

Meta's losses show the metaverse's costly risk

Article

The trend: Meta and CEO Mark Zuckerberg are having a rough year.

- The tech giant's market value dropped **57%** this year compared with **Apple's 14%** dip, **Amazon's 26%**, and **Alphabet's 29%**, [per](#) Yahoo.
- With most of Zuckerberg's wealth tied to Meta, the billionaire has lost at least half of his fortune, erasing **\$71 billion** from his net worth this year, [per](#) Bloomberg.
- 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.

- In the US, a group of states led by New York is **pushing** an appeals court to reinstate an antitrust lawsuit against Meta's **Facebook**, citing ongoing harm from the company's actions.

Root of the problems: Several factors have driven Meta to the new low. However, the decline appears to have directly followed the tech giant's rebranding from Facebook to Meta last fall.

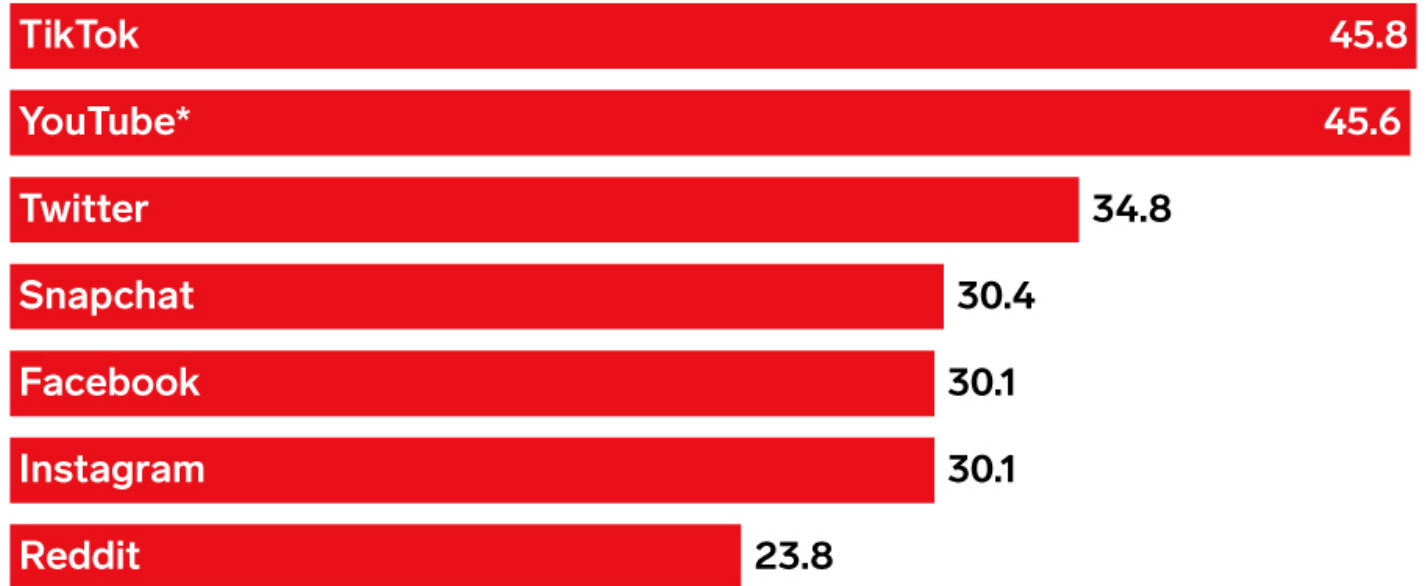
- **The image makeover is part of a pivot from social media giant to metaverse pioneer that hasn't yet delivered anything to match the hype.**
- Instead, it prompted **mockery** of simplistic metaverse graphics and criticism of VR hardware that has underwhelmed investors.
- The problems aren't solely on Meta's shoulders. Other companies are feeling similar pain from economic headwinds, intensifying regulatory scrutiny, changes to privacy features on **iOS**, and the **rise** of competitors like **TikTok**.
- But for Meta, **its decision to embark on its metaverse journey was ill-timed as the present economy isn't a good development atmosphere** for revolutionary technology given inflation-burdened consumers and dwindling cash flow for R&D.

An opportunity to reverse course: The upcoming **Connect** event on October 11 will give Meta a chance to turn things around.

- Meta is expected to unveil its **VR headset Project Cambria**, aka the **Quest Pro**, updates to **Horizon Worlds**, and other VR and AR prototypes.
- The reception of these releases could either be another hit to the company's reputation or a demonstration that it has responded to feedback and delivered impressive results from the **\$10 billion** it spent on the metaverse this year.
- **Living up to its name as the metaverse frontrunner would plant the seeds of investor confidence** that could mature when economic conditions improve.
- In the meantime, focusing on rebuilding its image as a company that cares about digital privacy could help Meta improve its reputation among consumers and mitigate future legal battles.

Average Time Spent per Day by US Adult Users on Select Social Media Platforms, 2022

minutes



*Note: ages 18+; time spent with each medium includes all time spent with that medium, regardless of multitasking; for example, 1 hour of multitasking on desktop/laptop while watching TV is counted as 1 hour for TV and 1 hour for desktop/laptop; *YouTube includes all time spent watching video on YouTube via any device; includes YouTube TV*

Source: eMarketer, April 2022

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