

Meta's potential introduction of ad-free platforms in the EU could transform the digital landscape

Article

The news: Meta is exploring the idea of introducing ad-free, subscription-based versions of Facebook and Instagram specifically for users in the EU, according to anonymous sources, reports The New York Times.

- This move aims to offer users an alternative to the company's ad-based services, which depend on data analysis.
- The free, ad-supported versions of these platforms will still be available, and the pricing and release date for the paid versions remain uncertain.

Why it matters: If this happens, this could arguably be the **biggest-ever change** to how the company monetizes its platforms.

- The EU has been at the forefront of data privacy regulations, challenging many tech giants on how they handle user information. With the 2018 enactment of the **General Data Protection Regulation** (GDPR), the EU has set stringent data privacy standards.
- Other regulations, including the **Digital Services Act** and **Digital Markets Act**, seek to protect online data, curb illicit content, and encourage competition among tech platforms. The DMA has **already affected** Meta's Threads rollout.
- Meta's contemplation of a paid service indicates a potential shift in how tech companies might adapt to these stringent regulations. The digital experience might differ between the US and Europe due to diverging government policies.

Implications for advertisers:

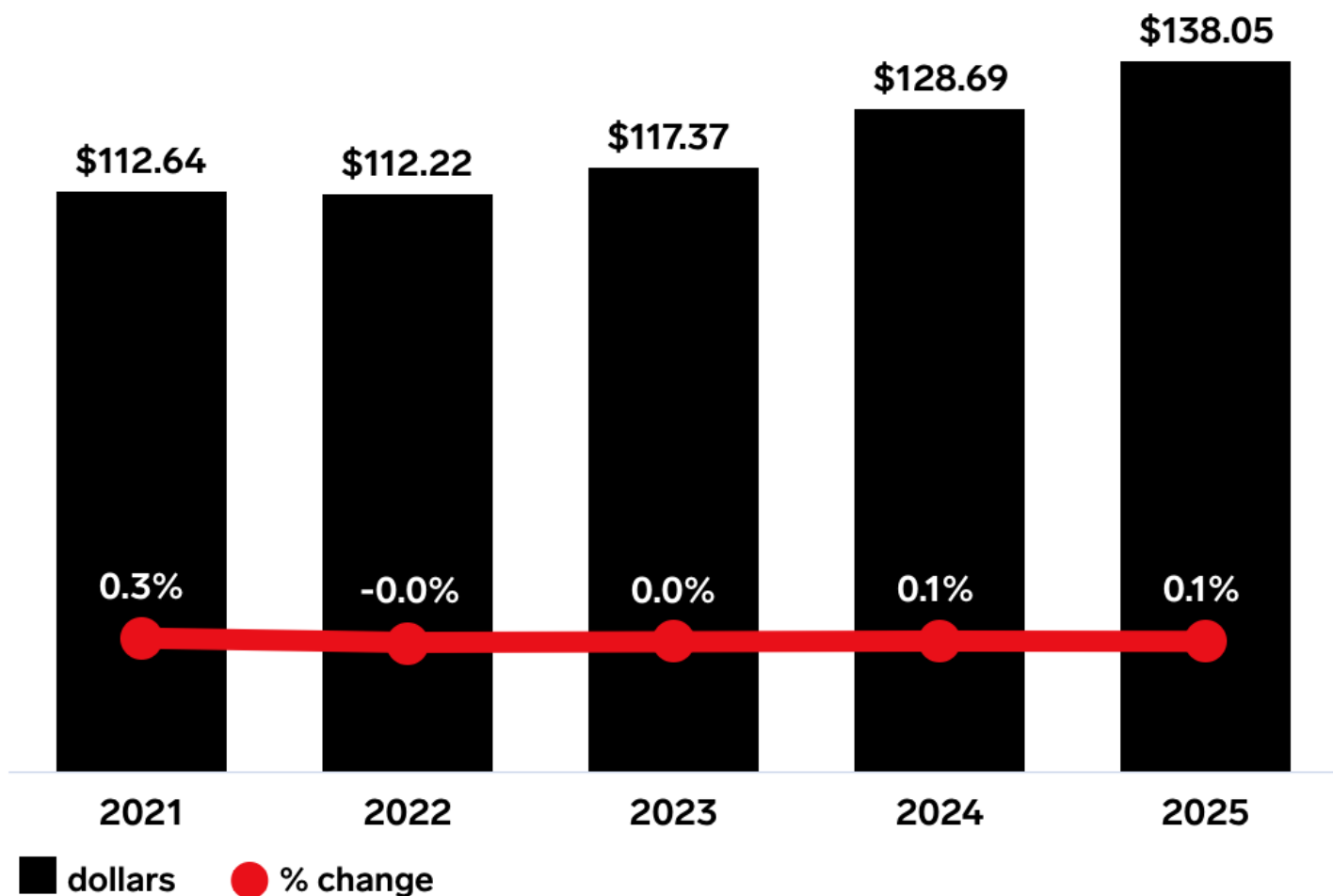
- If a significant number of users opt for the paid, ad-free versions, advertisers might find their potential audience across Facebook and Instagram reduced. That could increase competition and costs for the remaining ad slots.
- If return on ad spend declines for advertisers, it could naturally shift spending to other competitive platforms.
- Marketers could start thinking about organic reach to get in front of their target audiences.

Our take: Meta's consideration to roll out subscription-based versions of its platforms is a clear indication of the transformative power of European regulations on global tech entities.

- For nearly two decades, Meta has thrived on a business model centered on free access to its platforms, monetized through targeted advertising. This potential shift could be a strategic move to mitigate regulatory challenges, especially given Meta's history of hefty fines in the EU.
- The introduction of a paid version isn't just about compliance; it's also about offering users a choice. Even if a small fraction of users opt for the paid versions, it could appease regulators by demonstrating Meta's commitment to user privacy and choice.
- Regulations in Europe are reshaping the tech landscape, pushing companies like Meta to rethink their traditional business models.
- If Meta's subscription model for the EU proves successful, we might see similar models emerge in other parts of the world, marking a significant shift in the global digital ecosystem.

Meta Ad Revenues, per Facebook User

EU-5, 2021-2025



Note: among users of the above via any device at least once per month; digital ad spend per internet user includes classifieds/directories, banners and other, email, lead generation, mobile, rich media (including instream and outstream video ads), search, sponsorships; Meta ad spend per Facebook user includes paid advertising only; excludes spending by marketers that goes toward developing or maintaining a Facebook presence
Source: Insider Intelligence | eMarketer, March 2023

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