

TikTok could open its algorithm to regulators, breaking a major dam for social media

Article

The news: TikTok has coasted along relatively unscathed as the ad spend slowdown has continued into 2023. The popularity of the short-form video app **helped its ad revenues**

grow 139.9% in the US last year, per our latest forecast.

But despite that success, regulatory pressure has forced TikTok to restructure its US business and could pave the way for US oversight of its recommendation algorithm in a move that could reshape social media's relationship with the government.

The video boom: To say TikTok was immune to 2022's spending slowdown wouldn't be entirely true—that 139.9% growth is still a reduction of \$933.6 million from our March forecast. But the app's powerful recommendations algorithm has helped it avoid the **AppTrackingTransparency** and spending pains that have afflicted competitors like **Instagram**.

- TikTok's staggering US growth last year was far higher than other social media networks (**LinkedIn** came in second with growth of just 19%). Its success is spilling over to competitors, too: Thanks to TikTok and the rise of **YouTube Shorts** and **Instagram Reels**, we forecast that video will make up 53.4% of US social ad budgets in 2023.
- Part of TikTok's success can be attributed to **lower CPMs** than its struggling competitors. Though the app's triple-digit growth will slow down to just 36% in 2023, that's still more than runner-up LinkedIn will net.

Regulator challenges: TikTok's advertising success isn't happening in a vacuum. Regulators have hammered the app over the last year, raising concerns about its ties to China, use of personal data, and impact on teenagers. After several bills seeking to ban the app (and already having been banned on some college campuses), TikTok may soon lift back the veil to appease regulators.

- The Wall Street Journal reported Tuesday that, as part of the overhaul of its US business, TikTok has promised regulators some degree of oversight over its recommendations algorithm.
- TikTok has been inching in this direction for some time. In July, it promised to let researchers under the hood to investigate its use of private data in an effort to increase transparency.

Our take: If TikTok allows regulators to have recommendations oversight, it could lead them to demand the same from platforms like **Google**, **Facebook**, and more.

- There are already significant challenges to social media's independence under way. The Supreme Court is currently [reviewing cases regarding changes to Section 230](#) of the

Communications Decency Act, which could make social media companies liable for users' posts.

US Social Network Ad Revenue Growth, by Company, 2019-2024

% change

	2019	2020	2021	2022	2023	2024
TikTok	-	347.5%	170.0%	139.9%	36.0%	26.1%
LinkedIn	35.2%	31.3%	50.4%	19.0%	16.3%	27.9%
Reddit	30.4%	71.7%	89.0%	16.6%	14.2%	15.9%
Snapchat	31.4%	42.8%	54.9%	14.8%	15.9%	17.1%
Twitter	21.4%	6.6%	42.2%	8.4%	1.5%	1.0%
Pinterest	43.5%	38.9%	40.2%	3.3%	10.2%	11.8%
Instagram	100.5%	31.3%	47.6%	1.5%	12.1%	16.3%
Meta*	27.5%	21.8%	32.8%	-3.7%	5.5%	8.6%
Facebook	2.9%	15.6%	21.7%	-8.5%	-1.2%	-0.2%
Other	-13.1%	-9.7%	1.5%	1.2%	1.0%	1.0%

*Note: includes paid advertising appearing within social networks, social network games, and social network apps; excludes spending by marketers that goes toward developing or maintaining a social network presence; *includes Facebook and Instagram advertising revenues*

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