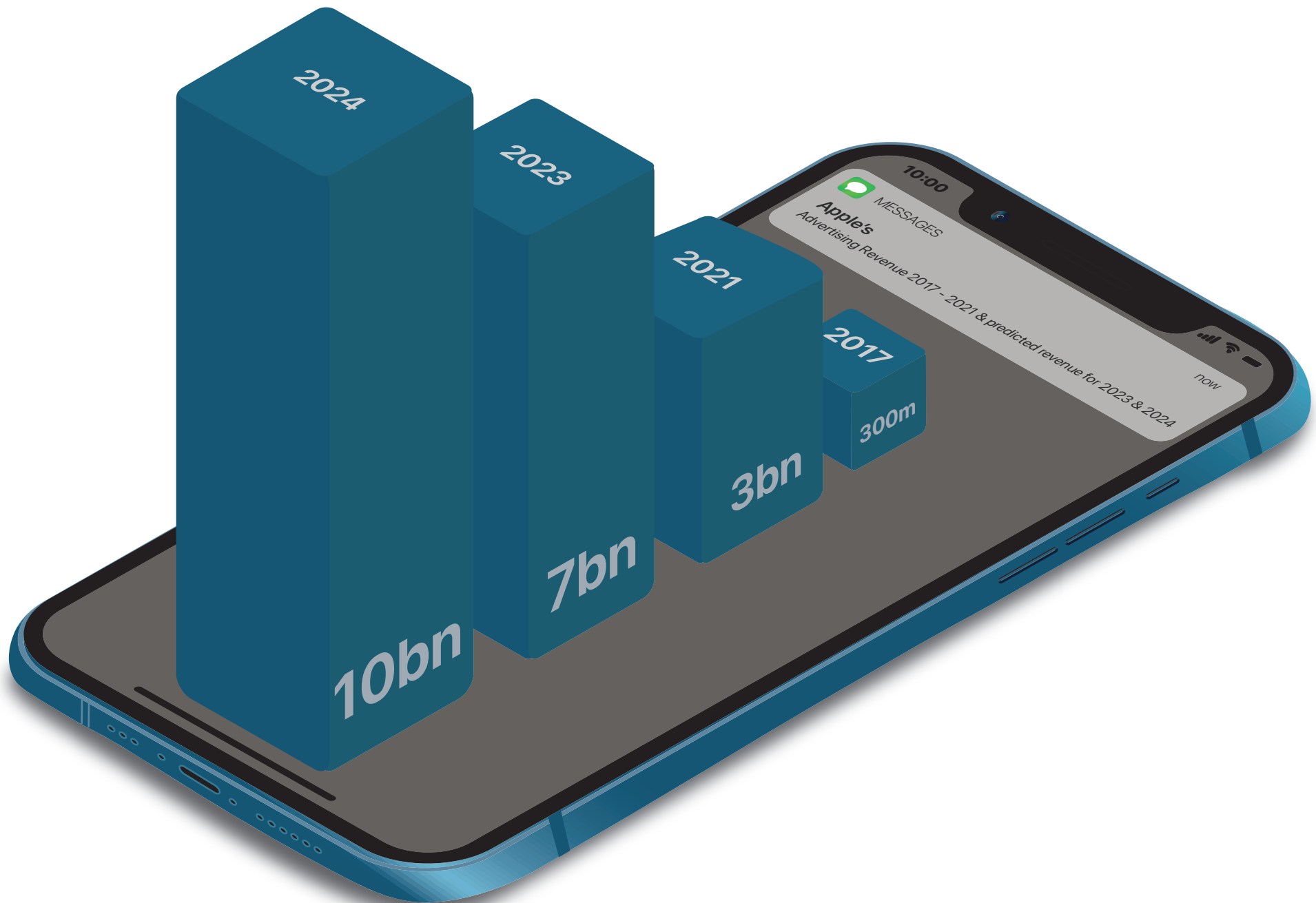


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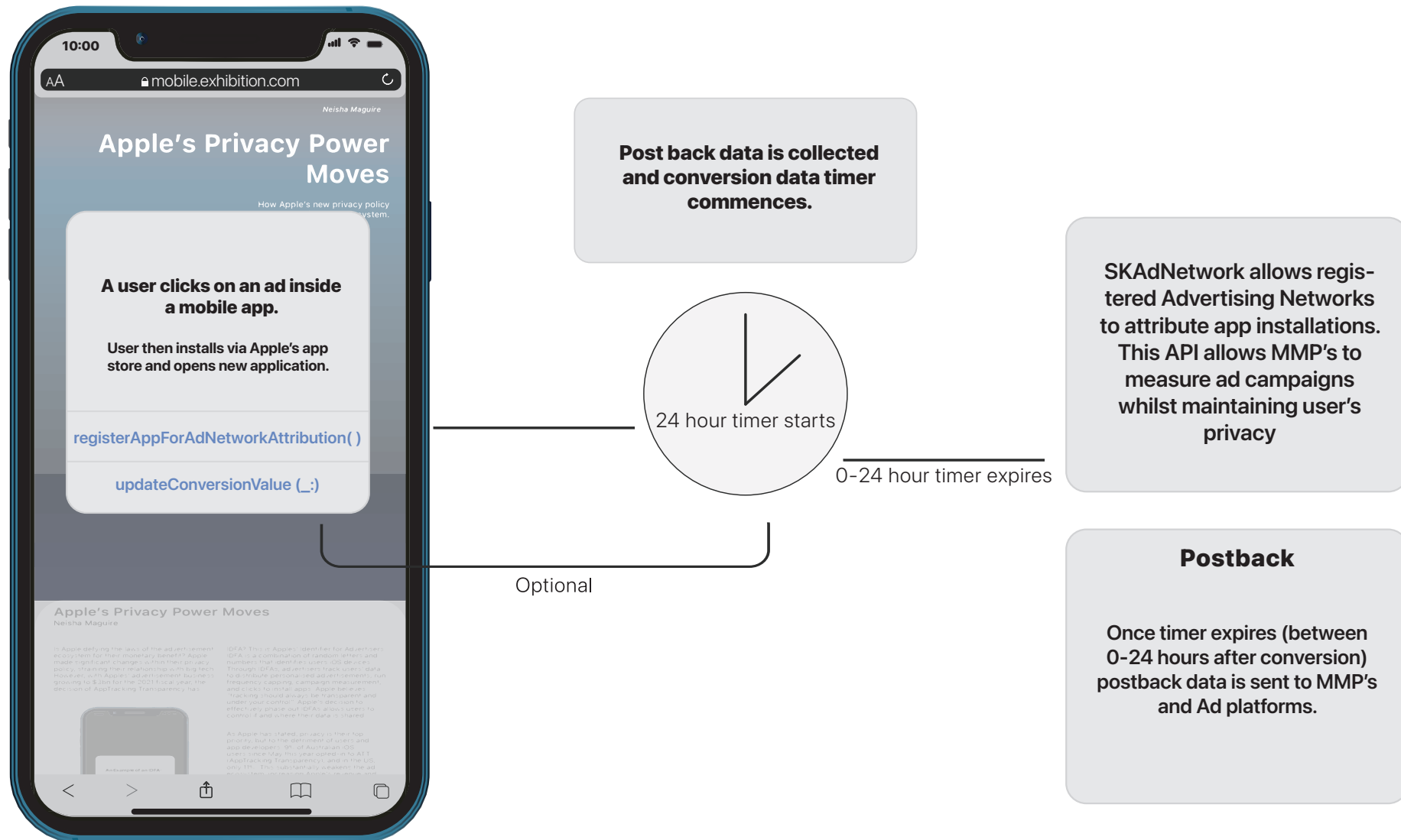
- [1] Sokol. D & Zhu. F. (June 1, 2021). Harming competition and consumers under the guise of protecting privacy. An analysis of Apple's IOS 14 policy updates. 2 (1) 23-24. SSRN. [Accessed on September 22, 2021]
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 [2] Sweeney. M. (July 23, 2021). Changes to IDFA in iOS 14 and the Impact on Mobile Advertising. Clearcode. [Accessed on September 22, 2021]

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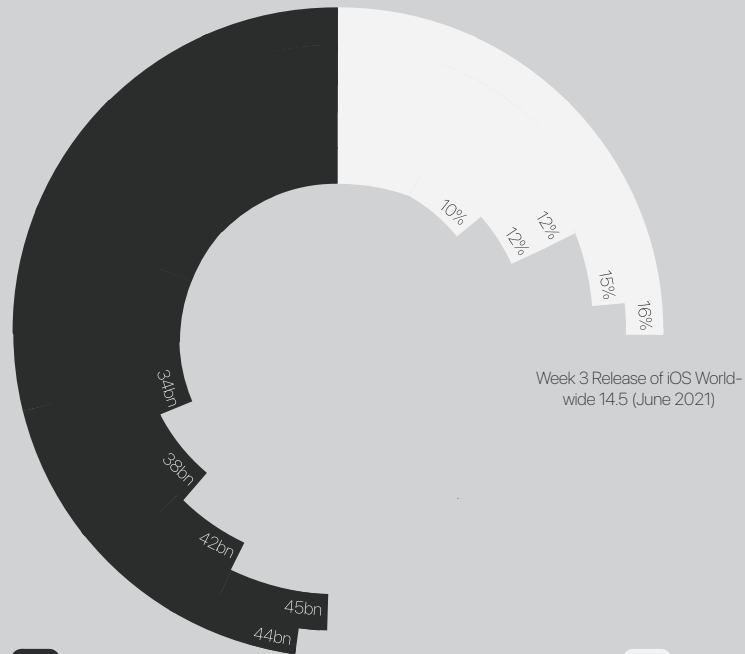
- [3] Thomas. I. (June 1, 2021). Planning for a cookie-less future. How browser and mobile privacy changes will impact marketing, targeting and analytics. Ingenta Connect. Volume 7 (1). SUMMER 2021. 6-16 (11). [Accessed on September 22, 2021]
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How Apple's SKAdNetwork Operates



Apple's Service Revenue and User's Privacy



Apples Services Revenue Fiscal 2017 to Q3 2021

Apple's User Privacy Since ATT

