

It's a tough time for Meta. Can AI help make the company relevant again?

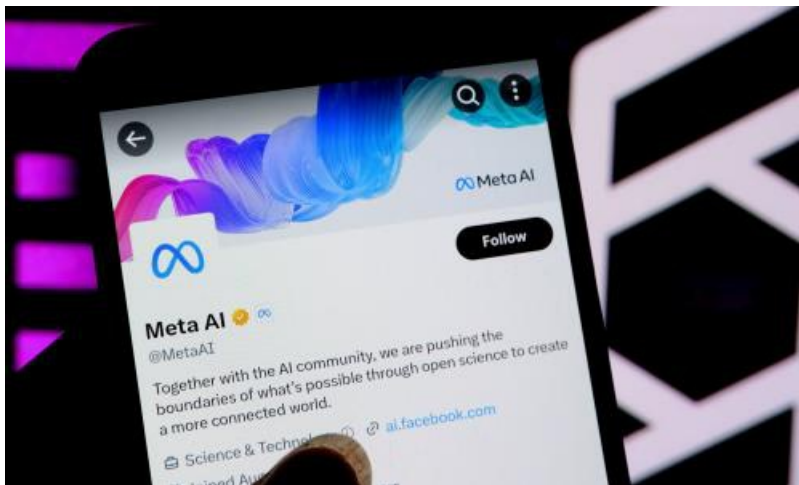
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Meta is not pivoting away from its signature product, the metaverse. Or at least that's what the Meta chief executive, Mark Zuckerberg, is arguing. Despite reports that sales teams at Meta have spent less time pitching the metaverse to advertisers, Zuckerberg claimed on the tech firm's latest quarterly earnings call that it's business as usual over at the company formerly known as Facebook. "A narrative has developed that we're somehow moving away from focusing on the metaverse vision, so I just want to say upfront that that's not accurate," the CEO said. But neither is the virtual reality world the only product Meta has bet its future on, Zuckerberg argued: "We've been focusing on both AI and the metaverse for years now, and we will continue to focus on both." It's a tough time for Meta. The company is facing growing worries from investors that the ambitious metaverse project is draining too many resources without profit to show. The company is devoting more than \$10bn a year to develop the interactive world. But its Reality Labs unit reported a \$3.99bn operating loss in first-quarter results posted this month, after losing \$13.72bn last calendar year. Its flagship virtual platform, Horizon Worlds, reportedly has fewer than 200,000 active users. Moving away entirely from the metaverse after its flashy launch in October 2021 is a pivot the company cannot afford. Meta has painted itself into a corner with the aggressive rebrand, said Paul Barrett, deputy director of the NYU Stern Center for Business and Human Rights. "Zuckerberg made an unusual commitment both in terms of the amount of money that was devoted to 3D-related pursuits and the very symbolic gesture of changing the company name," he said. "When you change your company name to the name of the product, you've got to follow through." With the metaverse struggling, Meta is increasingly talking about its work on artificial intelligence – in particular generative AI. On the earnings call this month, Zuckerberg touted Meta's use of AI to power its ranking and recommendation systems, and said the company was "exploring" ways to incorporate generative AI into WhatsApp and Messenger and was working on "visual creation tools" for posts and ads on Instagram and Facebook. If AI-powered business messaging sounds familiar, it's because it is. Facebook launched a short-lived AI and human-powered virtual assistant called M in 2015. The company was early into its experiments with pattern-matching AI and began exploring whether it could build a system that would automate the many interactions between customers and businesses that happen on Facebook. It didn't take off in the way the company expected it to, and M was shuttered in 2018. "We launched this project to learn what people needed and expected of an assistant, and we learned a lot," the company said in a statement at the time. "We're taking these useful insights to power other AI projects at Facebook." But it's uncertain whether and how much the company will be able to leverage its past work on a similar product. It is clear, however, that the tech industry has come to a consensus that the way out of a tough economic

spot is by finding a way to jump on the generative AI gravy train, said early Facebook investor Roger McNamee. "Keep in mind generative AI is a little bit different technology than the kinds of AI that Facebook was doing," McNamee said. "But everybody is so desperate to have a piece of it because with interest rates at 5%, the things that they've been doing no longer work and everybody needs a new strategy." In its past life as Facebook, Meta had often found itself at an inflection point where it was forced to respond to an industry trend. M is just one example: the messaging bot was part of the company's attempt at entering the fray of tech companies with virtual assistants like Apple's Siri and Amazon's Alexa, albeit with a text-based service. In 2019, Facebook made an ambitious bid to get a piece of the cryptocurrency-related hype cycle, launching its own digital currency, Libra. Later renamed Diem, the project quietly folded three years later after regulatory pressures proved too difficult to battle. "Five years ago everyone was talking about blockchain, then the metaverse, and now AI," said Ari Lightman, professor of digital media at Carnegie Mellon University's Heinz College. "Like we have seen previously with Facebook when they purchased Instagram to enter the photo-sharing space and WhatsApp to enter the messaging space, they have had to play catch-up to the latest trend." Generative AI is no different and, while Zuckerberg is positioning the company as an industry leader in AI research, it's clear there's quite a bit of work to be done. The executive used the word "AI" more than two dozen times on the company's recent earnings call, but offered few specific details about its generative AI product roadmap. This comes as firms like Google and Microsoft are making waves with major AI product announcements. "With the fairly self-conscious and repeated mentions of AI, it's like Meta is saying 'don't forget about us' – that's not ideally where a CEO wants to be," Barrett said. Facing competitors that have been developing large language models and generative AI for years, Meta has a lot working against it. The company, though, highlights that one advantage it has is that because of its suite of product offerings Meta is "uniquely positioned to adopt an end-to-end approach to generative AI that few organizations can offer". It is also not clear how new or developed the company's generative AI team is. Meta posted multiple new open roles in the past few weeks, including several that are crucial to building out any team: technical leads and product technical managers. These are higher-level positions and people who hold them typically help guide and manage engineers and product managers on their teams. Responsibilities for these roles include "defining and guiding high-level goals and roadmaps". The company is also hiring several post-doc research fellows who are experts in topics that include "measuring bias" and "ethics governance" to join the company's responsible AI team. Meta did not respond to a request for comment. Whether it stays its course on the sinking ship of the metaverse or invests more heavily in artificial intelligence, it's clear the company urgently needs to find more revenue sources, said Lightman. Young users are fleeing Meta platforms in droves, migrating to newer apps like TikTok. And legislation threatens to crack down on Meta's primary revenue model of vacuuming up and selling user data. "Meta is struggling in terms of how to diversify its revenue base, and finding out what happens if you put all your eggs in one basket with advertising and then the advertising finds a new platform," he said. "There are a lot of things beating down on the company at once."