

GDPR: Is non-compliance profitable for Meta Platforms, Inc.?

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Abstract

Keywords

GDPR, Facebook, Meta, profit, non-compliance, privacy, financial impact

Introduction

In the recent years, the increasing usage of the Internet has lead to a rapid expansion of data collection and processing [1]. As concerns regarding data privacy and protection grew, the European Union (EU) implemented the General Data Protection Regulation (GDPR) in May 2018 [2, 3].

GDPR aimed to safeguard the privacy rights of individuals within the EU by regulating the collection, storage, and transfer of personal data [3]. Notably, data should be collected for specified, explicit and legitimate purposes [4] and data can be transferred outside the EU if general data processing principles are in place [5]. Compliance with GDPR has become a critical issue for big-tech companies, which often handle massive amounts of user data.

One of those companies is *Meta Platforms, Inc.* (formerly *Facebook, Inc.*), which has been fined numerous times for GDPR violations [6]. This has raised questions about the impact of GDPR on *Meta's* performance.

The goal of this paper is to investigate the financial impact of GDPR non-compliance on *Meta Platforms, Inc.* and to determine whether it is profitable for the company to continue violating the regulations.

Method

All numerical data about *Meta Platforms, Inc.* has been gathered from the official *Meta Investor Relations* website [7] - **Balance Sheets, Income Statements** and **Form 10-Q**. Stock performance data has been gathered from the official *Yahoo! Finance* website [8].

GDPR fines imposed on *Meta Platforms, Inc.* have been gathered from the *GDPR Enforcement Tracker* website [9] and filtered to include fines imposed on their family of applications (***Facebook, WhatsApp, Instagram***) and ***Meta Platforms, Inc.*** itself.

Inclusion criteria

- Articles published in English
- Articles published after 2010
- Data about GDPR fines above 1 million EUR
- Data about *Meta Platforms, Inc.* financials
- Data between 2018 and 2023

Exclusion criteria

- Articles published in languages other than English
- Articles published before 2010
- Data that is about GDPR fines below 1 million EUR
- Data that is not about *Meta Platforms, Inc.* financials
- Data before 2018

Ethical considerations

This study is approved by *Fontys University of Applied Sciences, Eindhoven, The Netherlands*. All data is collected from publicly available sources and no personal data is collected. The author is not affiliated with *Meta Platforms, Inc.* or any other company mentioned in this study.

Results

GDPR Fines

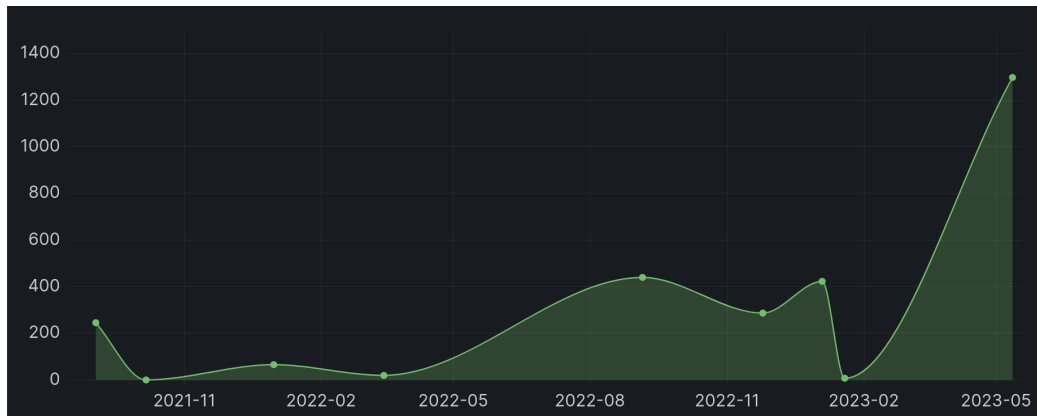


Figure 1: Monetarial amount of fines issued to Meta Platforms, Inc.(in millions of \$) [10–18]

Financials

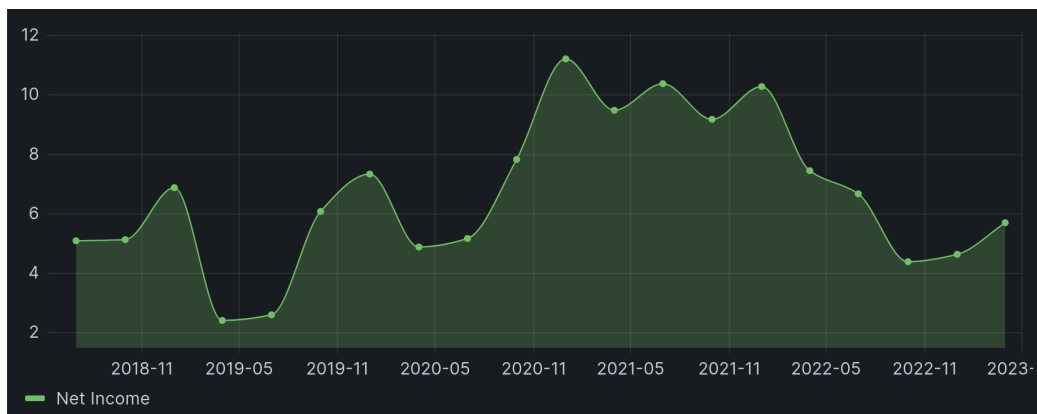


Figure 2: Net Income of Meta Platforms, Inc.(in billions of \$) [19–30]

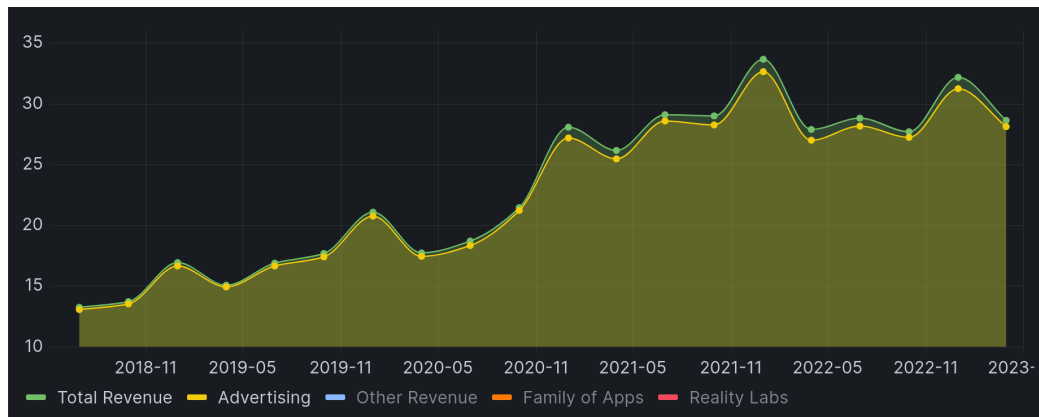


Figure 3: Revenue of Meta Platforms, Inc.(in billions of \$) [19–30]

Investor Confidence and Stock Performance



Figure 4: Stock Price Performance of Meta Platforms, Inc. (META) (in \$) [8]

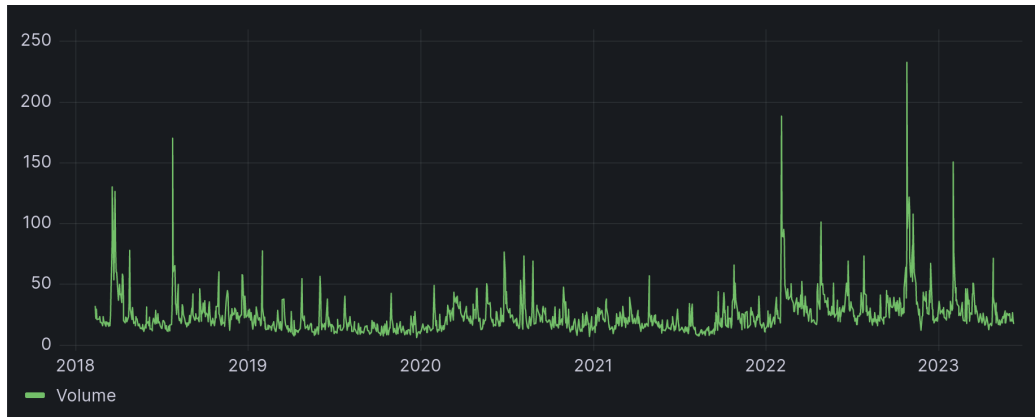


Figure 5: Volume of Meta Platforms, Inc. (META) (in millions of shares) [8]

Advertising

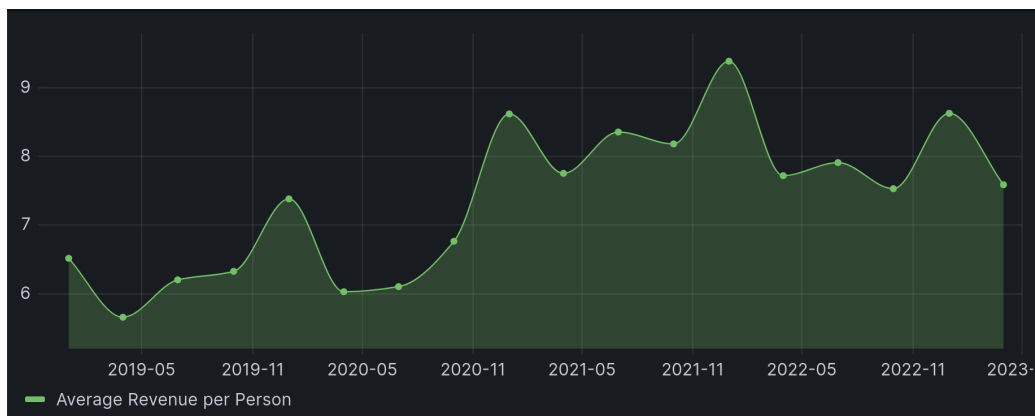


Figure 6: Family Revenue per Person (FRP) of Meta Platforms, Inc. [19,31,32]

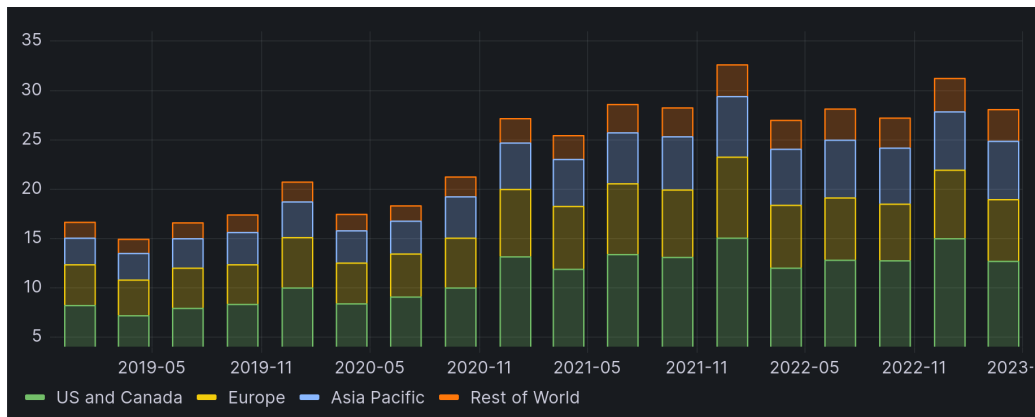


Figure 7: Advertising Revenue by User Geography of Meta Platforms, Inc.(in billions of \$) [19,31,32]

User Base and User Engagement

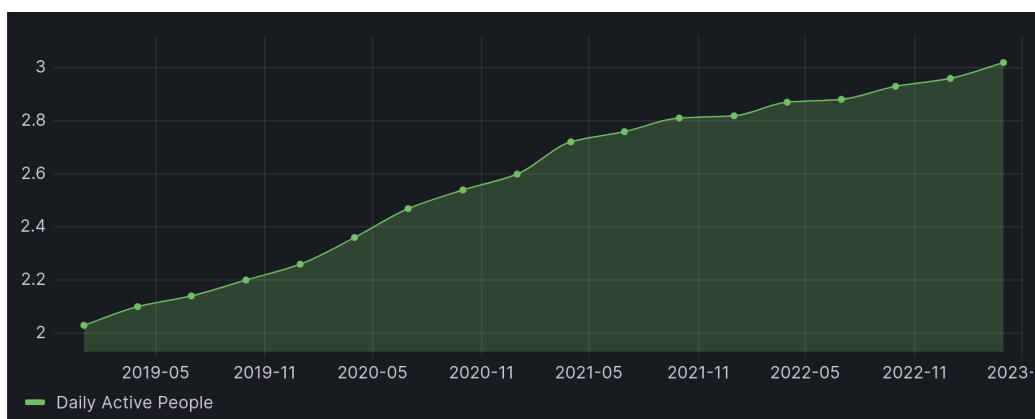


Figure 8: Family Daily Active People (FDAP) of Meta Platforms, Inc.(in billions) [19,31,32]

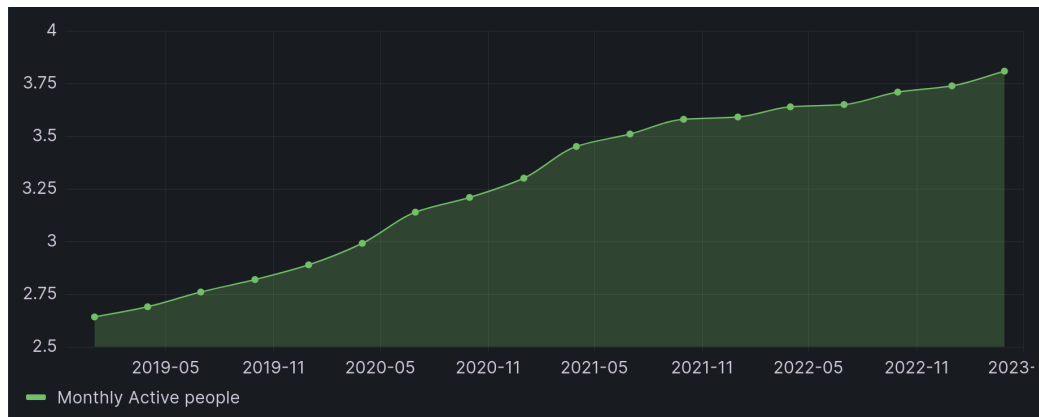


Figure 9: Family Monthly Active People (FMAP) of Meta Platforms, Inc.(in billions) [19,31,32]

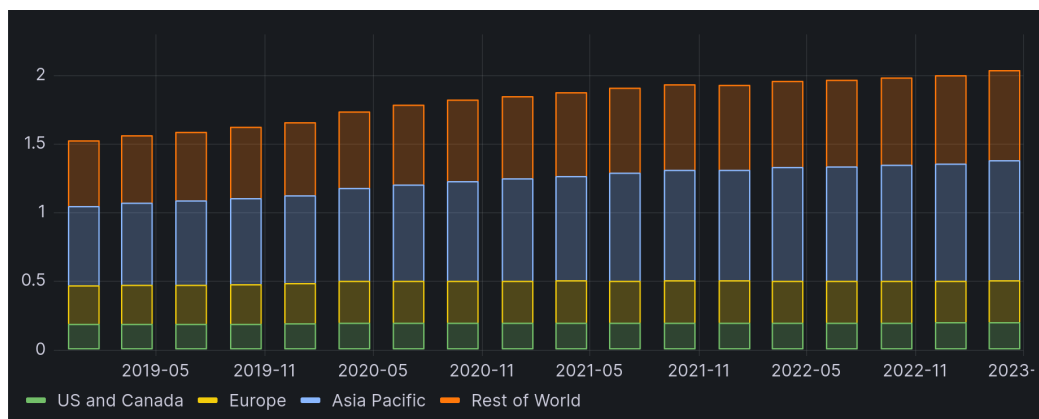


Figure 10: Facebook Daily Active Users (FDAU) by Geographical Location of Meta Platforms, Inc.(in billions) [19,31,32]

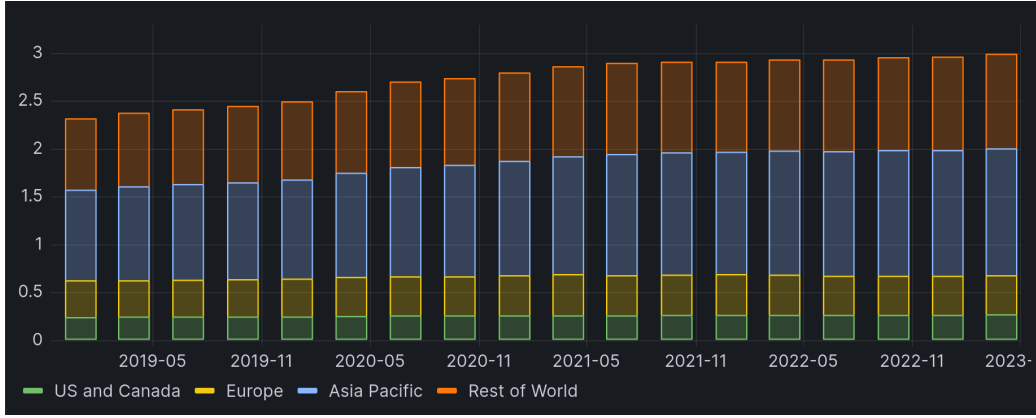


Figure 11: Facebook Monthly Active Users (FMAU) by Geographical Location of Meta Platforms, Inc.(in billions) [19,31,32]

Discussion

Comparing net income and monetarial amount of GDPR fines shows little to no signs of correlation. Since the first GDPR fine was issued in 2021 as displayed in Figure 1, the net income has decreased by 46.7% as displayed in Figure 2. However, this can be attributed to other macroeconomic factors because the net income of other large technology companies such as *Amazon.com, Inc.* and *Alphabet, Inc.*, has also decreased in a similar fashion [33,34]. Figure 12 below shows a comparison between both figures.

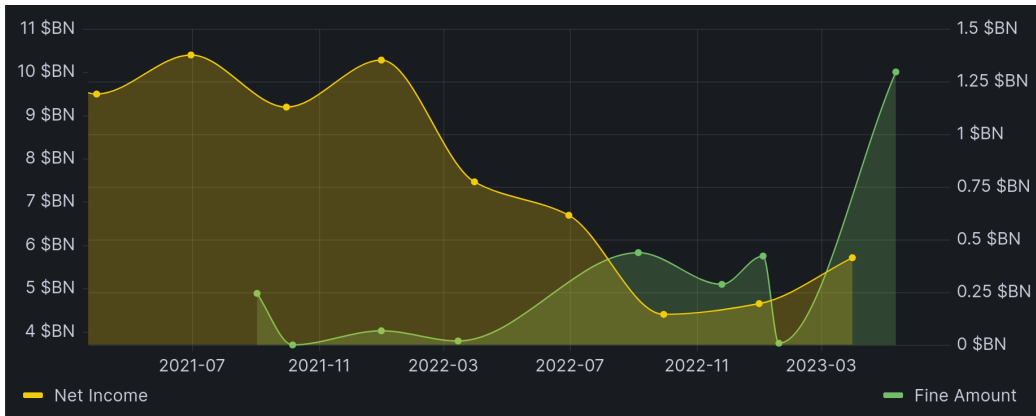


Figure 12: Comparison between Net Income and Monetarial Amount of GDPR Fines

Similarly, the revenue is not affected as well. Figure 13 below shows a comparison between revenue and the monetarial amount of GDPR fines.

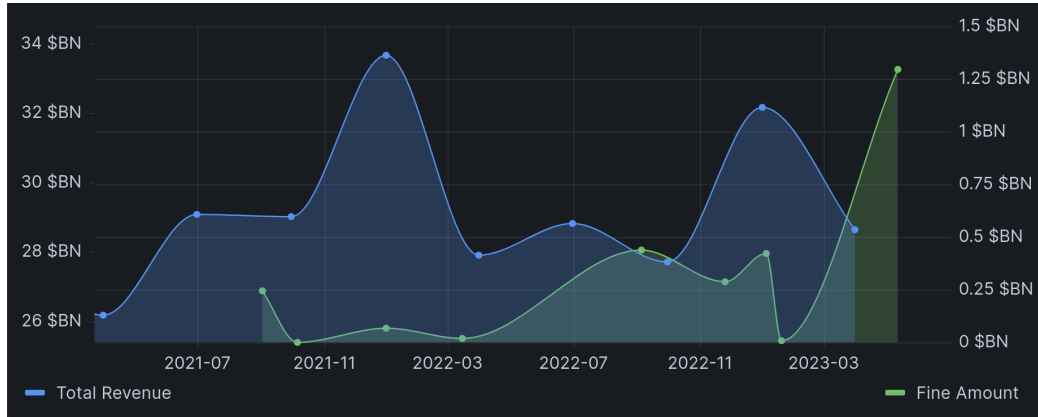


Figure 13: Comparison between Revenue and Monetary Amount of GDPR Fines

Figure 4 shows that the first GDPR fine might have had a negative impact on the stock price, but subsequent more severe fines did not. In fact, the latest record-breaking fine of \$1.2 billion shows an opposite trend where the stock price continues to increase from \$234 to \$265 by the time this report was written. It is worth noting that the stock price reaction might experience a delay based on whether the fine will be imposed or not as *Meta* is arguing against the fine [35].

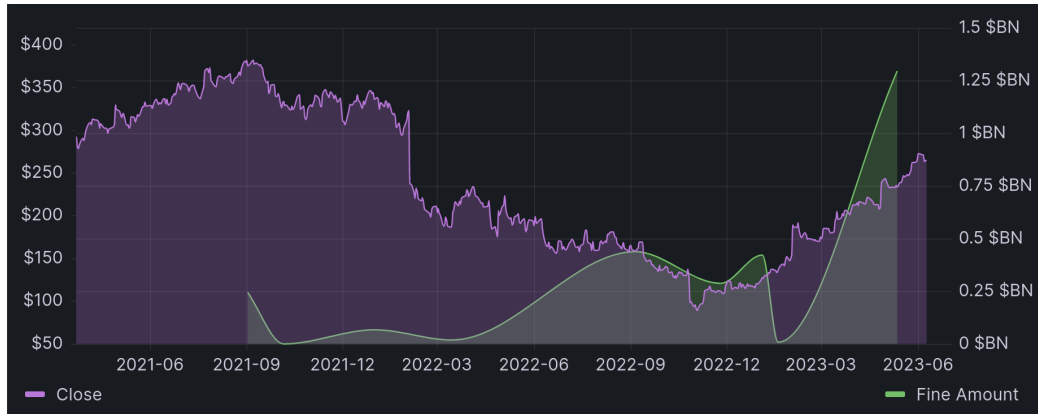


Figure 14: Comparison between Stock Price and Monetary Amount of GDPR Fines

Likewise, the unchanged volume of shares traded signals no decrease in investor confidence as displayed in Figure 5. Figure 15 below shows a comparison between the volume of shares traded and the monetary amount of GDPR fines.

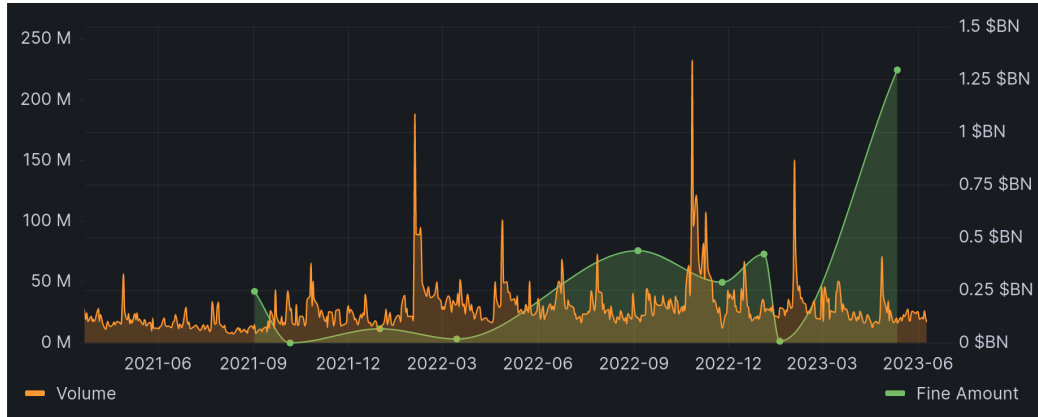


Figure 15: Comparison between Stock Volume and Monetarial Amount of GDPR Fines

The average revenue per person shows no signs of correlation with the monetarial amount of GDPR fines as shown in Figure 6.

Dividing the average revenue per person by user geography region shows that *Meta's* revenue per person in Europe is less volatile than people in the US despite Europe having nearly twice the users compared to the United States [19]. The period from 31-Mar-2022 to 31-Dec-2022 is very different from the rest of the timeline because a %6.45 increase in revenue in the US was met with a %10.77 decline in revenue in Europe. Figure 16 below shows a comparison between the average revenue per person by user geography region and the monetarial amount of GDPR fines.

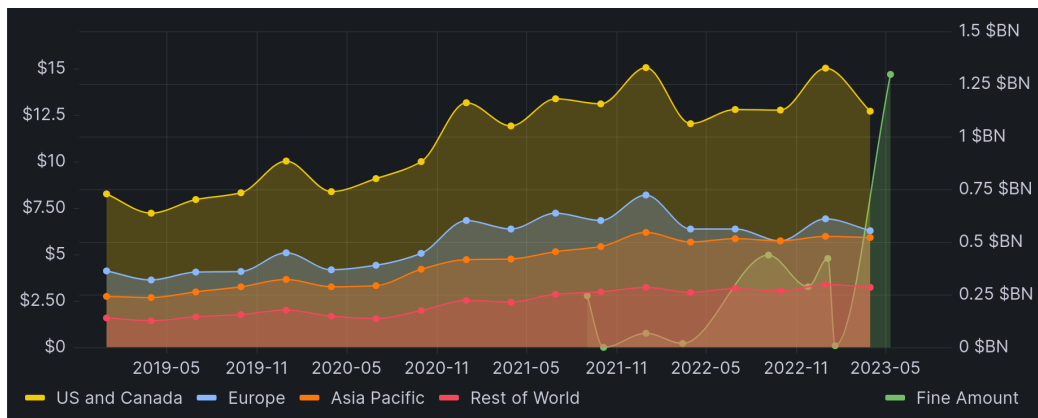


Figure 16: Comparison between Average Revenue per Person by User Geography Region and Monetarial Amount of GDPR Fines

Figure 11 and Figure 10 show that the number of daily and monthly active users in Europe has been steadily increasing regardless of the fines imposed.

It is worth noting that this increase seems to be slowing down. Other regions show a similar trend with some showing a shrinkage in the number of users.

The limitations of this study are that it does not consider the legal expenses incurred by *Meta Platforms, Inc.* in relation to GDPR non-compliance. This includes expenses associated with hiring legal counsel, litigation, settlement agreements, and any ongoing legal obligations. It also does not consider the financial impact of reputational damage resulting from GDPR non-compliance. Moreover, it does not investigate whether negative media coverage, public backlash, or loss of user trust have affected *Meta Platforms'* brand value or customer perception. Further research could be done into those areas.

Conclusion

In summary, the fines imposed on *Meta Platforms, Inc.* under the GDPR have not had a substantial impact on the company's financial performance. Investor confidence remains intact, as evidenced by the stability of the stock price and trading volume around the time of the fines. Furthermore, the company's revenue and net income have not been adversely affected by these penalties. The only noticeable change is the less volatile average revenue per person in Europe compared to the US. Especially in the period from 31-Mar-2022 to 31-Dec-2022 where a %6.45 increase in revenue in the US was met with a %10.77 decline in revenue in Europe.

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