

Facebook's metaverse future gets a reality check from declining user numbers, record losses

Article

The news: As a backlash to its poor earnings results, Facebook owner Meta's stock price cratered by up to 26%, erasing close to \$230 billion in value. The loss could rank as the

biggest collapse in US stock market history.

More on this: [Declining daily user numbers](#), a first for Facebook since 2004, wider effects of [Apple's iOS privacy changes](#), as well as tighter restrictions on [user tracking, confounding ad models](#), and the rise of [TikTok](#), have taken their toll on Facebook, [per](#) Insider.

- The drop in daily active Facebook users, down approximately **1 million in Q4 2021** versus the previous quarter, is a reflection of saturated user growth and the surging popularity of competing apps.
- Tightening regulations on acquisitions have also slowed growth efforts. In context, Meta was ordered to [divest ownership](#) of GIF search engine **Giphy** for its potential to reduce competition.
- Facebook and **Instagram** ad models were also hit hard by Apple's iOS privacy changes last year, making it more difficult to track users via personalized ads. "The accuracy of our ads targeting decreased, which increased the cost of driving outcomes," Meta COO Sheryl Sandberg said.

The problem: Last year's [Meta rebrand](#), a misdirection from Facebook's poor [brand image](#), failed to buoy profits. And Meta's [\\$10 billion investment](#) in the metaverse last year didn't help.

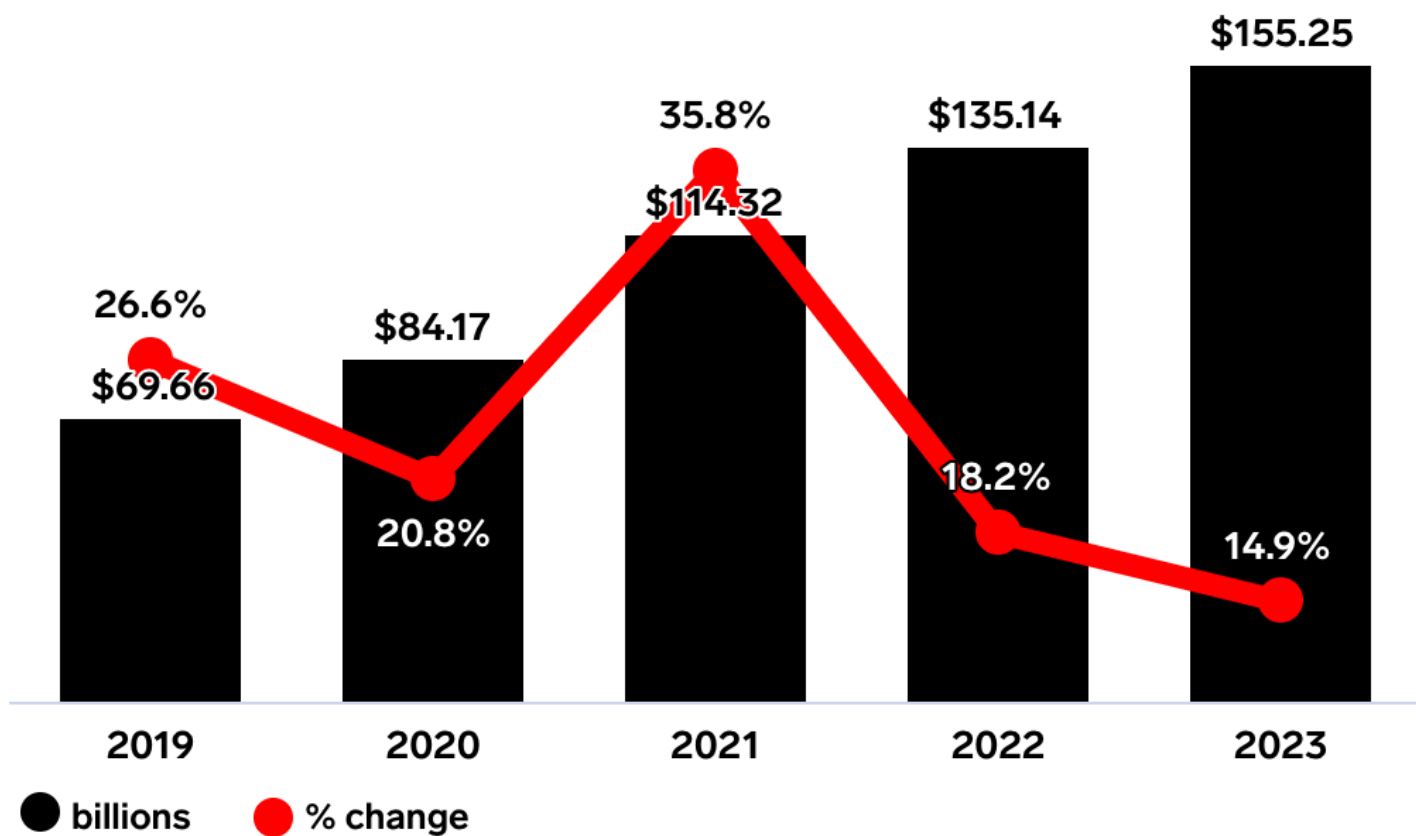
- While many are riding high on the metaverse bandwagon, mostly as a reaction to Meta's decisive pivot to a future for AR and VR platforms, the numbers tell a different story.
- Meta's **Reality Labs** unit, responsible for its VR headsets, software, and technologies, **lost \$10.2 billion** last year.

What's the catch: Meta CEO **Mark Zuckerberg** reportedly [rallied employees](#) to focus on video products late yesterday in response to unprecedented competition from TikTok, whose addictive short-form videos are taking eyeballs away from Facebook and Instagram.

Aside from keeping Facebook afloat and developing the metaverse, Meta now intends to double down on video, specifically the **Stories** and **Reels** features on [Instagram](#), which are derivative of TikTok.

Facebook Ad Revenues

Worldwide, 2019-2023



Source: eMarketer, October 2021

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