

The Future of Social Media – Part II

Social media has transformed how companies and brands engage audiences over the past 20 years. But now these platforms are undergoing some very significant changes of their own, driven by rapid developments in artificial intelligence, the rise of disruptive competitors, and ongoing cultural and behavioral shifts. In part one of this series, we provided an overview of the current state of the social media industry. Part two continues with the discussion of the future of social media including the rise of advertising, the influx of challenges such as the potential ban of the TikTok platform, and the role of artificial intelligence (AI) within the social media industry.

Since going mainstream over two decades ago, hundreds of millions of Americans have embraced social networking sites, including Meta (previously Facebook), X (previously Twitter), LinkedIn, TikTok, Instagram, WeChat, and dozens more. People use these networks to maintain relationships with friends, follow the news and share photos and videos. By leveraging user data for targeted advertisements, where most revenue is derived, social media websites have been able to capitalize on the popularity of their platforms. As a result, industry revenue has surged at a CAGR of 13.8% over the past five years, including an increase of 15.5% to an estimated total of \$104.9 billion in 2024¹.

Social networking sites have boomed as the number of mobile internet connections boosted the percentage of services conducted online. The percentage of services conducted online, which is a valuable measurement of the rising influence of the internet, has grown as people have increasingly used mobile devices to access social networking sites and other media platforms. As more people have turned to the internet, so have advertisers. Advertising in social media serves as a pivotal component, fulfilling several key functions within the industry². Firstly, it acts as a primary revenue generator for social media platforms, sustaining their operations. Additionally, it facilitates targeted marketing, allowing businesses to reach specific demographics with tailored messages, thereby enhancing campaign effectiveness. Moreover, social media advertising cultivates brand awareness by expanding visibility and engagement among potential customers. Furthermore, advertising in social media platforms provides valuable data insights, aiding businesses in refining their strategies and offers a competitive advantage by allowing businesses to outperform competitors in a crowded marketplace. Overall, advertising in social media is adaptable, cost-effective, and indispensable for businesses seeking to thrive in the digital landscape.

The industry has benefited from the continual shift of advertising spending to the internet, the proliferation of internet connected mobile devices and more powerful networks. The social media is highly concentrated, with the top three companies, Meta, X, and LinkedIn, comprising a significant portion of industry revenue in 2024. Because of its early entry into the sector, Meta alone holds most of the market in 2024. In their fourth quarter 2023 earnings report, Meta's revenue was \$40.11 billion for the fourth quarter and \$134.9 billion for the full year 2023. Meta expects first quarter 2024 total revenue to be in the range of \$34.5-\$37 billion¹. The company's high market share and strong

¹ IBISWorld. "Social Networking Sites in the US" (March 2024).

² Ogilvy "Social Media Trends 2024: A Culture-First Reset for Brands on Social" (January 2024).

profitability have resulted in the average industry profit margin of 30.1% of revenue in 2024¹. Since most industry revenue is generated through advertisements, sites must have a large and active user base to successfully attract advertisers. In the future, industry revenue growth is expected to slow because of reduced growth in the number of mobile internet connections and the percentage of services conducted online, both of which are critical drivers for social networking sites. Nonetheless, the industry will likely grow at a substantial rate, increasing at a CAGR of 13.0% to \$193.1 billion for the full year 2029. Despite slow revenue growth, new sites are expected to enter the industry and exacerbate competition. To compete, social networking sites will focus on serving niche markets and advertisers' interests.

Challenges

Social media platforms grapple with a multitude of challenges today. These challenges include the rampant spread of misinformation and “fake news”, which undermines trust and can lead to real-world consequences. According to a November 2023 Pew study, 43% of U.S. adults regularly turn to Facebook for news, down from 54% in 2020. Other platforms with high rates of regular news consumption included YouTube (26%), Instagram (16%) and TikTok (14%)³. A 2023 study published by Government Information Quarterly found that frequent Facebook users were more likely to consume misinformation or “fake news” than users of other platforms³. In its annual Global Risk Report for 2024, the World Economic Forum ranked misinformation and disinformation as the most severe global threat anticipated over the next two years⁴. Further, researchers in a 2023 USC-led study found that it was the incentive structure of the platform itself - not individual user behavior - that was to blame for the spread of misinformation⁵. According to the researchers, Facebook’s algorithm is designed to reward and prioritize the sharing of incendiary content⁶.

Additionally, privacy concerns, such as data breaches and unauthorized data collection, erode user trust and raise questions about platform accountability. Cyberbullying and harassment persist as significant issues, impacting users' mental health and well-being. Algorithmic bias perpetuates inequalities and discrimination, requiring platforms to address bias in their AI systems. Content moderation remains a constant struggle, balancing freedom of speech with the removal of harmful content.

³ *Forbes*. “Facebook Is Still Top Social Platform For News But Users Are Wary, Pew Finds” (February 2024).

⁴ *Social Media Today*. “Social Media Misinformation Set To Be Major Risk in 2024 Political Campaigns” (March 2024).

⁵ *National Library of Medicine*. “Fake news, disinformation and misinformation in social media: a review” (February 2024).

⁶ *USC Today*. “USC Study Reveals the Key Reason why Fake News Spreads on Social Media” (January 2024).

TikTok U.S. Ban Measure

Regulatory scrutiny poses risks to platform operations and business models. Addressing these challenges requires collaboration between platforms, policymakers, and users, focusing on effective policies, transparency, and responsible digital citizenship. On April 24, 2024, President Biden signed into law, a \$95 billion foreign-aid and national-security package which includes a measure known as the “21st Century Peace through Strength Act (H.R.8038). This law would prohibit entities in the United States from distributing, updating, or maintaining a website or application operated by TikTok, or its parent company ByteDance, a Chinese-controlled owner. The law would require ByteDance to sell to a company that is not affiliated with a U.S. adversary, such as China, Russia or Iran, within one year⁷. If TikTok is not sold by the deadline, it could be banned in the United States⁸. Lawmakers have raised concerns that the app is a potential national security threat and warned that the Chinese Communist Party could use it to glean sensitive data on its 170 million users in the U.S. Furthermore, national security officials in Washington have expressed that the Chinese government could use TikTok to promote propaganda aimed at interfering in U.S. elections or spread Beijing’s favored messages to users regarding sensitive topics such as the Israel-Hamas war⁹.

The measure passed 79-to-18 in the Senate and 360-58 in the House of Representatives.¹⁰ If ByteDance sues to block the implementation of the statute, the law will be taken up by the D.C. Circuit Court of Appeals and while the case is under judicial review, the ban may be forestalled until 2026.¹¹

This law’s passage marks the first time Congress has voted for the forced divestiture of a social media platform, and it will be the first time the U.S. government has passed a law that will force a social media company out of the US market, setting the stage for what is expected to be a protracted legal battle. The earlier version of this measure passed by the U.S. House of Representative on March 13, 2024 was known as the “Protecting Americans from Foreign Adversary Controlled Applications Act” (H.R.7521) and would have prohibited TikTok from US app stores unless the social media platform quickly spun off from ByteDance¹² within a six-month timeframe. The overriding issue with a TikTok ban is it would immediately end a platform where 170 million Americans broadcast their views and receive information.

Overall, the impact of a TikTok ban would be far-reaching, affecting users, content creators, businesses, the platform itself, and potentially broader geopolitical dynamics. It underscores the interconnectedness of the digital world and the importance of balancing regulatory concerns with the interests of stakeholders as well as raises significant legal and First Amendment questions. There is growing sentiment toward demands for transparency regarding the algorithms that power social media feeds. Users and regulators have pushed for platforms to disclose more information about how content is selected and prioritized, especially regarding concerns about filter bubbles and echo chambers.

⁷ *Wall Street Journal* “Senate Passes \$95 Billion Package to Help Ukraine and Israel” (April 2024).

⁸ *Forbes*. “Potential TikTok Ban Clears Key Senate Vote—Part Of Israel, Ukraine, Taiwan Aid Package” (April 2024)

⁹ *Wall Street Journal*. “TikTok Isn’t Going Away—at Least Not Yet. Here’s What to Know.” (April 2024).

¹⁰ *Wall Street Journal* “U.S.-China Internet War Intensifies as House Passes TikTok Ban” (April 2024).

¹¹ *NBC News*. “Congress is finally set to approve a TikTok ban. But it could still be years before it takes effect. (April 2024).

¹² *New York Times*. “What to Know About the TikTok Bill That the House Passed” (March 2024).

Artificial Intelligence in Social Media

AI in social media refers to using artificial intelligence technologies within the framework of social networking platforms. This application includes employing the power of AI algorithms and machine learning models to enhance various aspects of social media, such as user engagement, content creation, and data interpretation. The fundamental objective of AI in the social media domain is to enhance user interactions, simplify marketing operations, and empower informed, data-backed decision-making.

The integration of AI technologies into these social media platforms has sparked a revolution, reshaping how users interact, consume content, and businesses engage with their audiences. From automatic content moderation and personalized recommendations to the ads we watch, AI is reshaping the way we interact and connect online. According to Statista, the number of active social media users worldwide was 5.04 billion as of 2024, spending an average of 2 hours and 27 minutes daily on social media¹³. Along with such growth in social media users, the need for AI solutions to understand customer preferences is also rising, with the AI market in social media expected to exceed \$3.7 billion by 2026, recording a CAGR of 28.77%¹⁴.

AI tools help enhance features of social media platforms and lead social media activities at scale across a number of cases, including text and visual content creation, social media monitoring, ad management, influencer research, brand awareness campaigns and more. Generative AI has been one of the most exciting trends over the past few years that uses text-to-image, image-to-video, image-to-image and other varieties of algorithms to create unique content like images, video, music and text. Among the AI-powered content generation tools that have mainstream is Lately, which learns from past social media posts and generates the most effective content to scale your campaigns. OpenAI's ChatGPT is another breakthrough chatbot technology that can understand natural language and generate human-like responses in a conversational way. Another evolving trend in the field of generative AI is Lensa AI and its "magic avatars" feature which has gone viral. Using the Stable Diffusion model, Lensa generates realistic images based on text input and creates stylized avatars that match embedded images. Lensa and other generative AI models have been making waves on social media with the potential to create engaging content across various categories.

Another benefit AI is rendering to social media platforms is ad management and optimization. AI-powered tools can help analyze hundreds or thousands of ad targeting and budget variations, find and segment audiences, make ad creative, test ads and improve speed and performance in real time to yield optimal results. By leveraging machine learning techniques, social media platforms can analyze user data to identify relevant audiences, predict purchasing intent, and optimize ad placements in real-time. This level of precision targeting maximizes the effectiveness of advertising campaigns, improves return on investment, and enhances the overall user experience by delivering more relevant and engaging

¹³ *Forbes*. "How AI Transforms Social Media" (March 2024).

¹⁴ *E3S Web of Conferences*. "Implications & Impact of Artificial Intelligence in Digital Media: With Special Focus on Social Media Marketing" (February 2024).

ads. Additionally, AI algorithms can monitor social media conversations in real-time to detect emerging trends, topics, and viral content. By analyzing patterns, keywords, and engagement metrics, these algorithms identify trending topics before they reach mainstream attention, enabling businesses to capitalize on opportunities for engagement and brand promotion. Trend detection algorithms empower marketers to stay ahead of the curve and drive meaningful conversations with their audiences. Marketers can also optimize ads for clicks and conversions due to AI's ability to predict which data will drive better results or which content you should create based on the keywords your buyers use when searching for products and services.

Conclusion

Social media has revolutionized the way we communicate and interact with each other. The industry continues to evolve, presenting both opportunities and challenges for users, businesses, and society. Established platforms like Meta, Instagram, X, and LinkedIn maintain their dominance while facing challenges related to privacy concerns and content moderation. The future of social media promises continued evolution driven by technological advancements, changing user preferences, and regulatory developments. While social media has provided many benefits, it has also presented many ethical challenges. As concerns over data privacy and misinformation persist, platforms will face pressure to prioritize user trust and transparency in their policies and practices. Finally, the future of social media holds promise for innovation, but also challenges in balancing user empowerment with responsible platform governance.

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