

EU regulations could force Big Tech to adjust its business models

Article

The news: The European Parliament approved the [Digital Markets Act](#) and [Digital Services Act](#), two pieces of legislation aimed at curtailing Big Tech's dominance and how they handle user data, [per](#) The Drum.

- The two new laws aim to level the playing field and promote competition in the region while protecting users' rights and their data.

- The laws establish Europe as the first single digital market and together with its strict [General Data Protection Regulation](#) (GDPR) and [Intelligent Tracking Prevention](#) (ITP), could cripple the targeted advertising algorithms that Big Tech relies on to spin their ad engines.

Who will feel the impact? At the highest level, the laws are aimed at large platforms with outsized market share but will also affect smaller businesses and marketers who utilize these platforms' technology for targeted advertising.

- It's the first official legislation with sweeping controls over how Big Tech companies like **Apple, Amazon, Alphabet, and Meta** operate.
- The **Digital Services Act** bans targeted ads on online platforms that profile children as well as users based on personal information including ethnicity, political views, sexual orientation, or religious affiliation.
- The **Digital Markets Act** aims to shut down [self-preferencing](#), or instances where the services and products offered by the gatekeeper or platform provider rank higher in search results than competing products and services.
- The DMA also stops platforms from preventing consumers from linking up to businesses outside their platforms, and from uninstalling pre-installed software or apps if they want to do so.
- A monumental part of the DMA is the edict that different messaging services are to be connected to each other. This means the iPhone's **iMessage** should be able to send and receive to services like **Signal** or **Facebook Messenger**.

What's next? The legislation focuses on “very large platforms”—those that reach over **10%** of the total **450 million consumers in Europe**. Ripple effects will inevitably be passed to all organizations utilizing these popular platforms.

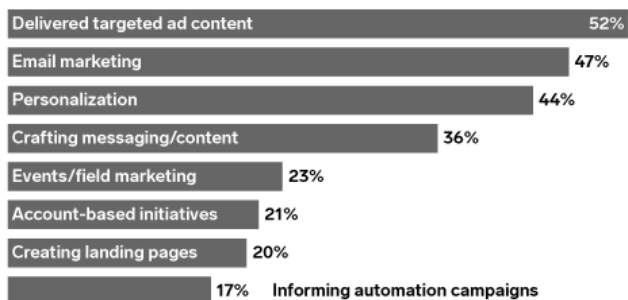
What this means for marketers: Online campaigns will no longer be targeted to specific audiences, and since user tracking is expected to be regulated, the new rules could diminish campaign effectiveness.

What this means for Big Tech companies: Platform providers and Big Tech companies are on notice and will need to figure out how to maintain profitability despite reduced access to user data or face hefty fines.

- The EU's regulations could spur other markets to adopt similar controls, which could put additional pressure on Big Tech companies.
- Platform providers and ad-focused tech companies will need to create new algorithms and services that adhere to UK regulations. It will take time and be more expensive to run various advertising models suited for different markets.

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According to Marketers Worldwide, March 2022**

% of respondents



Source: Ascend2, "The Outlook on Intent Data," April 5, 2022

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