

# Spectrum of apps could shrink after ban on personalized ads, study finds

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A ban on using apps to collect data in order to personalize advertising would significantly reduce the spectrum of available apps and the number of updates, according to a study by the Technical University of

Munich (TUM) based on the ban concerning Android apps for children. The findings, published in *Management Science*, can assist companies in defining their business models and policymakers when regulating targeted advertising.

Most smartphone apps are free. The providers finance them with advertising, often with what is referred to as targeted advertising. The apps evaluate data such as usage behavior and the user's location and even photos and messages in order to display advertisements custom-tailored to the individual user. This practice draws criticism as a violation of privacy, and there have been many calls to ban it.

The EU Digital Services Act will tighten regulations on targeted advertising starting in 2024, and there are similar plans in the U.S. Companies are objecting to restrictions and argue that without the income generated by personalized advertising, it would be impossible to continue offering many apps and there would be no incentive to develop new products.

Prof. Jens Foerderer and Tobias Kircher of the Professorship for Innovation and Digitalization at the TUM Campus Heilbronn have for the first time conducted an empirical investigation of how the disappearance of by personalized advertising would impact the spectrum of available apps.

In their study they analyzed the effects of a 2019 ban of targeted advertising which Google instituted in its Play Store affecting Android apps intended for children. The researchers compared the situation one year before and ten months after the ban.

## **Number of new apps reduced by one third**

The study shows that after the ban on personalized advertising, fewer

new apps came on the market, more apps than before were abandoned and fewer updates for existing apps were offered than before:

- The number of new apps published per provider fell by more than one third.
- The probability that an app would be taken off the market rose by more than 10%.
- The providers deployed 17% fewer updates. This figure includes not only further developments of the apps, but also maintenance and security updates.

The researchers found this development with almost all providers. The trend was especially pronounced with small and young companies, i.e. primarily with [start-ups](#). The only exception was extraordinarily popular apps on which the companies apparently focused their continuing development efforts. The researchers assume that a similar drop in the number of available apps would follow a ban on targeted advertising for apps intended for adults.

## Find out what users would be willing to pay for

"Better data protection for [smartphone apps](#) is an important step, especially for children," says Jens Foerderer. "The question is: How do we find a way out of the trap that consumers are used to using apps for free, and the companies base their [business models](#) on personalized advertising? And how can we do that without reducing the number of available innovative apps which can be very useful to the consumer? Our findings can serve both policymakers and business as a basis for decision making."

Companies should make proper advance preparations for possible legal regulation. "Companies will have to expect serious impacts on their revenues in case of a ban on targeted [advertising](#)," says Tobias Kircher.

"They should therefore find out as soon as possible which of their app functions users would be willing to pay for. And more: They should develop strategies to increase consumer willingness to pay."

**More information:** Tobias Kircher et al, Ban Targeted Advertising? An Empirical Investigation of the Consequences for App Development, *Management Science* (2023). [DOI: 10.1287/mnsc.2023.4726](https://doi.org/10.1287/mnsc.2023.4726)

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