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Meta's business model is under threat at home and abroad

Article

The news: Congress has shelved a media bill that would give publishers greater leverage in negotiating distribution deals with tech platforms days after **Meta** condemned the measure and threatened to ban news content entirely.

That sounds familiar: This isn't the first time Meta pulled out the "ban-all-news" threat in response to legislation giving publishers negotiating power.

- The first major instance was in Australia last year. A proposed bill would have forced platforms like **Facebook** to pay publishers a fixed rate, and Facebook responded by removing news content for a brief period. Ultimately, a middle ground was found allowing Facebook to negotiate its own terms and ink deals with publishers.
- A similar incident occurred in Canada just two months ago, with Facebook threatening a similar move following legislation that favored publishers.

Even before the series of bills, Facebook had a long, troubled relationship with the news media. Its rise is often blamed for the decay of the news industry, and it infamously misled publishers about its video metrics, prompting an industrywide "pivot to video" strategy that tanked revenues.

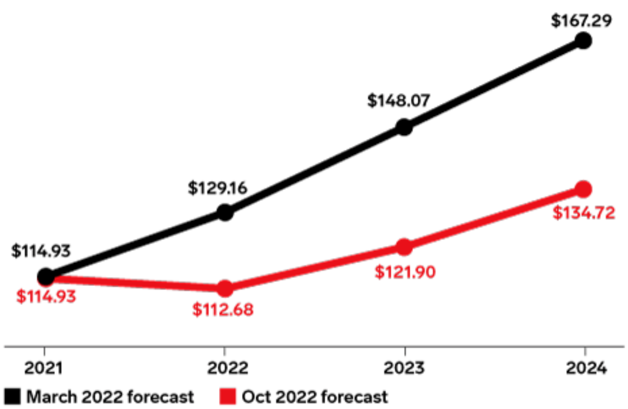
- Meta has repeatedly insisted that news content makes up a small share of its overall revenues and that users want less of it. The US bill follows Facebook's decision not to renew years-old deals with publishers for running content on its News tab, and Facebook's broader shift away from news and toward influencers.

What now? Meta's insistence that news isn't a major part of its business model begs the question—what is? Its various ventures have hit serious roadblocks or come under threat by regulatory action, stifling the company's efforts.

- Meta's bet on influencers is struggling to materialize. While **Instagram** is still one of the most popular social media apps among key age demographics, its ability to target content and advertisements to users just received a major setback in the EU.
- Earlier this week, the **European Data Protection Board** ruled that Meta can no longer target advertisements to users based on their personal data collected on Meta's platforms, per Reuters. That means **Meta cannot use data like viewed Reels or Facebook clicks to recommend advertisements**. While the decision may not be finalized for over a month, it's a blow that takes the loss of iOS tracking via **Apple**'s AppTrackingTransparency a step further and hampers all of Meta's plans.
- That's not to mention the very reason Meta changed its name to begin with—the metaverse. Amid its historic ad slump, the company has had to significantly slow its plans for virtual dominance—plans that are the subject of widespread ridicule.

Our take: Meta has taken clear stances about what its business model does *not* prioritize, but the sectors that it's turning to for the future are under serious threat. EU regulators have had a much heavier hand when dealing with the social media giant than US regulators, so rulings like the EU's may send Meta into a years-long spiral that could spell its decline.

How Has Our Forecast for Meta Ad Revenues Worldwide Changed?
billions, 2021-2024



Note: paid advertising only; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices; includes Facebook and Instagram ad revenues; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; excludes spending by marketers that goes toward developing or maintaining a Facebook and/or Instagram presence; excludes revenues reported under Meta's Reality Labs segment
Source: eMarketer, Oct 2022

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