

MARKETING

What the Facebook antitrust suit means for luxury marketers

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Facebook has launched Instagram Reels in the U.S. Image credit: Instagram

By SARAH RAMIREZ

While it will likely take years for the Federal Trade Commission lawsuit against social media giant Facebook to play out, there is a real possibility that brands will be looking at a more fractured digital marketing landscape.

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The FTC is accusing Facebook of engaging in a systematic strategy to eliminate threats to its monopoly through, but not limited to, the acquisition of rival platforms ([see story](#)). The suit calls for argues for Facebook to sell off its subsidiaries Instagram and WhatsApp, the former of which is a favorite among luxury marketers.

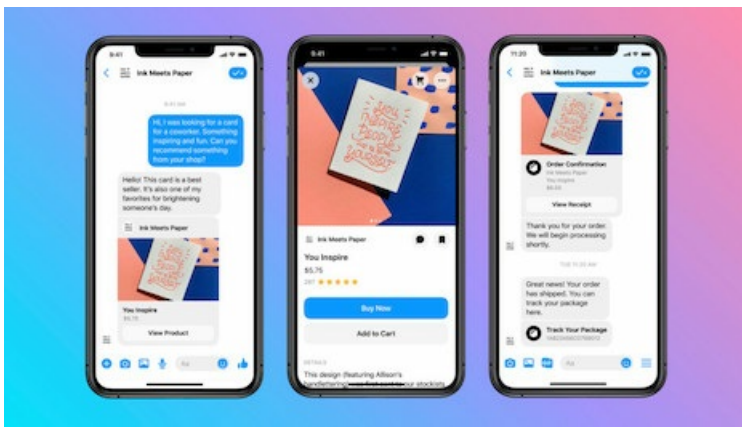
"An immediate impact is unlikely but separating them into separate channels will eventually cost brands and marketers more marketing dollars," said Rania Sedhom, founder/managing partner of [Sedhom Law Group](#), New York. "Over time the impact of increased marketing will trickle down to the consumer."

Facebook monopoly?

Facebook acquired Instagram, which originally found popularity as a photo-sharing mobile application, in 2012. Today, both platforms boast billions of monthly active users.

There are notable differences between the two social networks, including audiences and capabilities. Facebook has a larger user base, which skews older; Instagram is more visual and popular among millennials.

In recent years, Instagram has evolved beyond overly edited photographs to include videos and livestreaming. One of the most successful updates was the launch of Instagram Stories in 2016 ([see story](#)).



Live chatting via Facebook Shops. Image credit: Facebook

For its part, Facebook introduced a new tool this spring to help small businesses sell directly from the social marketing platform. Facebook Shops might be a boon to small luxury brands or boutiques that want to sell directly to customers online (see story).

Marketers also benefit from the two platforms being integrated, and many luxury brands have active presences on both Facebook and Instagram.

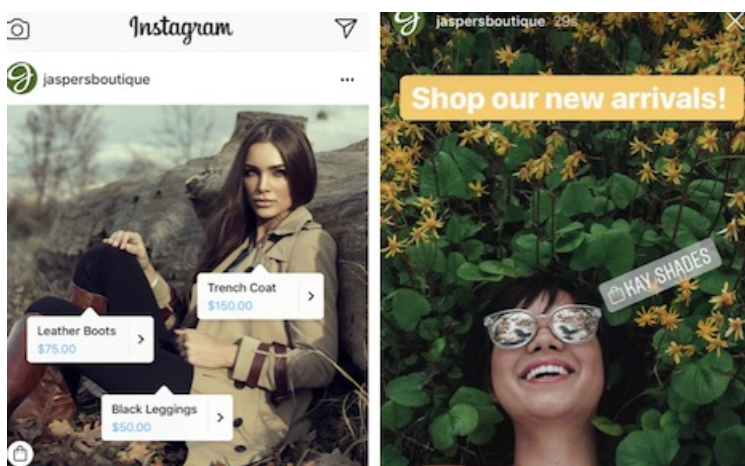
"Marketing campaigns can be scaled across both platforms, exposing companies to a larger consumer market with little additional effort," Ms. Sedhom said. "Companies can place ads on either platform simultaneously, allowing companies to use their marketing dollars in a streamlined and cost-effective manner."

However, this convenience could be attributed in part to Facebook's historically successful strategy of buying emerging competitors.

"Facebook has engaged in a systematic strategy including its 2012 acquisition of up-and-coming rival Instagram, its 2014 acquisition of the mobile messaging app WhatsApp, and the imposition of anticompetitive conditions on software developers to eliminate threats to its monopoly," the FTC said in a statement. "This course of conduct harms competition, leaves consumers with few choices for personal social networking, and deprives advertisers of the benefits of competition."

Ultimately, the lawsuit has the potential to force Facebook to sell off Instagram and WhatsApp. The company could also be required to seek prior approval for future mergers and acquisitions.

It would be years of lawsuits and appeals before Facebook is split up, if ever. Should a divestment become reality, however, it would have important implications for marketers.



Instagram Shopping allows brands to sell products directly from social posts and stories. Image credit: Instagram

"There are fewer types of ads on Instagram than on Facebook but there are unique types of ads, such as Stories, on Instagram that are not available on Facebook," Ms. Sedhom said. "When splitting up the companies, marketers may be unable to meet their goals utilizing the same budget or methods if ads do not continue to integrate across platforms seamlessly."

"Also, Instagram has better and more robust organic reach than Facebook," she said. "Certain brands and marketers may find that they will no longer utilize both platforms."

Facebook offered a similar argument in its lengthy response to the filing of the lawsuit, positioning itself as a crucial resource for businesses.

"Making Instagram part of Facebook has delivered tremendous benefits to consumers and businesses," wrote Jennifer Newstead, vice president and general counsel at Facebook, in a [blog post](#). "Meanwhile, Facebook has enabled Instagram to help millions of businesses engage their customers and grow."

Big Tech in the spotlight

Facebook is not the only technology company drawing unwanted attention from the U.S. government this year.

In October, the Department of Justice filed an antitrust lawsuit against tech giant Google, arguing that the company unfairly dominates online search and advertising to the point at which consumers and competitors are being harmed ([see story](#)). Meanwhile, video-sharing app TikTok remains in limbo as an attempt by the Trump administration to ban the Chinese-owned platform proceeds through the legal process.

This summer, Facebook CEO Mark Zuckerberg, along with other top tech executives, virtually appeared in front of Congress for an antitrust hearing.

At the time, Mr. Zuckerberg was questioned about Facebook's 2012 acquisition of Instagram as well as the company's attempts to acquire Snapchat. He was also criticized by lawmakers for Facebook's strategy of copying the popular features of its competitors.

Despite those renewed criticisms of copycatting, Facebook proceeded with its Aug. 5 U.S. launch of Instagram Reels seen as a thinly-veiled attempt to capitalize on the uncertainty surrounding TikTok's future ([see story](#)).

"One of the allegations in the lawsuit is that Facebook buys its competitors in order to cannibalize the marketplace," Ms. Sedhom said. "Presuming that is true, any company that resembles Facebook in that practice should take heed.

"These types of cases normally are one of several," she said. "Who is next? It is unclear but certainly other large companies are on the proverbial watch list."