

One year later: How has Facebook's Meta pivot fared?

Article

Meta's tough transition year: It's been over a year since [Facebook rebranded to Meta](#), but as our analyst **Jasmine Enberg** notes, "There won't be a magical moment when we all suddenly enter the metaverse."

The transformation was meant to allow Meta to dictate its own narrative and pivot away from a beleaguered social network and into a leadership position in VR. Instead, it learned that the

pace of its transition will be driven largely by consumers, not advertisers.

Lots of pain points: 2022 has proven to be a troublesome year for Meta—VR adoption, specifically from businesses, has been slow. The compounded effects of [Apple's privacy update](#), general uncertainty, and economic strife have shredded the company's value.

- Facebook **lost more than \$232 billion in value** in February, it was the largest one-day value drop in stock market history, [per](#) CNBC.
- The company scrambled to counter Facebook's declining user numbers, a first for Facebook since 2004.
- Staff departures, including key personnel like **COO Sheryl Sandberg**, as well as the internal turmoil brought about by [staff reductions](#), were seen as a sign of an unsupportive work environment.
- Meta employees have reportedly "complained about frequent strategy shifts that seem tied to CEO **Mark Zuckerberg**'s whims rather than a cohesive plan," per NYT. This reveals a pattern of lack of focus.
- In November, Zuckerberg announced the company was **cutting more than 11,000 jobs** or 13% of the company's staff.
- The tech giant's market value dropped **57%** in 2022, compared with **Apple's 14%** dip, **Amazon's 26%**, and **Alphabet's 29%**, [per](#) Yahoo.

The VR vision for the future gets blurry: Various setbacks—some technical, most organizational—stalled Meta's momentum.

- A report from The New York Times revealed Meta executives have butted heads over the company's metaverse strategy, with **one senior leader complaining that the amount of money the company had spent on unproven projects made him "sick to my stomach."**
- In context, Meta reportedly spent \$15 billion on metaverse expansion with little to show at the end of the year. And while it showcased [a raft of innovative concepts](#), its various ideas, like its **Horizon Worlds** avatars, had no legs to stand on.

Regulatory woes: Meta is also facing regulatory battles. The company received a [blow](#) in its appeal of a German antitrust ruling and is **now subject to EU General Data Protection Regulation (GDPR) investigations as part of the antitrust challenge.**

Our take: Meta's attention is divided between **putting out economic fires, staving off competition from TikTok, and building its VR ecosystem.** The economic downturn plus tanking ad revenues have paralyzed the company's growth for most of 2022 and could stifle the pivot to the metaverse.

Cards are on the table: Meta's metaverse runway has become a lot shorter, and the company has to decide which of its various interests can yield more profit quickly. Otherwise, the economy will decide and continue to flay Meta's value, leading to further job losses and restructuring.

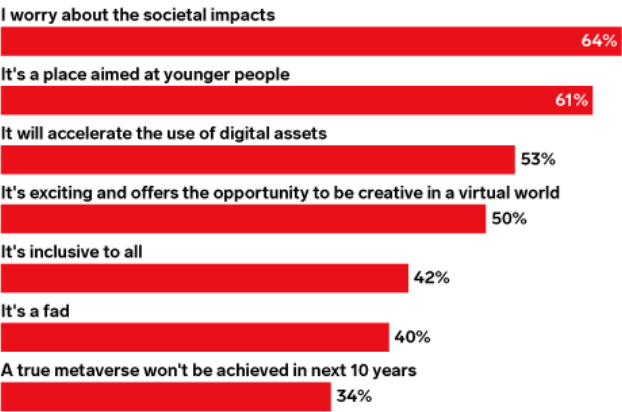
- Its plans, strategies, and partnerships were revealed this year, giving competitors the opportunity to develop competing strategies.
- Meta risks fragmenting its own platform by separating consumers from business users. Can the company that owns 90% of the moderately priced VR headset market do as well in the \$1,500 market?
- A second year of failing to launch a successful metaverse business could seal the deal for Meta's ambitions and sour the industry's once frenetic desire for all things VR.

Yes, but: No other company has made as many inroads into VR ecosystems as Meta has, even its under-occupied virtual reality worlds are generations ahead of would-be competitors. The company also leads in VR headset sales.

- The initial flurry of filings and interest in metaverse business models reveals that some companies see the potential of transitioning parts of their business to VR. But most remain cautious.
- **Only 27% of marketers strongly agree with the statement, "There will be widespread adoption of metaverse technologies for consumers and brands,"** per an October Sitecorp survey.
- **Meta can focus on a handful of metaverse products to build a solid user base.** Areas like VR fitness, immersive sports, concerts, and gaming events are compelling and open up various opportunities for brands to advertise on the platform.

Attitudes Toward the Metaverse According to US Adults, May 2022

% of respondents



Note: ages 21+
Source: PwC, "2022 US Metaverse Survey," July 26, 2022

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