

UK watchdog: Facebook's ownership of Giphy hurts competition

August 12 2021, by Kelvin Chan



In this file photo dated Tuesday, Dec. 24, 2019, women use a cell phone on an underground platform in central London. Facebook's purchase of Giphy will hurt competition for animated images, U.K. regulators said Thursday Aug. 12, 2021, following an investigation, indicating the social network could be forced to sell off the company if the provisional finding's concerns are confirmed. Giphy's library of short looping videos, or GIFs, are a popular tool for internet users sending messages or posting on social media. Credit: AP Photo/Petros Karadjias, FILE

Facebook's ownership of Giphy will hurt competition for animated images, U.K. regulators said Thursday, meaning the social network could ultimately be forced to unwind the deal if the provisional findings are confirmed.

The [Competition and Markets Authority said](#) its investigation found the acquisition would hurt competition among [social media platforms](#) because there's only one other big provider of GIFs, Google's Tenor.

Giphy's library of short looping videos, or GIFs, are a popular tool for [internet users](#) sending messages or posting on social media.

The [deal](#) will also reduce digital advertising competition by removing a potential rival from the market, the watchdog said. It started looking into the acquisition last year, shortly after Facebook announced its plan to acquire Giphy in a deal reportedly worth \$400 million.

The acquisition also faces scrutiny from regulators in Australia and Austria, underlining concerns about how such acquisitions can affect competition in local markets.

Facebook said it disagreed with the preliminary findings, which it didn't believe to be supported by the evidence.

"As we have demonstrated, this merger is in the best interest of people and businesses in the U.K. - and around the world - who use GIPHY and our services," Facebook said. "We will continue to work with the CMA to address the misconception that the deal harms competition."

Prior to the deal, Giphy had been considering expanding its paid advertising services to other countries including the U.K. That would

have added a new player to the market and encouraged more innovation from [social media sites](#) and advertisers, the CMA said.

But Facebook terminated Giphy's paid advertising partnerships after the deal, it said.



In this April 14, 2020 file photo, the thumbs up Like logo is shown on a sign at Facebook headquarters in Menlo Park, Calif, USA. Facebook's purchase of Giphy will hurt competition for animated images, U.K. regulators said Thursday Aug. 12, 2021, following an investigation, indicating the social network could be forced to sell off the company if the provisional finding's concerns are confirmed. Giphy's library of short looping videos, or GIFs, are a popular tool for internet users sending messages or posting on social media. Credit: AP Photo/Jeff Chiu, File

"Giphy's takeover could see Facebook withdrawing GIFs from competing platforms or requiring more user data in order to access them. It also removes a potential challenger to Facebook," which dominates the U.K.'s 5.5 billion pound (\$7.6 billion) display advertising market, inquiry chair Stuart McIntosh said. "None of this would be good news for customers."

McIntosh said the watchdog would now seek feedback on the provisional findings before issuing its final report on Oct. 6.

"Should we conclude that the merger is detrimental to the market and [social media](#) users, we will take the necessary actions to make sure people are protected," he said.

When it announced the deal, Facebook said about half of Giphy's traffic came from Facebook apps, which also include Messenger and WhatsApp. It had planned to integrate Giphy into Instagram but the authority ordered the companies to keep the businesses separate during the investigation.

Facebook is facing increased scrutiny over acquisitions that might have previously escaped notice amid rising concern that the digital giants are amassing greater market power. The CMA and European Union and German regulators are all looking into the company's plan to buy Kustomer, a customer management platform.

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