

Meta's Zuckerberg acknowledges 'new economic reality,' announces additional layoffs and shift in strategy

Article

The news: Meta announced a second round of deep layoffs on Tuesday, with CEO **Mark Zuckerberg** admitting he made mistakes that led to this latest reversal.

Sound familiar? After increasing investments at the start of the pandemic, Zuckerberg announced November 2022 layoffs of 11,000 due to declining revenue projections, taking responsibility for the outcome and telling staff he had erred in expecting go-go growth.

The details: Cuts of an additional 10,000 jobs will begin in the coming weeks, starting with the recruiting team. The company is also scrapping around 5,000 unfilled job postings and conducting an analysis of its hybrid return-to-office model.

- Meta's headcount reached 86,482 by the end of December, 20.16% higher than the previous year's 71,970, though that year-end figure included most of the employees who were affected by the prior layoffs.
- We estimate Meta's headcount after this latest round will be around **68,232**—lower than 2021's final tally, but still **16.4% higher** than the 58,604 at the end of 2020.
- The coming layoffs will shave \$3 billion from expenses, Meta said in an SEC filing.

Projects killed: Meta is **discontinuing support for nonfungible tokens (NFTs)** on its platforms amid the crypto market downturn.

- Fintech head **Stephane Kasriel** tweeted on Monday that the company is now focusing on other ways to support creators, people, and businesses.
- The company had introduced support for NFTs on **Instagram** and **Facebook** less than a year ago when the speculative crypto asset reached its peak in popularity, with sales reaching billions of dollars.

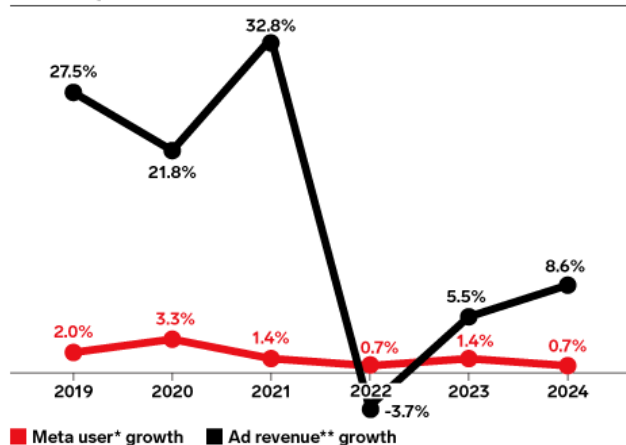
Not every investment is going away, of course: Zuckerberg's note calls "advancing AI and building it into every one of our products" the company's "single largest investment." He also touted the company's "leading work building the metaverse"—although in fairness, it's easier to lead when few others want to.

Analyst insight: “It’s not surprising that Zuckerberg had additional revelations about places where he could make cuts once he and his teams started to peel back the layers,” said principal analyst **Debra Aho Williamson**. “Meta had become a very complex and manager-heavy organization. I’m sure he is aware of just how much these layoffs—not to mention the additional operating efficiencies he discussed—are going to test his credibility and vision as a leader.”

A tough position: In his note about the latest layoffs, Zuckerberg acknowledged a “new economic reality” that could extend for years.

- The Facebook and Instagram parent needs to innovate—and said it would invest in tools to get more efficient. But it's simultaneously cutting back dramatically in a number of areas.
- How do you innovate without growth in people and budget? It's hard—but it comes from efficiency, as Zuck has discussed in the recent past.
- While Meta is cutting back, not all of its challengers will to the same extent—which could make it harder for the social giant. Competitors like **Apple**, **Google**, and **Microsoft** are more diversified, and may be able to better fund advertising innovation than Meta can.

US Meta User* and Ad Revenue Growth, 2019-2024**
% change



Note: *internet users of any age who use Facebook or Instagram at least once per month; unduplicated reach; excludes WhatsApp, Messenger, and Reality Labs; **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; forecast is from Oct 2022
Source: eMarketer, Dec 2022

279770

eMarketer | InsiderIntelligence.com