ORG OPEN RIGHTS GROUP

PRIVACY WITHOUT PAYING
ALTERNATIVES TO META'S SURVEILLANCE ADVERTISING MODELS

May 2025

ABOUT ORG

Open Rights Group (ORG) is a UK based digital campaigning organisation working to protect fundamental rights to privacy and free speech online. We are a grassroots organisation with supporters and local groups across the UK.

Our work on data protection and privacy includes challenging the immigration exemption to UK data protection law, defending the General Data Protection Regulation (GDPR) from attempts to water down its provisions, and challenging uncontrolled and unlawful data sharing by online advertisers.

openrightsgroup.org

Report by **Peter Wells**

OVERVIEW

Since its first advertising product launched in 2004, Meta has relied on revenue from advertising to support its business. In 2024, 98% of Meta's $165bn of revenue came from advertising. From that revenue Meta generated nearly $70bn of profit.[1]

While this advertising revenue means that individuals and businesses can use Meta's social media and messaging products for free, they pay in other ways.

The behavioural advertising that Meta uses is fraught with problems. Some of those problems affect individuals and communities and are explored in other reports that the Open Rights Group are publishing. Those reports describe risks to individual rights, from discrimination and from disinformation.

More prosaically the costs of digital advertising are reflected in the prices of goods and services that people buy. For individuals in the UK this amounted to £14 billion in 2019, £500 per household. With a significant proportion of that figure going to Meta.[2]

But advertisers and publishers also pay, and not just for the cost of advertising. Meta dominates the social media advertising market. Organisations who wish to advertise on social media have little choice but to use it yet the advertising products that organisations use also cause significant issues for them.

These issues include: a lack of control over customer relationships; an inability to understand advertising effectiveness; data about advertisers and publishers being used against their interests; lack of competition; and an unfair distribution of revenues. Meta's profits have averaged 33.4% of their advertising revenues over the last five years.[3]

Regulators around the world have investigated these issues but little action has been taken so far. As well as Meta's lobbying power, there are concerns that breaking Meta's advertising business model could break services used by billions of people and millions of businesses.

In 2020, the UK's competition regulator, the Competition and Markets Authority (CMA), found that there was a lack of innovation in the online advertising industry.[4]

Instead of innovating and exploring alternative advertising models, Meta focussed on consent or pay, which leaves its existing behavioural advertising products unchanged. As such, it creates the same harms for people and, if laws and regulations are actively enforced, is likely to be illegal in both the EU and the UK. Legal challenges, such as the case that Meta recently settled with Tanya O'Carroll, are fighting these problems.[5] This contributes to the growing unsustainability of relying on "forced consent" for conducting an advertising business.

But there are other alternatives to behavioural advertising that Meta has not explored, for example: contextual advertising; consent or pay that is not based on behavioural advertising; and the ability to subscribe to advertisers.

Out of these three contextual advertising appears to be the model that is most likely to reduce harm and provide increased benefits for individuals, advertisers and publishers.

It would retain a viable business model for Meta that can support the social media products that billions of people and businesses use. It could even reduce costs and make Meta a more profitable business.

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1   Statista, 2025, Annual advertising revenue of Meta Platforms worldwide from 2009 to 2024

2   Statista, 2025, Digital advertising expenditure in the United Kingdom (UK) from 2008 to 2024

3   Statista, 2025, Annual advertising revenue of Meta Platforms worldwide from 2009 to 2024

4   Competition and Markets Authority, 2020, Online Platforms and Digital Advertising - Market Study Final Report

5   Guardian, Mar 2025, Meta to stop targeting UK citizen with personalised ads after settling privacy case

When Apple gave its users the option of opting out of ad tracking, initial reports showed 96% of US users took that option, showing there is clear public desire not to be surveilled.

Meanwhile contextual advertising has been proven to meet the needs of advertisers and publishers in other contexts and countries, like Scandinavia and the Netherlands.

If Meta was to re-embrace the product innovation that led it to build its core social media services, which are used by billions of people, then it could probably discover other alternatives too.

But, if it does not, then regulators and courts should act with confidence that Meta does have viable alternatives to behavioural advertising and can reduce harms to individuals and businesses by changing their business model.

SCOPE AND PURPOSE

In March 2025, Meta settled a case with Tanya O'Carroll and agreed that they would stop using her personalised data to deliver targeted ads. This has implications for all Meta users in the UK who may now demand that they are also opted out of such targeted advertising.

This is yet another of a growing list of judicial blows that Meta's advertising business model has suffered. In Meta v. Bundeskartellamt, the Court of Justice of the European Union (CJEU) already ruled against relying on contractual necessity or legitimate interest as a legal basis for behavioural profiling and advertising.[6] More recently, the CJEU again ruled against Meta, holding that "Facebook cannot use all of the personal data obtained for the purposes of targeted advertising, without restriction as to time and without distinction as to type of data".[7]

These developments show that Meta's advertising business model is becoming unsustainable and, and as such is ripe for change. This will also affect both individuals and a wider ecosystem of organisations that publish adverts or provide services using Meta platforms such as Facebook and Instagram.

This report explores and explains the current advertising model model of Meta, the challenges this causes for the industry ecosystem and alternative advertising models.

It is being published alongside other work and reports by the Open Rights Group that focus on the impacts of Meta's behavioural advertising on individuals, such as loss of individual rights and discrimination harms, and broader society, such as disinformation.

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6   CJEU, 2023, A national competition authority can find, in the context of the examination of an abuse of a dominant position, that the GDPR has been infringed

7   CJEU, 2024, An online social network such as Facebook cannot use all of the personal data obtained for the purposes of targeted advertising, without restriction as to time and without distinction as to type of data

The report is intended to help readers increase their understanding of:

- the history of Meta's advertising business

- Meta's current advertising business model

- challenges this model causes in the industry ecosystem

- alternative social media advertising business models that could be used by Meta.

This report does not include:

- a description of all online advertising business models

- a description of the issues Meta's current advertising business model causes for individuals and society

See Appendix 1 for a full list of terms and definitions used in this report.

HISTORY OF SOCIAL MEDIA ADVERTISING ON META

When Facebook started, it was a social media platform for college students within the USA and, in common with many other internet services at the time, it had no revenue stream. As it expanded its social media product offering beyond college students to people and organisations around the world, its business model was also being developed.

Facebook, since renamed Meta, has always spoken of its focus on the people who use its services. Its first annual report, from when it became a publicly listed company in 2012, said that they "prioritize product development investments that we believe will create engaging interactions between our users, developers, and [advertisers]".[8]

This desire for interaction between users and the organisations that advertise on the platform has always been one of the core goals of decision making within Meta. It is how they generate revenue to satisfy shareholders, and Meta has generated a lot of revenue.

META'S REVENUES AND WHERE IT IS SPENT

In its early years, Facebook made attempts to generate revenues from developers, who would build apps for the platform and provide Facebook with a share of payment revenues. In more recent years, Facebook has tried to build virtual reality services, such as the Meta Quest goggles and glasses.[9] Neither of these have generated significant usage or revenue. The vast majority of the company's revenue has always come from advertising.

Since 2016, the percentage of revenue that comes from advertising has not dipped below 97%, even as revenues have nearly tripled.

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8   Facebook, 2021, Annual Report 2021

9   Meta Quest

YEAR	MONTHLY AVERAGE USERS (BILLIONS)[10]	TOTAL REVENUE (BILLIONS USD)	ADVERTISING REVENUE (BILLIONS USD)	ADVERTISING REVENUE (Percentage)	PROFIT (BILLIONS USD)	PROFIT (PERCENTAGE)
2012	1.06	5.09	4.28	84%	0.553	10.9%
2013	1.23	7.87	6.99	89%	1.50	19.1%
2014	1.39	12.47	11.49	92%	2.94	23.6%
2015	1.59	17.93	17.08	95%	3.69	20.6%
2016	1.86	27.64	26.89	97%	10.22	37.0%
2017	2.13	40.65	39.94	98%	15.93	39.2%
2018	2.32	55.84	55.01	99%	22.11	39.6%
2019	2.5	70.7	69.66	99%	18.49	26.2%
2020	2.8	85.97	84.17	98%	29.15	33.9%
2021	2.91	117.93	114.93	97%	39.37	33.4%
2022	3.74	116.61	113.64	98%	46.75	40.1%
2023	3.98	116.61	114.67	98%	39.00	33.4%
2024	3.35	164.50	160.63	98%	62.36	37.9%

This revenue growth is not solely driven by Meta's activities. It is connected to a wider shift towards digital advertising around the world, with social media advertising only one part of that trend.

Meta spends its profits on operating costs for the business - for example staff compensation and data centres, investments in improving existing social media and advertising products, and investment in new products like virtual reality.

Precise breakdowns of the different areas of spend are not available, but it is reported that Meta has spent $100bn on its virtual reality products in recent years with no significant return on that investment.[11]

META'S ADVERTISING PRODUCTS

Facebook's initial advertising product was launched in 2004. The company reported its first operating profit in 2009.[12]

This product, Facebook Flyers, allowed advertisers to pay to place banner adverts on the landing pages of specific colleges or schools that they thought would be interested in their services.

Over the following years, Meta continued to build ever more complicated advertising products through a mix of internal development and acquisitions.

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10 From 2012 to 2021 Facebook reported Monthly Average Users for Facebook separately from its other products. From 2022 Meta, reported Monthly Average Users for the family of applications that includes WhatsApp and Instagram. In 2024, Meta reported daily active people (DAP). Meta Annual Reports

11 Financial Times, Meta's investment in VR and smart glasses on track to top $100bn

12 CBC News, Facebook 'cash flow positive,' signs 300M users

While decisions at particular points in time have varied, the trends over the years have been to:

▌ **Provide advertisers with more targeting options and automation tools**

▌ **Increase tracking of individuals' activities both on Meta products and on other web publishers that those individuals visit**

▌ **Provide advertisers with more information about how individuals interact with adverts**

▌ **Collect data from delivering adverts and use this to tune products to optimise revenue for Meta.**

In 2007, the Facebook Ads platform was launched. This platform allowed advertisers to start using what we would now term behavioural advertising. This initially used data about the behaviour of people on Facebook.

Over the next few years this platform expanded to include RTB (Real-Time Bidding) capabilities. These capabilities allow advertisers, or intermediaries acting on the behalf of advertisers, to compete in real-time to pay for adverts to particular individuals and audiences.

More recently these capabilities have been further developed through Meta Advantage. This provides automation tools that can use advertisers' campaign information and Meta's algorithms to generate adverts suited to particular advertising contexts as and when they occur.

In 2007, the Beacon programme was launched to collect data as individuals visited non-Facebook websites. This extended the behavioural information that could be used by advertising products. Data collected by Beacon was shared with people's Facebook friends, website publishers, advertisers who might want to target them through the Facebook Ads platform, and the teams that built Facebook's advertising products.

Beacon was controversial from the time it launched; its use and sharing of data surprised and upset people. Mark Zuckerberg apologised, and changed Beacon to an opt-in system so that information about individuals would not be collected unless they asked for it to be collected.[13] Ultimately, Beacon was turned off in 2009 but Facebook's efforts to collect data as they browsed other parts of the web did not stop.

In 2008, Facebook Connect was launched.[14] Connect allows publishers to build services where individuals authenticate using their Facebook login credentials.

In 2015, Facebook Pixel was launched, another piece of code that publishers can place on their website. This repeats, and extends, some of the capabilities of the previous Facebook Beacon feature by providing publishers with information about their audiences. Pixel does not have the opt-in and privacy capabilities that were added to Beacon after complaints.

In 2012, custom audiences was launched.[15] This feature, which has grown increasingly sophisticated in the intervening years, allows advertisers to increase Meta's ability to target adverts by providing data about their existing users. This allows Meta to target adverts at both this audience and other individuals who may resemble it.

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13   Mark Zuckerberg's Facebook blog, 2007, Thoughts on Beacon

14   Facebook, 2008, Announcing Facebook Connect

15   Facebook, Annual Report 2012

REGULATORY INVESTIGATIONS INTO SOCIAL MEDIA ADVERTISING

There have long been regulatory concerns over Meta's advertising practices. In recent years a number of investigations have taken place.

In 2020, the UK's Competition and Markets Authority (CMA) found that:[16]

■ **The costs of digital advertising, which amount to around £14 billion in the UK in 2019, or £500 per household, are reflected in the prices of goods and services that people buy, and that Meta and Google's market power has a significant impact on these figures.**

■ **Competition problems may inhibit innovation and the development of new, valuable services for consumers.**

■ **Consumers are receiving inadequate value in return for their attention and the use of personal data by advertising platforms.**

■ **Limited choice and competition mean that people are less able to control how their personal data is used than they would otherwise be.**

This report came shortly after both the Furman review for the UK government and a study by the US Stigler Centre found that the UK's existing competition law and regulation was inadequate for dealing with digital markets.[17]

In 2020, the US Federal Trade Commission (FTC) started its own investigation into nine major social media and video streaming services.[18] In 2024, it released a report recommending federal privacy legislation, specific action to protect children, and a reduction in targeted advertising.[19]

Finally, as part of its preparations for the Digital Markets Act and Digital Services Act in 2023, the EU published a study on social media advertising.[20]

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16   Competition and Markets Authority, 2020, Final report of CMA Online platforms and digital advertising market study

17   HM Treasury, 2019, Furman review, Stigler Center for the Study of the Economy and the State, 2019, Stigler Center Committee on Digital Platforms

18   Federal Trade Commission news 2020, FTC Issues Orders to Nine Social Media and Video Streaming Services Seeking Data About How They Collect, Use, and Present Information

19   Federal Trade Commission news 2024, FTC Staff Report Finds Large Social Media and Video Streaming Companies Have Engaged in Vast Surveillance of Users with Lax Privacy Controls and Inadequate Safeguards for Kids and Teens

20   European Commission, 2023, Study on the impact of recent developments in digital advertising on privacy, publishers and advertisers
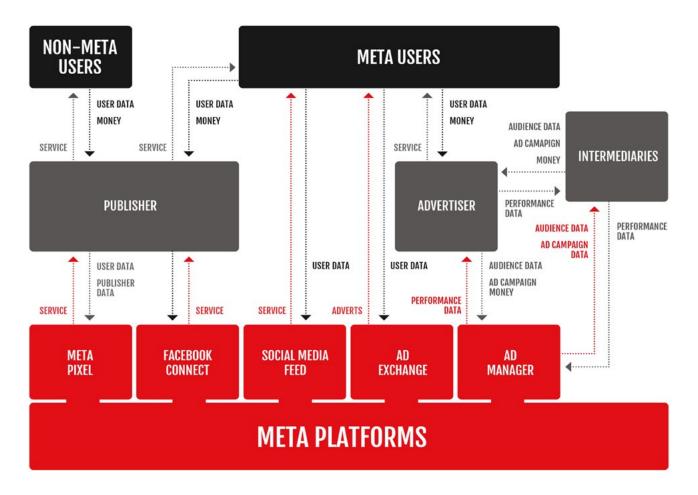
META'S CURRENT ADVERTISING BUSINESS MODEL

Figure 1 Meta's advertising business model, created by the author based on research for this report, including a submission made by AWO in the legal case brought against Meta by Tanya O'Carroll.[21]

Meta receives most of their revenue from advertisers but offers services to multiple audiences including advertisers, publishers, intermediaries and individuals. Each of these audiences need products that they are willing to use, while Meta needs to position itself to generate revenue due to interactions between individuals and advertisers. To support it in this positioning Meta collects and uses data about users, advertisers, and publishers.

In 2019, the UK's Competition and Markets Authority (CMA) found that £5 billion was spent on display advertising in the UK and that Meta received over half of this amount as revenue.[22] The money spent on digital advertising comes from the products and services that individuals buy from advertisers.

Appendix 2 provides an overview of how money, data and services flow across Meta's products, individuals, advertisers and publishers.

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21   AWO submission to Tanya O'Carroll vs Meta Platforms Ireland Ltd, https://awo.cdn.ngo/media/documents/ocarroll-v-meta-bundle.pdf

22   Competition and Markets Authority, 2020, Final report of CMA Online platforms and digital advertising market study

CHALLENGES WITH THE CURRENT ADVERTISING BUSINESS MODEL

There are a number of challenges with the current advertising business model.

Some of these challenges were raised in the Tanya O'Carroll court case and documented in other reports from the Open Rights Group on disinformation and discrimination. These challenges are issues that primarily affect society and individuals.

This section focuses on challenges that affect the industry ecosystem.

LACK OF TRANSPARENCY AND CONTROL IN ADVERTISING PRODUCTS

Meta's advertising products have some similar issues to Meta's social media products. Over time consumer regulations have been updated to create more transparency and control for individuals using social media products, for example through the EU's Digital Services Act and General Data Protection Regulation, but there have been no corresponding regulations to provide more transparency and control to organisations over advertising products.

The lack of transparency and control makes it difficult for advertisers and intermediaries to trust that they are making informed decisions about where to spend money and how to configure advertising campaigns. Advertisers need to take it on trust that Meta's products behave fairly, produce accurate information and give them a fair share of the value created by adverts. But Meta has an unclear level of control over a number of factors such as:

▌ **which auctions an advertiser or intermediary can take part in, there is a risk that preferential treatment is given to some organisations over others;**

▌ **the prices that are displayed or paid in an auction, the UKs CMA reported that "90% of UK advertisers on Facebook use the default automated bidding feature, which does not allow advertisers to specify a maximum bid";**

▌ **where adverts are placed and which users see them;**

▌ **how the revenue created by an advert is distributed across the supply chain from advertiser to individual; and**

▌ **what data is collected from individuals, advertisers and publishers and how that data is then shared and reused.**

This lack of transparency can make it difficult to trust Meta's products. The issues are only increased by a similar lack of transparency in advertising intermediaries whose own products can create the same challenges as Meta's advertising products.

The advertising ecosystem can risk feeling like a big black box that once opened contains a number of smaller black boxes, each of which contains an unknown number of smaller black boxes and so on.

UNDERSTANDING THE EFFECTIVENESS OF ADVERTISING IS DIFFICULT

Advertising effectiveness has been a difficult challenge since the earliest days of advertising. American industrialist John Wanamaker, who died in 1922, is credited with saying, "half the money I spend on advertising is wasted; the trouble is I don't know which half".[23]

Many people would argue the proportion of waste is far higher, and some might say that a proportion of waste is inevitable as human behaviour is very difficult to predict.

Despite this, advertisers want to understand effectiveness and have been promised both that the data collected by digital advertising products can help them understand it and that behavioural advertising's extensive use of personal data to target individuals makes it more effective.

But even the definition of effectiveness differs between advertisers and advertising campaigns.

Is it a sale that happens at the moment someone sees an advert? A sale that can happen one, two or many weeks later? Or is the intent to increase awareness of a brand, product or campaign?

Is the campaign for a product with a fixed quantity and time, like an airline ticket for a particular flight or a theatre ticket, that a company wants to be confident it will sell enough of that it is worth the fixed costs of creating the product? Or is it an intangible item, such as a digital copy of a music album, that can be sold in ever greater quantities to make ever more money?

Meta's products promise to help in all of these cases, but their products struggle to meet this range of needs both in collecting useful data and presenting it to advertisers in ways that make sense to them. The journey from an advert, such as for a theatre show, to an act, such as sitting in a theatre seat, can be long and convoluted.

Meanwhile some of the data Meta

presents has been shown to be false. Most visibly, and infamously, in 2015/6 Meta over-reported how much time people spent watching videos by 60-80%.[24]

This incorrect statistic contributed to many publishers and advertisers switching their focus to video content. The corrected statistics showed that this is likely to have made advertising less effective while, in the world of publishing, it seems to have contributed to the decline of written journalism.

Even if they could present accurate data then advertisers will still face the challenge John Wanamaker faced in the 18th century. Advertising does not become more effective simply because people know which parts of a historic advertising campaign worked and which did not, it becomes more effective when future adverts work better.

Achieving that goal requires Meta to provide sufficient, accurate data; for advertisers to develop the capability to understand and respond to the data; and for humans to be more likely to respond in ways that the advertisers predict.

Yet, AWO's 2023 report on digital advertising for the EU found that "although advertisers and publishers interviewed were categorical in their convictions of the effectiveness of advertising based on profiling, none provided data to support these claims".[25] The capabilities clearly haven't been built, and perhaps they can't.

As Bruce Schneier and Barath Raghavan said "The hope is that, because we have better algorithms that can help us make sense of even more data, we can somehow succeed at making systems work where past societies have failed".[26] The underlying truth that humans make up those systems and that human behaviour is hard to predict still remains.

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23   Wikipedia https://en.wikipedia.org/wiki/John_Wanamaker

24   Wall Street Journal, 2016, Facebook overestimated key video metric for two years

25   AWO 2023, Study on the impact of recent developments in digital advertising on privacy, publishers and advertisers

26   Bruce Schneier and Barath Raghavan, Belfer Centre, 2024, Seeing like a data structure

ADVERTISERS AND PUBLISHERS DO NOT CONTROL THEIR CUSTOMER RELATIONSHIPS

Advertising has long been a part of human societies. The rise of digital advertising, including on social media platforms like Meta, has changed how individuals experience advertising and what it means for their relationship with advertisers and publishers.

In 2023 qualitative research by Projects by IF found UK adults want useful adverts, especially from organisations that they already have a relationship with, but that individuals increasingly feel bombarded by online adverts, and do not understand or feel comfortable with the opaque business models and data usage that delivers them.[27] In 2024 quantitative research by the UK government found that only 33% of adults generally trust social media businesses to act in their best interest.[28]

This discomfort about social media platforms, advertising and data has a negative effect on advertisers and publishers that use Meta platforms. That effect is difficult for those organisations to mitigate. Many organisations feel that they have to use Meta for advertising, because of how much time people spend on their social media products, but Meta's advertising products do not provide the controls that would be necessary to allow advertisers to configure how customer data is used so that it meets their organisation's requirements and their customers' expectations.

The effects of Meta's business model on customer relationships goes deeper still. Meta, through its advertising and social media products, makes the final decisions on which adverts appear where and how they appear to social media users within the context of their social media activities.

Publishers who use Meta platforms to distribute their content can find that their users see adverts that damage their customer relationships. That can be as simple as an advert for a competitor, but it could be an advert for something that their customers find offensive. Advertisers similarly find that their adverts are published in places and ways that do not meet the goals of their campaigns and brand.

Through initiatives like brand safety and suitability controls Meta have been gradually altering their social media and advertising products to reduce some of these issues, but there is much left to do and the concept of brand safety has itself become a topic of political controversy[29].

In the last couple of years the owner of X, Elon Musk, has taken legal action against advertisers while 46 UK Conservative MPs attacked advertisers over their decisions for where and how to spend their advertising money.[30] This year, US tech firms have become closer to the new US government which is likely to further shift the balance of power towards large platforms, like Meta, and against both individuals and other organisations in the ecosystem.[31]

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27   Projects by IF, What Internet Users Need

28   DSIT, 2024, Public attitudes to data and AI tracker

29   Meta, About brand suitability controls and transparency tools https://www.facebook.com/business/help/1926878614264962?id=1769156093197771

30   Source: Digiday, Lawsuits against GARM call into question the politics behind brand safety, https://digiday.com/marketing/lawsuits-against-garm-call-into-question-the-politics-behind-brand-safety/ Campaign, Tory MPs attack CAN and ad agency groups over media 'discrimination', https://www.campaignlive.co.uk/article/tory-mps-attack-ad-agency-groups-media-discrimination/1834671

31   Source: White House, Fact Sheet: President Donald Trump issues directive to prevent the unfair exploitation of Amercian innovation https://www.whitehouse.gov/fact-sheets/2025/02/fact-sheet-president-donald-j-trump-issues-directive-to-prevent-the-unfair-exploitation-of-american-innovation/

META USES DATA ABOUT ADVERTISERS AND PUBLISHERS AGAINST THEIR INTERESTS

The data collected about advertisers, ad campaigns and publishers is not always used in ways they expect. Meta can use the information as an asset to improve their own products, to optimise the revenue they receive from adverts, or to assist an organisation's competitors in delivering adverts.

As they provide their social media and advertising products Meta collect data about organisations. This includes data about:

▎ **How organisations use social media platforms to provide content and services**

▎ **How individuals behave in response to those content and services**

▎ **The advertising campaigns and target audiences that advertisers and intermediaries want to reach**

▎ **The publishers whose social media content the adverts appear alongside**

▎ **How individuals behave in response to adverts both on-platform, while using social media products, and on other websites and apps that use Meta Pixel or Facebook Connect.**

Meta's advertising algorithms can use this data to target adverts for competitive advertisers and publishers. This does not need to be done as intentionally as a human might do but a product that is designed to, for example, "send this advert to people who read the Guardian" will benefit by learning from the Guardian's own advertising campaigns even if it is then distributing adverts for the Times.

The situation is even worse for publishers. A Irish Council for Civil Liberties report found that, "tracking-based advertising turns publisher's own commercialisable audiences into a Google/Facebook commodity".[32]

While the Guardian might charge a premium for adverts to reach the audience on its own site, Meta's algorithms might be able to find the same audience elsewhere in its social media ecosystem. Perhaps watching particular types of cooking videos on Instagram, or reading news stories published by the New York Times on its Facebook account. This allows Meta to drive down the Guardian's advertising rates

UNFAIR DISTRIBUTION OF REVENUES

Over the last five years Meta's profits have averaged 33.4% of their revenues. This is an extremely high percentage in any industry, let alone one that distributes adverts.

This high revenue is an indicator that the social media advertising industry has some of the attributes of a monopsony, with a single player dominating the market and setting prices and conditions to their benefits.

LACK OF COMPETITION AND FAILURES IN REGULATION HAVE FAILED PEOPLE AND ADVERTISERS

Multiple governments have reported that digital markets, including advertising, are insufficiently competitive and turning into monopolies that do not work for the benefit of consumers.

After its 2020 investigation into the UK online advertising market, the CMA said that it needed new powers to resolve the issues that weak competition was causing.[33]

In 2024, the CMA was given additional legal powers and in January 2025 the CMA announced that it would initially use them to investigate Google search and search advertising, and both Apple and Google's mobile ecosystems.[34]

At the present time no further action is being taken against Meta under the UK's new competition laws.

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32   Irish Council for Civil Liberties, 2021, Sustainable Without Surveillance

33   Competition and Markets Authority, 2020, Online Platforms and Digital Advertising - Market Study Final Report

34   Digital Markets, Competition and Consumers Act 2024, Competition and Markets Authority, 2025, How the UK's digital markets competition regime works

ALTERNATIVE BUSINESS MODELS

This section explores three alternative advertising business models that could be used within the Meta ecosystem:

▌ **Contextual advertising**

▌ **Consent or pay**

▌ **Subscriptions to advertisers**

For each model it provides:

▌ **A short description**

▌ **An example of where this model is used elsewhere**

▌ **How it could affect Meta's advertising products**

▌ **How it is likely to affect other revenue and data flows for individuals, advertisers, publishers, and intermediaries**

Contextual advertising appears to be the model that is most likely to provide increased benefits for individuals, advertisers and publishers while retaining a viable business model for Meta.

If regulations are actively enforced then consent or pay is likely to be illegal for Meta to use in conjunction with behavioural advertising, while subscriptions will only meet a subset of advertising needs and may lead to lower revenue for non-Meta businesses.

Other models will exist or could be invented by Meta, if they chose to do that.

CONSENT OR PAY; CONSENT OR REVENUE OPTIONS

Description

Consent or pay provides the option for social media users to either pay to receive access to service, to allow the platform to use personal data for behavioural advertising, or to not use the platform.

Typically the option is between an ad-free service and a service funded by behavioural advertising, but other options are available.

Better versions would allow users to choose from different options, for example, contextual ads, targeted ads, or subscriptions. This would avoid user choices becoming a 'pay for privacy' demand.

Where is this model used?

The model has been around for a while but has recently seen an increase in usage.

Meta has introduced this model in the EU, and has said that it is considering introducing the model to the UK. Within the UK a number of newspapers have started using this model for advertising on their own websites.[35]

However, in its response to the ICO consent or pay consultation, ORG emphasised that "subjecting individuals to behavioural profiling is is an unjustified interference with one's right to privacy and data protection, unless the individual freely exercises their agency to accept such interference," noting how "The adoption of the 'consent or pay' model for the practical purpose of enabling behavioural profiling and funding an online service via advertising violates individuals' agency by forcing them to consenting to such processing and, thus "cannot constitute valid and freely given consent."[36]

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35   Press Gazette, 2025, Guardian, GB News and Newsquest among latest publishers to tell readers: 'consent or pay

36   Open Rights Group, 2024, Response to the ICO "consent or pay" consultation

This opinion has been supported by regulatory guidance on this issue. Both the European Data Protection Board (EDPB) and the UK's Information Commissioner's Office (ICO) have been clear in warning that consent or pay cannot be used as a means to coerce individuals into consenting to behavioural profiling.

ICO guidance states that, where there is a clear power imbalance (such as between Meta and its users), consent or pay should "provide people with an additional alternative option to access your product or service with contextual advertising."[37] Likewise, the EDPB guidance states that large online platforms need to provide a genuinely equivalent alternative to users that "must entail no processing for behavioural advertising purposes and may for example be a version of the service with a different form of advertising involving the processing of less (or no) personal data, e.g. contextual or general advertising or advertising based on topics the data subject selected from a list of topics of interests."[38]

Thus, Meta would have to provide a tracking-free version of their services accessible without payment of a fee in order to implement consent or pay in a lawful manner. This could offer users contextual ads instead of tracking for example.

Meta's use of this mode, as it was implemented in the EU, clearly fails to meet these criteria and is, indeed, already facing legal and regulatory challenges in the EU and UK for its failure to provide an alternative which is genuinely free from behavioural tracking and profiling. These are described in more detail in the next section.

How would this model affect Meta's advertising products?

In both the EU and UK the consent or pay model is facing regulatory challenges.

In 2024 the EDPB (European Data Protection Board) published an opinion stating that large online platforms, like Meta, would not be able to comply with data protection requirements for valid consent if the choice was only between an ad-free service or a service funded by behavioural advertising.[39] They said that a free alternative should be offered without behavioural advertising, e.g. with a form of advertising involving the processing of less or no personal data.[40]

Similarly, the European Commission has made a preliminary finding that Meta's use of the model is in breach of the DMA (Digital Markets Act) because it does not allow users to to pick an option that is an equivalent service but uses less of their personal data and that consent will not be freely given.[41] Final findings from the EU are due in the first half of 2025.

The UK's ICO has not ruled on any particular company's use of this model but has issued guidance on consent or pay[42]. This guidance says that consent must be freely given and that if consent requirements are met then the right to object to use of personal data in direct marketing is provided by the option to either pay for not adverts or to not use the platform.

The ICO guidance raises the importance of power imbalance and says that in some situations people may not have a realistic choice about consenting to personalised advertising, and that this will not be freely given consent.

The UK's regulatory guidance also raises the issue of consent from children and says

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37   Information Commissioner's Office, Consent or pay guidance – power imbalance

38   European Data Protection Board, 2024, Opinion 08/2024 on Valid Consent in the Context of Consent or Pay Models Implemented by Large Online Platforms, §74

39   EDPB, 2024, Opinion 08/2024 on Valid Consent in the Context of Consent or Payw Models Implemented by Large Online Platforms,

40   EDPB, 2024, 'Consent or Pay' models should offer real choice, https://www.edpb.europa.eu/news/news/2024/edpb-consent-or-pay-models-should-offer-real-choice_en

41   European Commission, 2024, EC Commission sends preliminary findings to Meta over its "Pay or Consent" model for breach of the Digital Markets Act

42   ICO, Consent or Pay Guidance

that if children use or are likely to access a product or service, then the service provider must obtain parental consent. As Meta's products are likely to be used by children then delivering this requirement will require additional steps in consent or pay processes to perform this age verification. This will require additional data collection from individuals.

If the ICO enforces their guidance then these two challenges will be difficult for Meta to overcome.

If a user does provide legally valid consent then Meta's advertising products will function as they do today and create the same challenges as they do today.

Because some users will decide to pay, rather than consent, then there will be smaller audiences for adverts. While advertisers may expect smaller audiences to lead to lower prices, due to Meta's dominant position in the social media advertising market, it will be Meta that has the most control over how this rebalancing takes place and how it affects the price for using Meta's advertising products.

How would it affect other revenue and data flows?

Data about identifiable individuals who pay for Meta's services should not be collected and shared with advertisers. To deliver on this potential Meta would need to provide provable guarantees to individuals that data would not be used for purposes unrelated to providing the social media service.

As advertisers and intermediaries will have access to smaller audiences then they may choose to redirect their data collection and advertising activities to other platforms. This may lead to more data being collected and shared about individuals through other sources.

However, if Meta provides services to place contextual ads where users are neither subscribers nor tracked, then revenue would be produced from these (see below).

CONTEXTUAL ADVERTISING

Description

Contextual advertising targets adverts based on information about content, rather than information about individuals.

For example, people who are watching videos about cars will see adverts about cars, while people reading recipes for cooking Italian food may see adverts for Italian food they can buy in the supermarket.

Where is this model used?

Much of the internet's early advertising was contextual advertising. Facebook's first advertising product, Flyer, was effectively a form of contextual advertising. It provided adverts to people who were interested in a particular college or school, so most of the adverts were relevant to people who visited, studied or worked at those colleges and schools.

Contextual advertising has seen something of a resurgence in recent years as part of a broader pushback against the challenges caused by current advertising models.

Kobler, which launched in Norway in 2000 and has expanded to other Scandinavian countries, and the Netherlands company Opt Out Tracking are European examples of providers of contextual advertising products.[43] Both are profitable and growing businesses.

Both organisations have built on the traditional contextual advertising model with more advanced techniques, for example the use of machine learning to understand content and serve more relevant adverts.

How would this model affect Meta's advertising products?

Initially Meta could reintroduce contextual advertising products to their range of advertising products. Advertisers and publishers who preferred contextual adverts could decide to use them. Individuals would have the option of only being exposed to contextual adverts.

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43   Kobler, Opt Out Advertising

When Apple gave its users the option of opting out of ad tracking initial reports showed 96% of US users took that option.[44] It seems likely that contextual advertising would also be people's preferred option and, over time, it and other non-intrusive advertising models would replace behavioural advertising.

Delivering contextual advertising products requires less data collection, sharing and analysis than behavioural advertising. This would remove costs from Meta's advertising products and their broader business. These cost savings could be passed onto advertisers – and ultimately the consumers of their products – or reinvested to improve Meta's social media products.

The people in advertisers and intermediaries who buy adverts have become used to the idea that more data leads to more effective advertising. As discussed previously it is unclear that this is the case. Contextual advertisers like Kobler and Opt Out Tracking have reported higher conversion rates than behavioural adverts. This may be because people are more likely to respond to an advert relevant to the content they are currently consuming, rather than an advert that is relevant to a different context. For example, someone reading reviews of new cars may be more likely to click on a car advert than one for an Italian food recipe that they read two days previously. Meta could commission independent auditors to produce reports on the effectiveness of contextual advertising.

Advertisers will still want to buy adverts and some people will still buy products that they see in adverts. Given Meta's dominant presence in social media markets then they will still buy adverts on Meta.

As a result of the cost savings and continued advertising spend Meta can be expected to continue to provide social media services for free.

How would it affect other revenue and data flows?

With contextual advertising data about identifiable individuals does not need to be collected and shared. To deliver on this potential Meta would need to provide provable guarantees to individuals, advertisers and publishers that data that is collected as people using Meta's social media products interact with contextual adverts will not be collected and shared for purposes unrelated to providing the social media service.

Given the likely uptake this would significantly decrease data sharing and increase compliance with data protection regulation across the advertising ecosystem. This would reduce discrimination harms.

Some of the intermediaries that exist within the advertising ecosystem only exist to collect, analyse and share personal data. Unless they change then those businesses will shrink and gradually disappear. Many other intermediaries, such as agencies that create adverts or plan campaigns, will continue to have viable businesses as they do now.

Meta could choose to design its social media products so that intermediaries can directly offer their own contextual advertising products on Meta's social media platforms. Imagine the Times newspaper using Kobler's advertising products on the Times' accounts on Facebook with a smaller fee going to Meta for providing the platform infrastructure.

This could create a more competitive and innovative social media advertising market and reduce the data about advertising and publishers which is visible to and usable by Meta. It seems unlikely that Meta would take this more radical step by choice.

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44   Ars Technica, 2021, 96% of US users opt out of app tracking in iOS 14.5, analytics find

SUBSCRIPTIONS TO ADVERTISERS

Description

A subscription model would allow social media users to subscribe to adverts from particular content providers, for example a newspaper whose stories they read on their Facebook page, or a content creator whose Instagram account they follow.

Where is this model used?

Many advertisers allow people to subscribe to newsletters to receive special offers or a list of news, and other content, provided on a particular day.

Users can choose to subscribe to brands they like and want to hear from, while ignoring others. This will give them more control over the adverts that they see.

How would this model affect Meta's advertising products?

Meta would need to create and promote new advertising products that allow publishers and advertisers to offer subscriptions, and allow social media users to subscribe to their offers. Meta would charge publishers and advertisers for using this service.

The new products could be designed to support advertising campaigns purchased through Meta's existing advertising products and to support advertisers/ publishers hosting their own advertising products within Meta's platforms. These options would need to have different pricing models and would affect data flows.

Not all advertisers will have a presence on Meta's social media platforms so these products would not meet all advertising needs. Therefore Meta would need to support other advertising products such as behavioural or contextual advertising.

How would it affect other revenue and data flows?

As multiple advertising models would exist simultaneously then they would compete with each other for advertising revenues.

The 2020 CMA study on the digital advertising market reported that "Google ran a trial in 2019 to compare the revenue publishers received from personalised advertising with revenue from non-personalised ads. Our analysis of the results suggests that UK publishers earned around 70% less revenue when they were unable to sell personalised advertising but competed with others who could".[45] The study did not provide a source for or independent verification of this claim.

Individuals may be asked to pay for some subscriptions while others would be free. Different subscriptions will also have different data flows, varying with the business model of the advertisers or publisher providing the service.

So, while some individuals are likely to feel more empowered by subscriptions, and the ability it provides them to subscribe to relevant adverts from brands that they want to hear from, it will also increase the effort required to understand their data choices and how to exercise their data rights.

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45   Competition and Markets Authority, 2020, Online Platforms and Digital Advertising - Market Study Final Report

APPENDIX 1 DEFINITIONS USED IN THIS REPORT

TERM	DEFINITION	EXAMPLES
Advertiser	An individual or organisation that pays for adverts to be published.	Fitness class instructors, local authorities, Mars Incorporated, Patagonia, political parties, Proctor and Gamble
Behavioural advertising	Advertising that is targeted based on information about an individual's known or inferred interests, characteristics and behaviours, over time and across different services, locations and devices. It is usually driven by profiles generated from collecting data about individuals. These profiles are held by platforms and intermediaries. Currently this is the dominant advertising model.	
Consent or pay	An advertising model that requires users to either consent to use of personal data in advertising or directly pay for a service. This can be seen as a type of subscription model.	Many UK newspapers are currently moving to consent or pay business models
Contextual advertising	Advertising that is placed on a webpage because of a combination of its content (eg 'sports'), context (eg 'a specialist sports website'), and the aggregate behaviour of people who visit that page.	Kobler, Opt Out Advertising
Intermediary	An organisation that helps coordinate activity between publishers, platforms and advertisers.	Within the definition of intermediaries are various types of firms such as: Ad Exchanges, like Google AdX and Meta. Data Management Platforms (DMPs), like Experian or in-house tools developed by advertisers or publishers. Demand Side Platforms (DSPs), such as RevX or EXADS. Sector-specific intermediaries, such as SuperBiz and Bidstack. Supply Side Platforms (SSPs) such as Automatad or Sharethrough.
Local profiling	Local profiling stores information about an individual's behaviour locally, for example within their browser, rather than within the wider ecosystem. This alters the volume and sensitivity of data that is shared across the ecosystem.	Brave Ads
Platform	Large organisations that offer services to individuals, advertisers and publishers. These services will include a number of advertising products using one or more advertising business models.	Amazon, Meta, Google, TikTok.
Publisher	An organisation that publishes a mix of content and adverts online.	Newspapers, social media platforms, gambling sites, gaming sites, financial service providers, content creators
Social media advertising	Typically either takes the form of in-feed ads that blend in with content on the platform, display banner ads or ads that play before a video begins. One of the fastest growing digital advertising channels.	Meta, TikTok
Subscriptions	A subscription model would allow social media users to subscribe to adverts from particular content providers, for example a newspaper whose stories they read on their Facebook page, or a brand that they choose to follow.	Newspapers, Amazon Prime, Disney+, promotional email newsletters

APPENDIX 2 HOW MONEY, DATA AND SERVICES FLOW ACROSS META'S PRODUCTS, INDIVIDUALS, ADVERTISERS AND PUBLISHERS

META PRODUCTS

Meta social media feeds

These are the main products used by individuals: Facebook, WhatsApp and Instagram. They are designed to keep users on the platform and encourage interaction with adverts.

As individuals use these feeds – whether to keep in touch with friends, create content for Instagram, or interact with businesses – then data is generated. This data is aggregated into profiles about both individuals and organisations. This data and the profiles can be used by Meta to improve social media and advertising products, and to help target adverts.

Users do not pay for these services, instead they are funded by revenue from advertising products.

Meta's advertising products

Meta offers a range of advertising products that are used both directly by advertisers and by agencies working on their behalf. Advertisers and intermediaries pay for these products.

When advertisers use these products they provide Meta with details of the ad campaign, for example advertising content, and the dates on which they want the adverts to run, along with information about the desired audience for the campaign.

The information provided about the audience can extend from general information, for example "people in Scotland aged over 35", to more detailed information. For example a list of specific users provided as Custom Audiences, a request to show adverts to a list of users that Meta believes have particular interests such as "new cameras" or "vintage clothes", or the use of interests that might be a proxy for more sensitive characteristics.

Perhaps "people in Scotland aged over 35 who support Rangers FC" compared to "people in Scotland aged over 35 who support Celtic FC" might allow an advertiser to target people on different sides of Glasgow's political and religious sectarian divides.

Meta uses this campaign information to place adverts, but it can also use this information to update the profiles it holds on individuals and advertisers. This information can then be used for other purposes.

Meta's advertising marketplace

Meta's advertising marketplace combines information about individual's use of Meta's social media and messaging services and advertising campaign information from Meta's advertising products to look for opportunities to show adverts to users.

When an opportunity is found then Meta's algorithms may insert an advert but in more complicated scenarios the opportunity to advertise may be offered up to auction. Meta's AI tools could also create a new advert to take advantage of a specific opportunity.

When an opportunity is auctioned then advertisers and intermediaries will be informed. This will create a competition between organisations to take advantage of opportunities. This auction will be orchestrated through automated algorithms within Meta, advertisers and intermediaries.

The decision on whether or not to auction, and the process of an auction will be informed by data about individuals and organisations held by Meta, advertisers and intermediaries. No information about the auction algorithms and how they use data about individuals and organisations is publicly available.

This competition can have a number of effects. For example, driving up the cost of opportunities to sell valuable products to people that Meta believes have a strong intent to purchase, or pushing advertising revenue towards cheaper places to reach the same audience. These effects are discussed in more detail in the following section on harms.

Once an advert is shown then information is collected about how individuals behave in response to the adverts. This information can be used to update the profiles Meta holds on individuals and advertisers and, in aggregated form, provided back to advertisers and intermediaries to inform future advertising campaigns.

Facebook Connect

Connect allows publishers to build services where individuals authenticate, or log in, using their Facebook credentials. The service is free to use.

While providing convenience to publishers and individuals, Connect also collects data about the activity of individuals as they use publisher's websites beyond the core Meta social media products. This information is combined into Meta's profiles about individuals, advertisers and publishers.

This data is then used by Meta's advertising products.

Meta Pixel

Pixel is a piece of code that publishers can place on their website. It provides publishers and Meta with information about the audiences on the website. The service is free to use.

This can be particularly useful for website publishers who are also advertisers as Meta connects this information with data collected on Meta platforms. This can help advertiser-publishers to understand the effectiveness of their advertising campaigns on Meta platforms.

The information provided to Meta is combined into Meta's profiles about individuals, advertisers and publishers. This data is then used by Meta's advertising products.

Meta profiling

Meta's products are designed to collect information about individuals, advertisers and publishers. This information is combined into profiles held by Meta.

For individuals this contains known or inferred characteristics, traits, activities and interests. Some individuals have used subject access rights that exist in the UK GDPR to understand these profiles in more detail. The profile includes:

- **User-configured profile - for example username, demographic characteristics and location**

- **Topics - determined by activity on Meta that is used to create recommendations in different social media areas such as Feed, News and Watch**

- **Ad Interests - interests based on social media activity and other actions that help**

- **Meta decide which ads to show**

- **Ad Topics - interests based on Meta activity and other actions that help Meta decide which ads to show.**

The information that Meta holds about advertisers and publishers is less well understood. Organisations do not have legal rights to see this data.

OTHER ACTORS

Meta users

These are people who use Meta's social media services - primarily Facebook, WhatsApp and Instagram. In 2024 Ofcom, the UK's communication regulator, found that 80% of adult internet users in the UK reported using WhatsApp, 76% using Facebook and 57% using Instagram (57%).[46] There are billions of users around the world.

They are mostly individuals, but will also include individuals acting on behalf on organisations that offer services on Meta, for example local restaurants advertising

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46   Ofcom, 2024, Adults' Media use and attitudes report 2024

their menus and opening times on Instagram or newspapers that publish their stories on Facebook. These organisations may also become advertisers or publishers of websites outside the Meta platforms.

The social media services are free to use. They collect data as they are used and users may see adverts.

Individuals buy products from advertisers, which pay for the adverts that fund the service they use.

Meta's products allow users to control some aspects of how their data is used, but the controls can be hard to find and use. The CMA's 2019 study found that platforms' choice architecture and use of defaults inhibits people's ability to make informed choices and nudges consumers

into making choices that are in the best interest of platforms like Meta.

Non-Meta users

These are people who use websites that incorporate Meta's non-social media services, especially Meta Pixel.

Data is collected about these individuals as they use those services and are associated with a profile within Meta.

Publishers

Publishers publish content, potentially including adverts, online. They may charge for access to their content and services. They become part of the Meta ecosystem if they use Meta Pixel, Facebook Connect, or post adverts and/or content on Meta's social media services.

Unless they post adverts on Meta's platforms then publishers are unlikely to pay any revenue to Meta, but Meta can collect data and information about publishers and their audiences if they use their products. This data helps Meta, and their algorithms, understand the wider advertising ecosystem where Meta generates its revenue.

Advertisers

Advertisers publish adverts to Meta's social media services and generate revenue by selling services to their own users.

Some of these users will come through adverts placed on Meta, while other users may come to an advertiser for other reasons – perhaps they saw a box of soap powder in a shop, or heard of a new dress from an article in a magazine.

Advertisers have to make decisions on where they spend their advertising budgets, for example X% may go on adverts on Meta, Y% on advertising in Google searches, and Z% on physical billboards in town centres.

To make these decisions they will attempt to understand the effectiveness of these different channels in reaching the expected audiences for their services. In more recent years this has extended deeper into initiatives to understand and build relationships with their audiences through data analytics and new kinds of services. It is difficult to understand how effective much of this detailed work has been.

Many advertisers will work with intermediaries, such as ad agencies, to help them design and decide where to place adverts. Larger advertisers will also have significant internal capabilities.

Intermediaries

Intermediaries are organisations that help coordinate activity between publishers, platforms and advertisers. There are a large range of these intermediaries from traditional advertising agencies through to data brokers - who provide targeting data to help define audiences, and specialist platforms with products that help with auction processes.

Intermediaries generate revenues by selling services to advertisers, and use that revenue to develop internal products and buy services from other organisations. Many of those organisations are also intermediaries. The intermediary ecosystem is largely opaque to individuals, advertisers and regulators.

Intermediaries face competition both from other intermediaries and from large advertising platforms like Meta. For example, Meta can decide to extend its own advertising products to include features currently only offered by intermediaries or may decide to change its advertising products in a way that prevents an intermediary's products from functioning as designed.