

NSR Tech Policy Quick Hit: Meta's "Pivot to Discovery"

By [Matt Perault](#) | July 22, 2022

What happened:

- Meta formally announced its "pivot to discovery," moving away from its historic focus on content from friends and family content and toward entertainment and discovery. Axios framed the change this way: "The move shifts Facebook further from a social network and toward an entertainment and shopping platform like TikTok, which has increasingly challenged Facebook's dominance in user engagement and mobile advertising."
- The app will now open to a personalized "Home" feed, and users will need to click on a separate "Feeds" tab to access the content they have typically seen on the landing feed.
- In a post on the shift, Meta CEO Mark Zuckerberg couched the change as a way to more easily access friends' content, but that framing buries the lede: friends and family content will now be the secondary experience on Facebook, and users will need to click off of the Home feed to access it.

More on the product shift:

- Here's how Mark Zuckerberg described the new feed: "The app will still open to a personalized feed on the Home tab, where our discovery engine will recommend the content we think you'll care most about."
- Every word in that description is important.
 - The app will "open" on a "Home tab," meaning that "Home" replaces the News Feed as the screen people see when they open Facebook. Users will now need to click a separate tab to access the

content that they know as “News Feed.”

- It is “personalized,” meaning that an algorithm will surface and order the content that people see.
- The “discovery engine” is shorthand for the algorithm that will surface and order the content.
- This engine will “recommend the content we think you’ll care most about,” meaning that the algorithm will determine what people will see, rather than users making those choices themselves. Users will still have several options for controlling what they see in their Feeds tab, as Meta stated in its [announcement](#). But the primary content experience on Facebook will now be machine-driven, rather than user-controlled.

Implications for regulatory risk:

- As we detailed in a recent note ([LINK](#)), the product pivot may be an indication of Meta’s fragility, since it seems to be aimed at competing more effectively with TikTok. We highlighted data points that indicate the threat that TikTok poses to Meta.
 - Instagram Reels (20.1%) now ranks behind TikTok (48.5%) and YouTube Shorts (25.3%) as the third most-preferred short-form video platforms for US users over the age of 18.
 - TikTok’s advertising revenue is predicted to grow 184% in 2022.
- It is possible that this fragility may be an ominous sign for Meta’s future business prospects. But that question is beyond our remit. Our focus is on regulatory risk, and business fragility is likely to reduce a company’s regulatory risk.
- In our prior note ([LINK](#)), we described several ways this fragility could decrease Meta’s regulatory risk, including the impact on antitrust enforcement and on political pressure. Big Tech companies have pointed to competition with China as a reason to avoid tightening regulation on tech companies in the United States. A product pivot by Meta that is so clearly focused on competing with a company owned by a Chinese parent will likely strengthen Big Tech’s China argument.

Meta's product pivot and antitrust

- The pivot's most significant impact on Meta's regulatory risk may be on one particular element of antitrust analysis: market definition.
- Defining the market is a critical part of any antitrust case. To establish a violation of antitrust law under Section 2 of the Sherman Act, the plaintiff must show that a firm possesses "monopoly power" in a specific market. In the course of defining that market, courts look to the "buyers' views of which products are acceptable substitutes or alternatives."
- The House Judiciary Committee's 400-page report on its "Investigation of Competition in Digital Markets" took pains to make the case that TikTok and Facebook exist in separate markets. It argued that "social networks are distinguishable from social media." Among their distinguishing characteristics are that they facilitate interaction "with other people [users] already know online" and that they provide a "rich social experience."
- The report contrasted "social networks" with "social media platforms," which "principally facilitate the distribution and consumption of content." It placed YouTube and TikTok in this latter category, since they enable content to be "enjoyed by users with a wide range of relationships to the person posting, including by strangers."
- The District Court opinions in *FTC v. Facebook* make similar claims about the scope of the market, defining the relevant market as "online services that enable and are used by people to maintain personal relationships and share experiences with friends, family, and other personal connections in a shared social space."
- Meta's pivot blurs this distinction, since it situates broad content sharing at the center of the app, and deemphasizes experiences with people who users "already know online."

- It remains to be seen whether this change will alter how courts view market definition. It is possible that the government and courts will continue to treat products like YouTube and TikTok as separate product markets from products like Facebook.
- But Meta’s product pivot challenges that argument. It puts a weight on the scale for a broader market definition, and makes it more likely that TikTok and Facebook will increasingly be perceived to be within the same product market.

Full 12-month historical recommendation changes are available on request

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