

# ‘Every move scrutinized’: Facebook’s rocky road to the metaverse

It would hardly be hyperbole to say that since its founding in 2004, Facebook has taken over the world – counting more than 50% of the global population as its user base. But after years of domination built on advertising revenue, the company has nearly overnight tried to knock down that empire and build anew.

In October 2021, more than 15 years and 2.8 billion users after the then student Mark Zuckerberg launched the social media platform from his college dorm, Facebook announced it had become “Meta” and was refocusing on the company’s virtual reality endeavors.

But can a Silicon Valley wunderkind successfully pull off a world-changing technology for the second time? Experts say that with regulatory concerns, technological setbacks, and branding troubles, the company’s path into the metaverse is not without its roadblocks.

## User base waning

The attempt to reorient comes at a time when growth has become a major problem for Meta’s key business, Facebook.

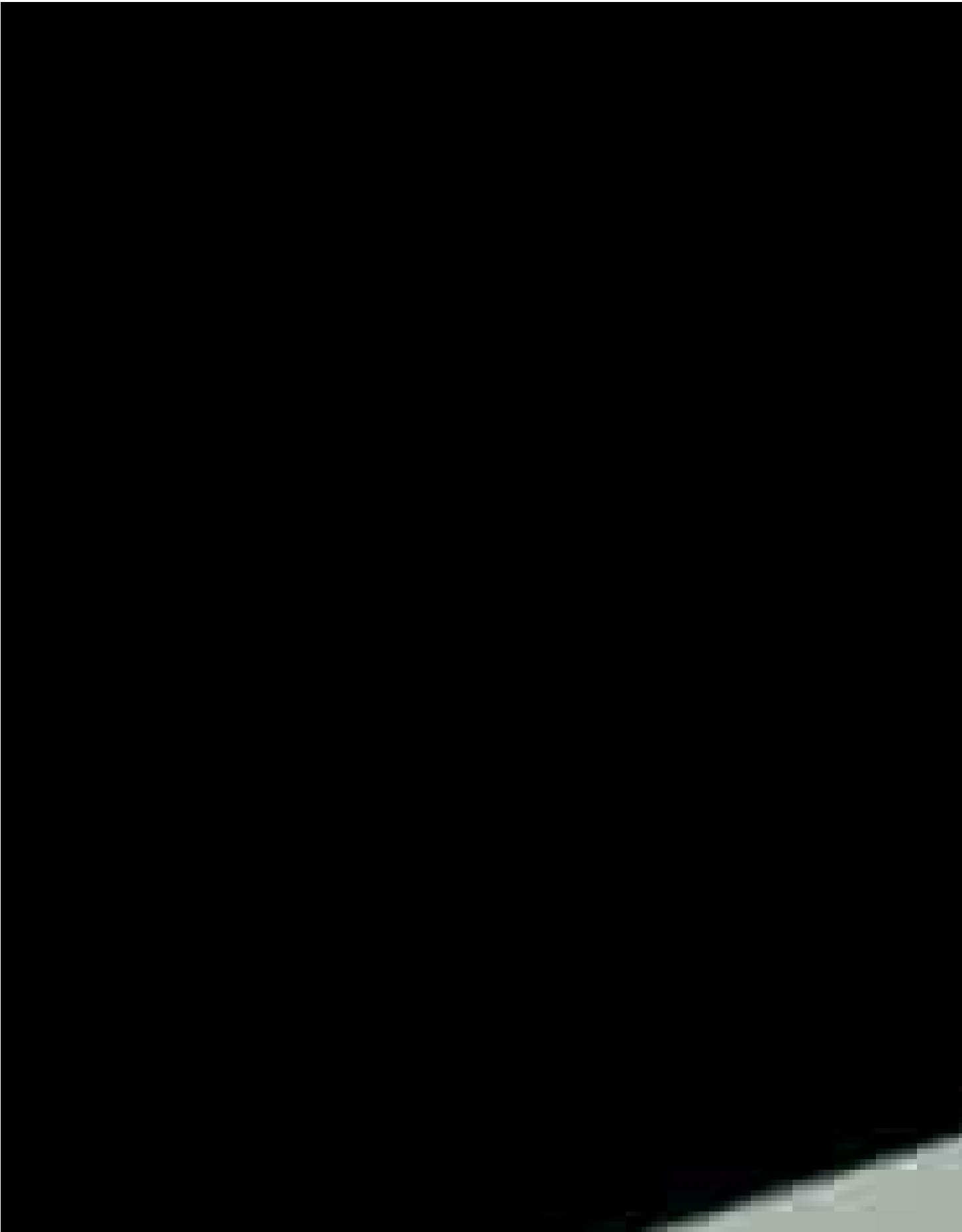
In its most recent quarterly results, Meta revealed that Facebook had recorded its first decline in daily active users – a key metric for investors – since it was founded in 2004.

The fall from 1.93 billion users between July and September last year to 1.929 billion in the three months to December was driven by declines in Africa and Latin America, although growth dropped in the US too (not for the first time).

But the company is also losing young users, who are a key demographic for the advertisers who provide 97% of Meta’s revenue, documents leaked by the company whistleblower Frances Haugen have shown. Meta and its subsidiary Instagram are facing growing competition from the video platform TikTok, analysts at research company Forrester say.

“Meta has a Gen Z problem,” said Mike Proulx, a vice-president and research director at Forrester.

In response, the company has launched Reels, Meta's answer to the Chinese-owned platform. But the road to profit is long, said Proulx: "Not only does Meta have to try to win back a declining share of its key Gen Z audience but it must also figure out how to better monetize Reels in the process. Continuing to lift TikTok's features won't cut it."



Meta faces stiff competition from TikTok. Photograph: Dado Ruvi?/Reuters

## Building the metaverse under a magnifying glass

Enhanced regulatory scrutiny of Meta has all but ruled out one solution to its growth problems: buying another large social media platform. Although an enforced split of the business is a long way from happening, a Washington DC-based district judge ruled last month that the US Federal Trade Commission has a “plausible” legal claim against Meta, rooted in the argument that the company has stifled competition by buying up its fledgling rivals Instagram and WhatsApp.

Meanwhile, Lina Khan, chair of the FTC, and Jonathan Kanter, head of antitrust at the Department of Justice, have announced a review of merger guidelines – with tech among their areas of concern. Facebook’s recent VR acquisitions are already under review.

Rebecca Allensworth, professor of law at Vanderbilt University, said the regulatory outlook for Meta had changed substantially since Facebook bought Instagram for \$1bn a decade ago. “First, because the American antitrust agencies are looking at hi-tech mergers generally with a lot more scrutiny now, and because one of those agencies [the FTC] is now in court arguing that Meta in particular used acquisitions anti-competitively.”

The forthcoming FTC case and growing regulatory scrutiny do not prevent cash-rich Meta (it has at least \$48bn to spend) from attempting to pull off a mega deal, but it underlines that Zuckerberg is operating in a hostile environment.

## Additional scrutiny

The scrutiny of Meta is not limited to its potential acquisitions. A seemingly endless series of public controversies in recent years guarantees that every part of its expanding operations is under close review.

“Zuckerberg and his coterie were able to invent Facebook largely out of the glare of public attention,” said Paul Barrett, deputy director at New York University’s Stern Center for Business and Human Rights. “Now, his every move will be scrutinized by rivals, potential imitators, and a far more robust tech media corps.”

Those controversies include the explosion of misinformation around the 2016 US elections, the Cambridge Analytica scandal, Facebook’s role in the persecution of the Rohingya in Myanmar, and most recently the revelations made by Haugen – including the platform’s grave health effects on young people.

In light of such scandals, regulators and users alike will be ready with questions for Meta as it moves into yet another space: will users’ privacy be protected? How will it address hate speech and

harassment in the metaverse? Does it have a plan for misinformation?

“People will demand to know whether he’ll avoid some of the mistakes that have contributed to the many Facebook/Meta controversies,” Barrett said of Zuckerberg.

## More competition, and a big reputation

When Facebook embarked on its initial ascent in the mid-2000s, it had little competition in its way. Apart from MySpace, founded just the year before, there were few other widely known social platforms.

Today, Meta enters a crowded industry with established players. Game systems like Roblox and Decentraland already allow users to share worlds with one another. Can Meta – which has already invested \$10bn into its metaverse – buy its way into the field?

Past examples do not bode well. Apple tried to get into social media with a platform called Ping, which shut down after two years. Google attempted and failed with its own social platform called Google+.

Even Meta itself fell short with its latest attempt to expand outside of social media, shutting down its cryptocurrency venture Diem (formerly called Libra) last month after repeated regulatory struggles.

“They have tried to diversify revenue streams before, and frankly it did not go very well,” said Ari Lightman, a professor of marketing and digital media at Carnegie Mellon University.

“Unfortunately when you get this large, you get kind of pigeonholed and it becomes difficult to move from one place to another.”

The headwinds have not stopped Zuckerberg from trying. Besides the huge financial investments into the Metaverse, the company has transformed its branding and employment practices to reflect its new priorities. It has posted thousands of jobs for engineers to build hardware and software for the metaverse, pushing some employees to leave their jobs and apply elsewhere in the company. Meanwhile, it has poached a number of employees from VR projects at competing firms.

The dramatic pivot to the metaverse has spooked investors, leading Meta’s stocks to plummet following the recent earnings report. The company lost more than \$230bn in market value. But Zuckerberg seems unfazed, even as he seemed to acknowledge the setback.

“This fully realized vision is still a ways off,” Zuckerberg said of Meta’s metaverse investments in a call with investors. “And although the direction is clear, our path ahead is not yet perfectly defined.

“But I’m pleased with the momentum and the progress that we’ve made so far and I’m confident these are the right investments for us to focus on going forward,” he added.

Source: [‘Every move scrutinized’: Facebook’s rocky road to the metaverse](#)