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Facebook owner Meta suffers first revenue drop in history, teams will 'shrink'

The owner of social media giants Facebook and Instagram is struggling to compete against TikTok, with its latest results showing a startling drop in profits.

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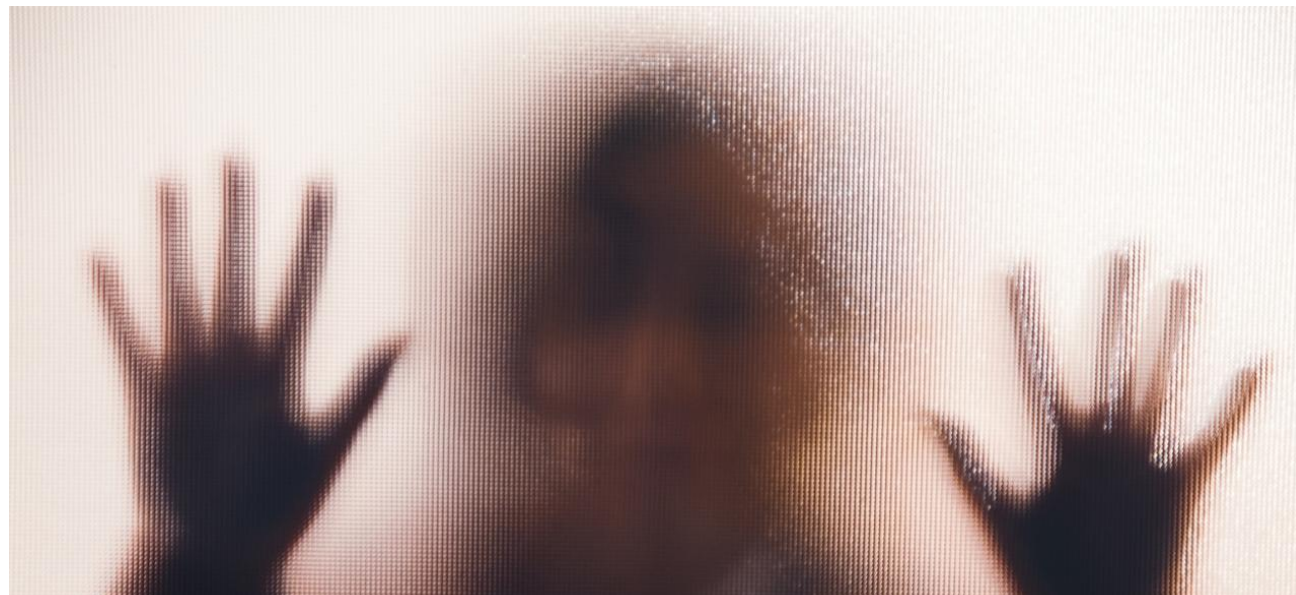
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Mark Zuckerberg has lost billions following Meta's share price bloodbath. But what really caused the social media juggernaut's downfall?

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Facebook and Instagram's parent company Meta has recorded its first revenue decline in history after it warned that Apple's privacy change would see it take a staggering \$10 billion hit in lost sales this year.

Meta also struggled against growing competition from rival TikTok, while its CEO warned that staff numbers would be slashed.

The move from Apple, which allowed people to 'ask app not to track' with one single click appeared to have torpedoed Facebook's advertising model, which combined data from different companies to personalise ads.

One Twitter user said it was "hilarious" that a "seemingly innocuous IOS update – allowing users to do a single-click opt in or out of data collection/tracking/analysis by apps – single-handedly torpedoed \$10 billion and

...concerning tracking analysts by app... single manually reported... and counting in Facebook's ad revenue".

Meta CEO Mark Zuckerberg revealed that job cuts would be made at the social media giant.

"Many teams are going to shrink so that we can shift energy to other areas inside the company," he said on an earnings call Wednesday.

Back in May, the company had implemented a partial hiring freeze, while recently Meta's HR chief, Lori Goler, suggested it would cut employees who failed to meet expectations as the company began to operate with "increased intensity", a memo said.

In June, an internal memo from Meta's head of engineering told his managers to identify and report low performers so they could force those employees out, reported the [Wall Street Journal](#).

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Facebook chief executive Mark Zuckerberg announces Meta rebrand. Source: The Australian.

Meanwhile, the company posted profits of \$US6.6 billion (\$A9.6 billion), which plummeted a whopping 36 per cent compared to the same time last year when it earned \$US10.3 billion (\$A17.7 billion).

When it came to revenue it earned \$US28.8 billion (\$A41.2 billion), which had dropped by 1 per cent, compared to year earlier where it was \$US29 billion (\$A41 billion).

“The year-over-year drop in quarterly revenue signifies just how quickly Meta’s business has deteriorated,” said Insider Intelligence analyst Debra Aho Williamson, reported the [Sydney Morning Herald](#).

“Prior to these results, we had forecasted that Meta’s worldwide ad revenue would increase 12.4 per cent this year, to nearly \$US130 billion (\$A186 billion).

Now, it’s unlikely to reach that figure.”

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Aside from its TikTok problem, Meta has also suffered from Apple's privacy changes which allows users to prevent Facebook and Instagram from tracking, "questions about Meta's leadership" and negative sentiment about the company as [whistleblowers have come forward](#), according to Raj Shah, a managing partner at US digital consultancy Publicis Sapient.



Facebook-parent Meta reported that its quarterly revenue dropped year-over-year for the first time ever, as its profit plunged by more than a third. Picture: Justin Sullivan / Getty Images North America / AFP

When the news of chief operating officer Sheryl Sandberg's [departure from the](#)

When the news of her departing chief executive officer, [Sandberg's departure from the company](#), after 14 years working alongside Mr Zuckerberg, broke in June it couldn't have come at a "worse time" for Meta, analysts said.

Ms Sandberg, who has a net worth of \$US1.6 billion (\$A2.2 billion), was the mastermind of the company's massive advertising business.

But her departure also comes at a time when Meta is attempting a risky move by investing billions to launch a suite of virtual reality metaverse products, which would take years to make a profit, according to analysts.

"Expect Meta's decline to continue until Meta can monetise the metaverse, and begin another Meta-reverse," Mr Shah added.

Meta's finance chief David Wehner blamed the company's results on the continuation of weak advertising demand, which he said was being driven by broader macroeconomic uncertainty.

However, the company defied experts predictions when it revealed that Facebook's daily users base had risen to 1.97 billion people, up from 1.96 billion just three months ago.





CEO of Facebook Mark Zuckerberg walks with COO of Facebook Sheryl Sandberg. Picture: Kevin Dietsch / Getty Images North America / AFP

TikTok is a huge concern as it reels in a younger demographic.

Sabri Suby, founder at Australian digital marketing agency King Kong, said TikTok was one of a few major threats to Facebook since it launched 18 years ago.

“Facebook’s usual reaction would be to simply buy out the offending platform but with TikTok, this isn’t possible. But this isn’t Zuckerberg’s first rodeo, he has weathered worse,” he said.

“Facebook’s ongoing attempts to keep their younger audience has admittedly been a challenge, and they are scared that they’ll fade out with their older demographic, but they still have a very valuable place in the market.

“Not only is TikTok’s algorithm more advanced, but the potential to rival Facebook’s ad platform is the elephant in the room. Costs to run ads on Facebook are soaring, and the quality is declining.

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“The platform is saturated, and made complex by censorship and millions of businesses competing for the same space, but the figures released today are not necessarily a sign of the platform’s imminent, pending doom.”



Sabri Suby, founder of digital marketing agency King Kong. Picture: Tim Carrafa

Mr Zuckerberg said in April that the company would change how users see content in a bid to boost engagement, but the changes have caused a backlash among users.

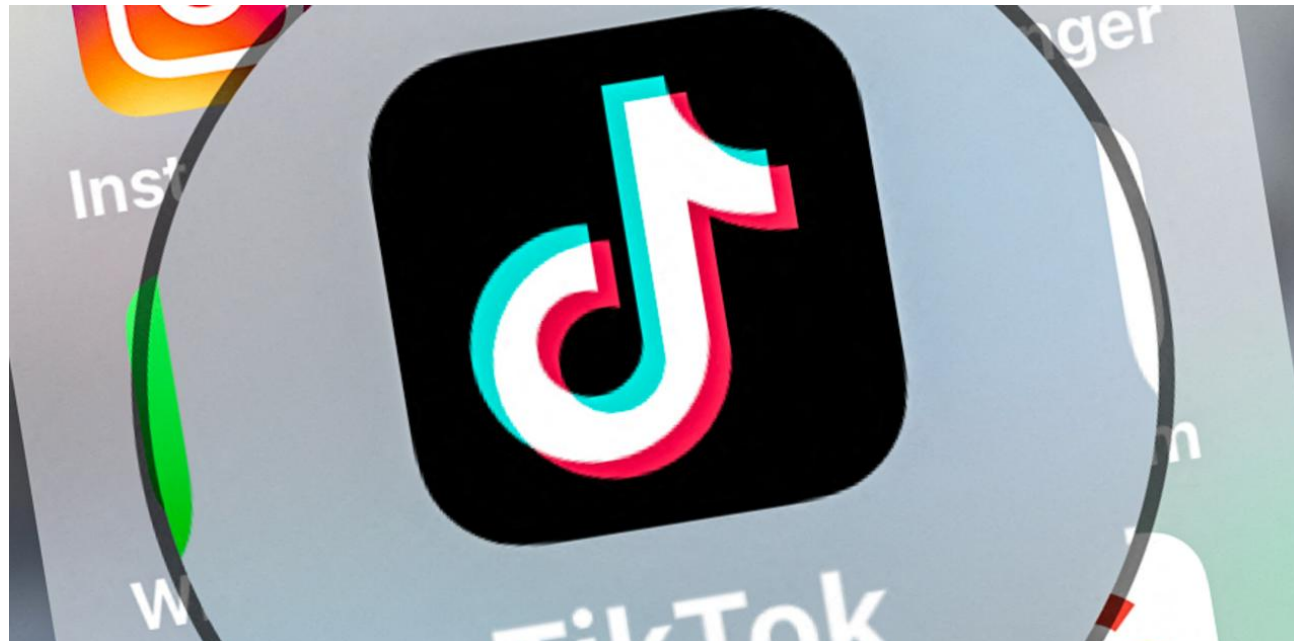
The company said it would recommend content to Facebook and Instagram

The company said it would recommend content to Facebook and Instagram users from around the social network rather than just directly from the accounts they follow, mimicking one of the signature features of TikTok, as well as showing more videos.

The changes have prompted a petition and an image that reads “Make Instagram Instagram Again” and “stop trying to be tiktok” circulating around the platform, which was shared by Kim Kardashian and Kylie Jenner gathering millions of likes.

Meta’s head of Instagram, Adam Mosseri, said many of the features were still evolving.

“I need to be honest – I do believe that more and more of Instagram is going to become video over time,” Mr Mosseri said in a video posted on Twitter.





TikTok is a threat to Facebook and Instagram. Picture: Denis Charlet / AFP

Mr Suby said Facebook and Instagram would continue to imitate rivals with more video content and upgrades.

“It is yet to be determined whether or not they will survive this threat, but there are definitely things, like their customer service, they need to urgently address,” he said.

“Facebook falls flat when it comes to customer support when compared with TikTok and Google where you can speak directly with a rep for support – this is almost non-existent for Facebook and something their “like it or lump it” lion’s-share ethos has satisfied to date – this won’t cut it anymore.”





Facebook chairman and CEO Mark Zuckerberg. Picture: Nicholas Kamm / AFP

Meta revealed it also expects its total expenses for 2022 to be between \$US85 billion (\$A121 billion) and \$US88 billion (\$A126 billion), down from the company's previous outlook of \$US87 billion (\$A124 billion) to \$US92 billion (\$A131 billion).

A reduction in hiring and overall expense growth plan was the reason for the drop, the company said.

Shares of Meta took a hit when the company's performance was announced, falling by 3.3 per cent to \$US163 (\$A233) in after hours trading.

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