Media: Advertising: Expert call feedback: What do Apple's iOS 27 changes mean for the ad industry?

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On Friday 16th October, we hosted Tony Rafetto, Senior Director of Customer Success at AppsFlyer Ltd. With 11 years of experience in the mobile advertising industry, Mr Rafetto discussed the implications of the new Apple iOS 27 (launched on 14 September) on the advertising industry.

The key discussion points on the iOS 27 changes were **(1)** the impact on ID resolution platforms; **(2)** whether there are 'work arounds'; **(3)** the scope of the changes; **(4)** the impact on ad budgets; and **(5)** the implications on the ad industry outside of ID matching.

The expert explained how Apple's iOS 27 disrupts ID resolution platforms (e.g. Trade Desk, LiveRamp) on mobile web browsers. When a user visits a website, the ID resolution platform will receive a 'signal' about the user to match them with an anonymized ID (e.g. LiveRamp's RampID). When ad space on the website is auctioned, the visitor ID will be attached. A higher match rate between visitor and target audience IDs increases marketers' willingness to pay for an ad space given that it improves advertising effectiveness.

What has changed with iOS 27? In the interest of user privacy, the updated version of the iOS 27 WebKit now blocks a number of these identity resolution platform domains from receiving user signals on iPhone browsers. As a result, the expert noted that marketers cannot target ads because website visitors become 'unidentifiable' in the ad auctioning process.

Are there 'work arounds'? Platforms have been moving to adopt a variety of workaround solutions for a number of years (in response to a steady shift toward privacy restrictions on 3P signals). These include things like probabilistic measurement and server-to-server connections between publishers and advertisers (i.e. matching conversions data directly and outside the scope of the device OS layer). LiveRamp (which is being acquired by Publicis) already uses server-to-server connections with its connected TV (CTV) publishers, as well as some of its large display publishers. This policy change by Apple should likely accelerate the shift to such alternative solutions.

The scope of the change? The expert believes that the changes apply to all browsers on iOS 27 iPhones, as they all run on WebKit. Notably, Safari's share of US web traffic is c.30% overall and c.50% of mobile. At the end of September, the adoption of iOS 27 was c.16%, with full adoption expected over the next 2-3 months. According to the expert, there is also an expectation that these changes could be reflected in a

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future MacOS update.

What does it mean for ad budgets? According to the expert, the changes could result in fewer bids for ad inventory on the web and lower CPMs, as marketers may not be able to use targeting or track attribution using ID matching. While it's possible that ad budgets eventually adjust to a 'new normal' over time, that dynamic would be dependent on several other variables (e.g. ability for open web to create effective workarounds/alternatives to regain signal, relative pricing of unaffected channels) and with exact timing uncertain. In the meantime, the expert sees a number of channels/platforms that could potentially benefit from the lower efficacy of open web advertising (mainly the "walled gardens").

Implications outside of ID resolution? There are a number of platforms/channels that stand to benefit from increased ad budget allocation - this platform change ultimately increases the importance of having direct, logged-in 1P data (both breadth and depth) across the entire conversion cycle (from initial impression to end purchase). In that environment, the "walled gardens" (owning 1P data/signal and not as reliant on 3P signal from Apple or other device ecosystems) stand to benefit. This includes social/digital video, commerce and app-based networks. On the latter, contrary to some initial concerns, the expert noted that he doesn't expect app networks (**APP** specifically) to be impacted - in his view, even **APP**'s Commerce business (which is reliant on measuring app-to-web conversions) is unlikely to be dependent on the 3P signals that are at risk from these policy changes. In fact, the expert noted that these networks could stand to benefit as budgets shift away from open web channels toward in-app advertising.

Overall, we continue to view the largest scaled platforms (**META**, **GOOGL**, **AMZN**) as best positioned to navigate these changes and potentially benefit from increased budget share over time (see our prior industry work for details - link | link).