

How Apple is defining privacy

The iOS 14.5 Update

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Wavemaker

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Mobile consumption has surged during the pandemic with users averaging 4:06 hours on their phones daily¹. With mobile being central to marketing efforts and more than half of Americans using iOS phones, Apple's recent stance on the need to reinforce consumer privacy has triggered concerns about the future of mobile advertising.

In recent years Apple has announced a series of privacy changes that increase transparency of in-app data collection, including usage and feature updates like Sign-In with Apple, location tracking limitation, and the addition of Intelligent Tracking Prevention (ITP) onto Apple's Safari web browser to block third-party cookies. This week's release of iOS 14.5 is a continuation of Apple's tightening stance on user privacy. And, while the release will take some time to roll out on all Apple phones, we can assume 80% adoption of the new iOS within approximately 8 weeks.

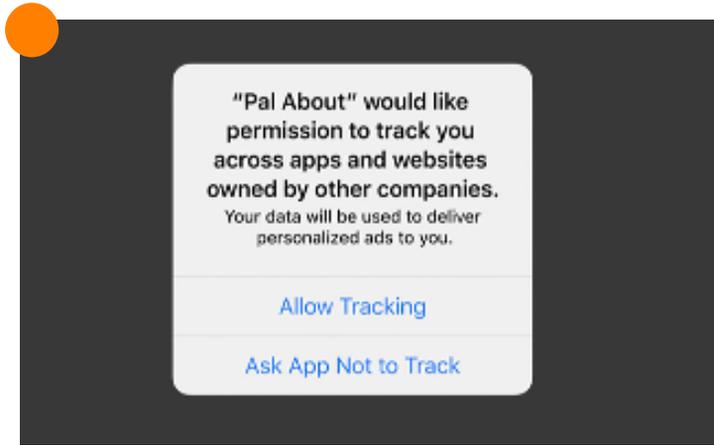
Here's what's coming

Introducing the permission to track notification

Postponed twice already, the Apple iOS 14.5 release this week includes a major privacy change called App Transparency Tracking (ATT). This change requires apps to ask for user permission before tracking data and activity.

1. eMarketer - <https://www.emarketer.com/content/us-adults-will-spend-over-three-hours-per-day-on-mobile-apps-2020>
2. <https://www.appsflyer.com/blog/att-opt-in-rates-higher>

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In December 2020, Apple introduced "Nutrition Labels" in its iOS 14.3 update to strengthen privacy and user control. Nutrition Labels replace lengthy privacy policies and inform users of the data an app requests before download.

Developers are now required to enter this information to submit new apps and app updates to Apple Store and self-report their privacy practices.

What we know so far

While we all know that targeting (addressability), measurement and ultimately user experiences will be impacted, it is hard to precisely predict the magnitude for several reasons:

1. It is hard to forecast how many users will consent to publishers tracking their activity in app. Recent tests through the current beta led by mobile measurement partners such as AppsFlyer have shown a consent rate around 40% across all categories, which is higher than initially expected².
2. The penetration of iOS per market as well as consumer sensitivity regarding privacy vary driven by culture and technology adoption.
3. It is hard to know the readiness of marketers regarding contextual and predictive/modelled approaches since they may require different technologies, solutions, data, and skillsets.

Addressability & measurement will be impacted

Addressability as targeting is dependent on users' consent (opt-in), inventory coming from authenticated apps and the creation of alternative solutions such as contextual targeting. Publishers and mobile ad-networks may see a decrease of their revenue from mobile as a result. And marketers will likely see a rise in CPMs as addressable inventory becomes more limited.

Measurement such as attribution showing the contribution of mobile to given objectives, engagement tracking such as app-download and reach and frequency will also be impacted

If a user opts-in and uses an app, the Identifier for Advertisers (IDFA) will be attached to the events passed to the SDK. While Apple has launched SKAdNetwork3 - a privacy API providing aggregated events to mobile measurement partners based on use cases – it will not deliver the granularity to measure with precision.

Additionally, major platforms, like Facebook, have already communicated measurement changes on how they measure on mobile. For example, Facebook will no longer support holdout tests to measure conversion lift or enable A/B tests that include a control group for self-serve conversion lift studies. This month, Facebook also disabled store visits optimization and reporting, as well as related beta products, including store visits lift studies and Custom Audiences for store visits.

Embrace an “eggs in many baskets” mindset

While one size does not fit all, and strategies will differ across advertisers, growth will belong to marketers that invest concurrently in multiple strategies.

Publishers and mobile ad networks will not offer the same solutions. Marketers will need to diversify their strategy and follow a test and learn agenda to identify how this new mobile ecosystem will support their growth strategies.

From a targeting standpoint, one of the strategies may be developing and deploying a CRM strategy across owned and operated inventory of the largest mobile apps providing reach such as YouTube (71% of share of mobile audience reached), Facebook (62%), Gmail (54%)⁴. Additionally, the role of insights will be even more critical and enable marketers to deploy contextual strategies based on interests and preferences for those publishers and mobile ad networks that lean on a contextual-based offering. Marketers should also partner closely with publishers and mobile ad networks to monitor their progress on the implementation of authenticated content solutions that may increase the volume of targeted addressable inventory on mobile apps.

From a measurement standpoint, it will take time for marketers to figure out how to evolve their strategies. Measuring effectiveness and efficiency of mobile advertising will not be as accurate and precise as it used to be. Key fundamentals arise like the need to work with aggregated and partial events from campaign advertising and SKAdNetwork³ and the need to lean more on modelling techniques that all marketers will need to embrace as a new norm. Marketers will also need to continue working very closely with platforms and mobile measurement partners about potential new measurement frameworks that may arise⁵.

It may be tempting to lean on learnings from previous activations, but the pandemic has introduced behaviors that may not last, and many consumers are slowly returning to more typical ways of working and living.

We have learned how to operate with less data for targeting and measurement, but we can't yet predict the impact on efficiency and on the experiences that will be delivered to customers. While addressability will suffer from this change, publishers have already started to implement solutions that will provide alternatives for their qualified inventory. Similarly, we are working with measurement partners who have already started to put work in motion to offer modelled alternatives to existing solutions.

3. Click-through based only today (View-Through expected later but to be confirmed)

4. Statista - US in February 2021 across iOS and Android

5. Facebook is planning to develop Aggregated Event Measurement (AEM) which is modeled from Apple's Private Click Measurement and will allow for the measurement of web events from iOS 14 users by aggregating performance data at the campaign level.



Provoking Growing Winning

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