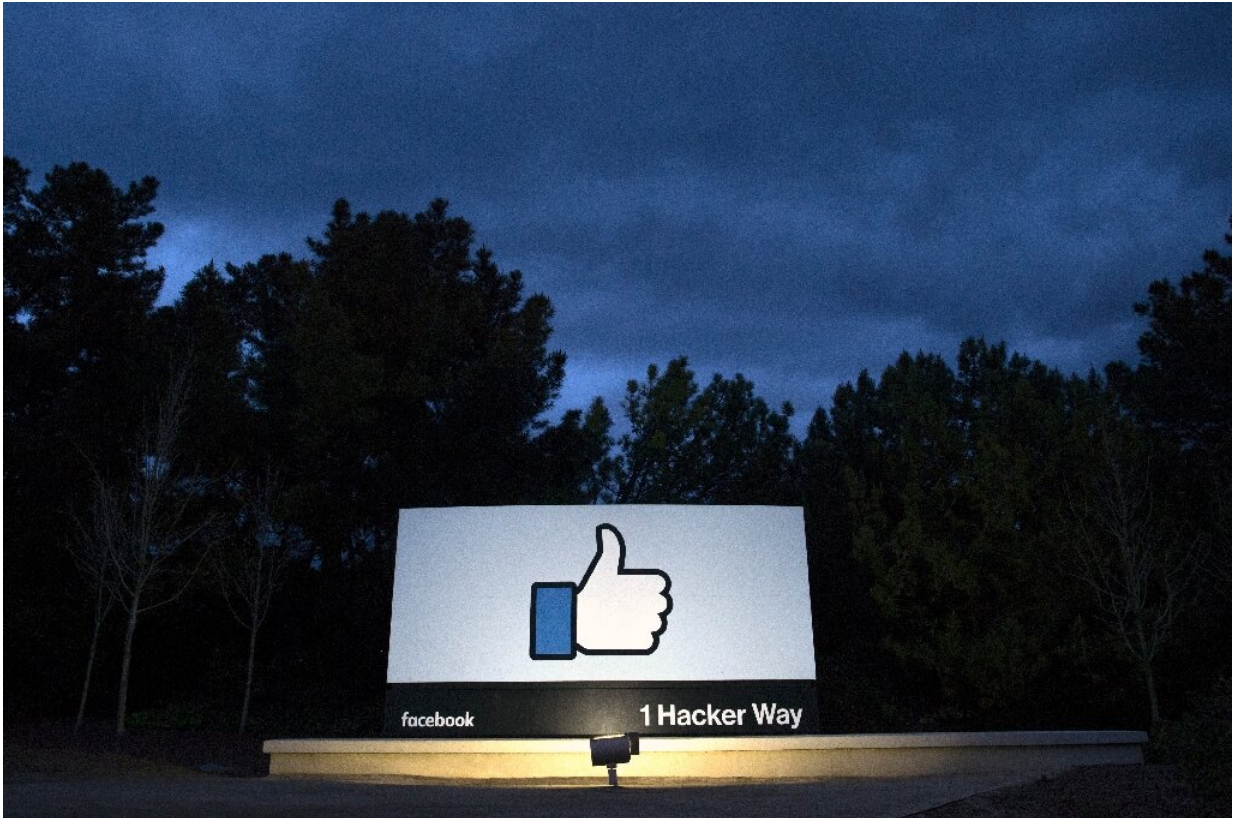


How Facebook slipped—in key points

February 3 2022, by Glenn Chapman



Facebook parent Meta was dealt a battering on markets nervous over its future.

Facebook-parent Meta saw investors flee on Thursday rather than buckle-up for what could be a long ride towards the firm's metaverse vision for the internet's future.

While the tech titan has previously seen shares climb despite fines,

regulatory threats, misinformation woes and harassment troubles—this time they plummeted in what one analyst called "a perfect storm."

Here are key factors shaking confidence in the social media giant:

TikTok to Telegram

Facebook growth that had been on a seemingly perpetual upward trend slipped at the end of last year, with the number of people using the social network daily declining.

Meta executives warned of increased competition, particularly from video star TikTok as well as messaging services such as Telegram and Slack.

The firm is making a priority of investing in its Reels short-form video feature as well as apps such as WhatsApp and Instagram to stay in tune with users.

That means spending big on services that are harder to make money from than the Facebook social network with its digital ad machine.

Apple bite

Meta executives told analysts that Facebook's ad-targeting efficiency is being undermined by a change Apple implemented to the software running iPhones.

In the update of iOS, Apple required application publishers to ask permission before collecting data, much to the regret of companies like Meta that rely on it for ad targeting.

As iPhone users opt out of sharing data for targeting ads in Facebook apps, marketing messages become less precisely targeted and thus less profitable.

"We believe the impact of iOS, overall, as a headwind on our business in 2022 is on the order of \$10 billion," Meta chief financial officer David Wehner said on an earnings call.

"So, that is a pretty significant headwind for our business."

Advertising at Meta also suffered with the broader market, as businesses curtailed budgets in the face of supply troubles, labor turnover, and pandemic woes.

Meta is facing a "perfect storm" countering growth, according to Baird Equity Research analyst Colin Sebastian.

"Our concerns about the near-term growth outlook for Meta were not only realized, but worse than we thought," Sebastian said in a note to investors.

Bet on the metaverse

Meta chief executive Mark Zuckerberg portrays the metaverse as the future of life on the internet. In that spirit, the tech company changed its name to "Meta."

Making the immersive online world of the metaverse is expected to take many years and cost many billions.

A "Reality Labs" unit at Meta devoted to technology for intermixing actual and virtual worlds reported a loss of \$10 billion last year, according to an earnings release.

Major investors in the stock market are notoriously averse to waiting a long time for big returns, tending to trade shares based on potential for quick gains.

Regulatory crosshairs

As Meta looks to make a "transformation" to better compete with the likes of TikTok, a hit with younger users, regulators in the United States and elsewhere have vowed to curb its power.

A [federal judge](#) in January ruled that US regulators' re-worked anti-trust case against Facebook can go ahead, saying the complaint was more robust and detailed than the version denied in 2021.

The US Federal Trade Commission has alleged Meta holds an illegal monopoly by acquiring potential competitors that it now owns like Instagram and WhatsApp.

The lawsuit, which could take years to go through the courts without a settlement, called for the "divestiture of assets," including WhatsApp and Instagram, to restore competition.

© 2022 AFP

Citation: How Facebook slipped—in key points (2022, February 3) retrieved 27 April 2024 from <https://techxplore.com/news/2022-02-facebook-slippedin-key.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.