



# Facebook Inc.'s Acquisition of GIPHY: Potential Competition Issues

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On May 15, 2020, Facebook Inc. [announced its acquisition](#) of [GIPHY](#), an online database and search engine for short looping videos without audio, known as GIFs. The proposed deal is raising concern for some that GIPHY could increase Facebook Inc.'s access to consumer data and provide insight into users' activities on competitors' platforms, both of which could potentially give it an advantage in the digital advertising market. Facebook Inc. is currently under scrutiny by Congress and antitrust authorities.

## The Impact of Facebook Inc.'s Acquisitions on Its Position in the Digital Advertising Market

Facebook Inc., founded in 2004, is primarily known for Facebook, a website and app where users can share information, photos, and other content with other selected users or the general public. Its revenue comes primarily from selling ad placements to advertisers who wish to reach users of its platforms. In 2019, advertising accounted for [98.5% of its \\$71 billion of revenue](#). Because advertisers can target individual users with digital ads, owners of websites and apps, such as Facebook Inc., have incentives [to collect consumer data](#) to improve ad targeting by better identifying users who are likely to be interested in a particular ad.

Facebook Inc. has expanded its business with [at least 85 acquisitions](#) since 2004. Some of its well-known acquisitions include [Instagram](#), a photo-sharing platform, in 2012, and [WhatsApp](#), an encrypted messaging platform, in 2014. Facebook Inc. is [reportedly spending \\$400 million](#) to acquire GIPHY. The amount is relatively small compared to some of its past acquisitions: it spent \$19 billion for WhatsApp and \$1 billion to purchase Instagram.

Acquiring additional platforms may give Facebook Inc. greater access to users' information. It can collect information from more users if the acquired platform's users do not use its other platforms. Acquisitions can also help it obtain richer data about individuals by combining information obtained across its platforms. However, GIPHY's business design may make it difficult for Facebook Inc. to obtain individual user data.

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Consumers primarily use GIPHY through other platforms, such as Apple, Inc.'s iMessage, TikTok, Slack, and Twitter. Users can search for and share GIFs in GIPHY's database through other platforms after installing its app on their smartphones or downloading its extension to platforms on their computers. For example, they may search for a GIF of a dog waving from GIPHY's server and share it with friends through iMessage. The owners of platforms that are used to share GIFs may seek to [prevent GIPHY](#) from receiving individual user data and [send aggregate usage data](#) instead, but the effectiveness of these measures is unclear.

Some of these other platforms could be considered competitors to Facebook Inc., both for users' time and for advertising revenue. One potential competitive concern is that by controlling GIPHY, Facebook Inc. may be able to learn when users tend to be active on its competitors' platforms, how frequently individuals use those platforms, and other information that could help it compete for advertising. Ownership of GIPHY also might improve Facebook Inc.'s ability to identify new platforms that are gaining popularity and could become competitors.

GIPHY may also provide Facebook Inc. with a new outlet for displaying digital ads, strengthening its position in the digital advertising market. In 2019, Facebook Inc. was estimated to have a [22% share of the U.S. digital advertising market](#), ranking second to Google (37%) and ahead of third-ranking Amazon (9%). Prior to being acquired by Facebook Inc., GIPHY explored obtaining revenue through digital advertising by [hosting GIFs for commercial brands](#). Facebook Inc. may be able to further develop this business, which could potentially increase its revenue from digital advertising. In addition, GIPHY could expose trends and shifts in users' interests based on which GIFs are searched for, created, and shared, which may help improve Facebook Inc.'s digital advertising across its platforms.

## Department of Justice and Federal Trade Commission Investigations

The U.S. Department of Justice and the Federal Trade Commission (FTC) are [reportedly investigating potential anticompetitive behavior](#) by Facebook Inc. as a part of a broader investigation of "Big Tech" that includes Alphabet, Inc. (parent company of Google), Apple, Inc., and Amazon.com, Inc. At least [47 attorneys general](#) from U.S. states and territories are also investigating Facebook and Google for possible antitrust violations. Since June 2019, the [House Judiciary Committee](#) has been investigating competition in digital markets, which may involve Facebook Inc. Separately, the FTC has been concerned about Facebook Inc.'s [collection, use, and sale of consumer data](#), particularly with respect to whether the company misrepresents the extent of consumers' ability to control access to their information.

Some Members of Congress have raised concern about Facebook Inc.'s acquisition of GIPHY, particularly given the investigations that are reportedly under way. Senators Josh Hawley and Amy Klobuchar—both members of the Senate Committee on the Judiciary Subcommittee on Antitrust, Competition Policy, and Consumer Rights—have [criticized the transaction](#); according to Senator Hawley, "Facebook wants GIPHY so it can collect even more data on us. Facebook shouldn't be acquiring any companies while it is under antitrust investigation for its past purchases." Other Members of Congress have proposed [halting mergers and acquisitions](#) during the coronavirus pandemic. A [spokesman for Senator Elizabeth Warren](#) termed Facebook's acquisition "yet another example of a giant company using the pandemic to further consolidate power."

It is unclear how these investigations might affect GIPHY's future. Facebook Inc.'s [acquisition of Instagram in 2012](#), in particular, has received attention for its possible antitrust implications. If that acquisition is determined to have been anticompetitive, one possible remedy could be requiring the company to divest either its Facebook platform or Instagram. If that were to occur, antitrust authorities might need to determine whether GIPHY should be considered part of Instagram, should remain with

Facebook, or should be divided in some other way. Similar questions may be relevant to other recent Facebook Inc. acquisitions.

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