TWITTER CASE:
“Twitter, Inc. in 2018: Too Little Too Late?”

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Management and business strategy
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1. What does a PESTEL analysis suggest for the macro-environmental impact on the social media industry? Which of the macro-environmental factors appear to have the greatest potential impact on Twitter? Why?

A) PESTEL

1. Political
At the political level, there are not a lot of main factors that can have an impact on twitter, but the main risk and possible threat to twitter is its worldwide presence and that it has to adapt to each and every different political environment.

2. Economic
The economic macro-environment is positive it’s a new emerging sector in full growth but its not easy to be able to adapt to this growth. Other companies like Facebook are growing at a much faster speed than twitter and this has an impact on the company’s development.

3. Social
Social and cultural differences around the world have an impact on the company’s communication strategy. Education level, the way of doing things, attitudes play a significant role in the impact of twitter and it’s penetration in a new market level.

4. Technological
There are a lot of emerging social medias that are possible substitutes to what twitter is offering to the public, this endangers its correct development because it’s a very competitive market and a market that evolves very fast. But at the same time the technological trend gives more and more potential users of twitter every day. At the same time this fast evolution the market does not give enough time to adapt and perform correctly at the same pace as the worldwide technological advance.

5. Environmental
The environment can be an important factor when we think about the social responsibility of a company if they want to enter a new market, they have to be aware of the social responsibility’s exigences of the new market and environmental rules.

6. Legal
The anti-trust law could play in favor of twitter development because it’s preventing Facebook and google from monopolizing the market. These social medias open up opportunities for bullying and the discrimination law includes obligations that social medias have to follow. These are all new adaptations twitter has to be aware of and take action to prevent legal problems. There are also lots of rules about data protection that have to be followed.

Finally, comment on the recent incident of the President of the United States of America, Donald Trump with our case company, Twitter. He even threatened to sign a new executive
order regulating the wide discretion of social networks. The order would end the legal shield that protects social networks from multi-million dollar lawsuits.

The special protection against legal action enjoyed by large social networks such as Facebook, Twitter or Google could come to an end. At least that is the intention of U.S. President Donald Trump, who signed the executive order Thursday.

Exactly one year ago, the president accused the main social networks of having a "progressive bias" and warned about a legal change. Over the past few weeks, he has again shown his intentions to undertake a legislative change that seems to have been rushed after Twitter showed warning messages on several of your tweets.

The executive order targets section 230 of the Communications Decency Act. A law that gives immunity to websites that select and moderate content created by third parties, as is the case with major social networks.

B) MACRO ENVIROMENTAL FACTORS

The macro environmental factors that appear to have the greatest potential impact on twitter are, Economic, technological and legal environments. These 3 have already had a direct impact on twitters development.

The macro-economic environment is going against twitter, the other social media platforms have been more profitable than twitter, that hasn’t been profitable at all until recently.

The technological environment is also a very challenging factor for the right development of twitter because it’s a fast changing and exigent environment. This environment is very difficult to keep up with, but it may be the most important part of this sector

The legal environment is one that they have to keep an eye on all the time and is linked with the political macro-environment. There are a lot of laws that are changing because this is a very recent subject. Companies like Facebook have already had problems with the law because of the misuse of private information for example.

2. Identify the driving forces in the social media industry? What appears to be the impact of these

To understand the dynamics of the social media industry, what they are, what they represent and what you can expect from them, you have to understand the five major forces shaping industry trends in the coming years. These are: me-driven, peer-driven, trust-driven, time-driven and cause-driven. Understanding and applying these five forces well can be a key point in implementing an effective social media strategy:

1. ME DRIVEN
Social networks are communities in which people share information and experiences, a site where they share and find people who share their interests; They interact with friends... This environment makes it difficult to insert ads that are not welcome and that do not contribute anything to the community.

2. PEER DRIVEN

Social networks are only understood as a system of interaction with peers. If all our friends left a social network, nobody would stay in it, the community is not understood without these peer relationships. The average number of friends in social networks is increasing every year, we have more and more friends in social networks. And this goes hand in hand with the number of minutes we spend per day on these networks, which is also increasing. That's why finding people with great influence over your peer circle can be crucial for an ad to work, not always the one with the most friends but the one with the most interaction with them.

If we don't manage to find good influencers the campaign can have a very bad viral reaction and be seen as an invasion of this community.

3. TRUST DRIVEN

One of the main problems that a social network can face is that the privacy it offers is affected. In a community where people share data about their private lives, if you don't feel safe you can affect your level of trust with this social network. Now users decide who can see all their data and who can only see some, so their privacy is highly valued. If users feel safe on a social network, they will be willing to interact more and share more data about their private life, their preferences or their opinions about products. Earning this trust can lead to much cheaper customer acquisition and even people defending your brand by getting even more word of mouth.

Ways to achieve this may be to allow users to give both positive and negative feedback on your brand and to try to solve the problems that customers express.

4. TIME DRIVEN

Breaking into the community requires that you demonstrate how your offer strengthens the interactions with those within the community. Competing for time and attention means that relevance is now the most important part. Users need a return on the investment of the time they spend on the web in the same way that marketers need ROI on their marketing dollars. They want to find more accurate information faster and more easily. Offers that do not measure up won’t break through the clutter.

5. CAUSE DRIVEN

It is the viral nature of social networks and, perhaps more importantly, the visibility among social networks for the cause itself that have increased donations. Social networks have changed the paradigm from charity-to-person to, now, person-to-charity. Getting the community interested in you begins by showing interest in what the community cares about and sometimes that can be charitable causes. But the interest from the advertisers needs to be genuine and credible for this skeptical community.
3. Prepare a SWOT analysis for Twitter. What does the SWOT suggest for Twitter’s future?

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weaknesses</th>
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<tbody>
<tr>
<td>1. Large audience, users are now past 330 million.</td>
<td>1. Low retention rate, only 40%.</td>
</tr>
<tr>
<td>2. Strong brand image globally. It has faced less image issues as compared to Facebook.</td>
<td>2. Low Revenue &amp; Profits and no solid revenue model. Much lower as compared to Facebook.</td>
</tr>
<tr>
<td>3. Early entre in social media business (2006)</td>
<td>3. High operational expenses. The reason that the brand has been unable to create high level profits.</td>
</tr>
<tr>
<td>4. Innovation and technology. has always remained upon technological innovation for better customer experience. Still focus on continue improving.</td>
<td>4. Online harassment. Hatred and harassment are two of the most serious problems of the social media.</td>
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<tr>
<td>5. Effective integration with other platforms</td>
<td>5. No new innovative features</td>
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<td>6. Marketers’ platform of choice</td>
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<tr>
<td>7. Real-time in nature with huge reach.</td>
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<table>
<thead>
<tr>
<th>Opportunities</th>
<th>Threats</th>
</tr>
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<tbody>
<tr>
<td>1. Targeting new user groups to grow its user base.</td>
<td>1. Competitive threat. Because the world of social media has grown highly competitive.</td>
</tr>
<tr>
<td>2. Customers service offering for organizations to become a communication tool in a structured way.</td>
<td>2. Regulatory threat: Regulatory pressure on the social media networks is growing higher day by day, like the Donald Trump executive order.</td>
</tr>
<tr>
<td>3. Integration with other platforms.</td>
<td>3. Fake accounts and hacking incidents, it takes the value of the company.</td>
</tr>
<tr>
<td>4. Diversification and continuous improvement in user experience. Investing more in research and innovation will help Twitter grow its popularity and user base.</td>
<td>4. Reducing attraction of social media. The Facebook data scandal resulted in loss of trust and reduced attraction of social media.</td>
</tr>
<tr>
<td>5. Search engine business. For the kind of data and information Twitter already has.</td>
<td>5. Innovative upcoming social media companies. Not only the actual competitors.</td>
</tr>
<tr>
<td>6. Research and innovation. Keep investing more and more in research and innovation will help Twitter grow its popularity and user base.</td>
<td></td>
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4. Using the data in Case Exhibits 1 & 2, what is your assessment of Twitter’s financial position? Based on your analysis, what financial performance can reasonably be expected in the near-term future for Twitter? Support your answer.

We can see that Twitter’s cost have been growing from 2013 until 2016, this has had a negative impact on Twitter’s financial position. But in the last quarter of 2017 Twitter has reduced their cost and had their first profitable outcome since the beginning. We can also see that Twitter is trying to cut expenses in intangible assets, like R&D and sales and Marketing which represent more or less 50% of the intangible assets. Due to this expense cutting strategy they are covering their costs.

The financial performance that can be reasonably expected in the near term future is that Twitter is going to keep cutting expenses so that they earn enough profit to reinvest in a profitable way in advertising and R&D. The main goal is to have a profitable company with positive results. And if we look at the real investment of Twitter from the 4th quarter of 2017 until the last quarter of 2019 we can see that that is what actually happened.

On the exhibit 2 we can see that Twitter’s total assets were $7,41 million in the last quarter of 2017 and so they went down to $7,02 million and then they raised their expenses to $8,54 millions in the last quarter of 2019.

5. From the data provided in the case (Exhibits 1, 2, 6 & 7), how does Twitter’s performance stack up with Facebook and Snap? Is there a clear winner based on your analysis?

Comparative table of Twitter’s, Facebook’s and Snapchat’s revenues, totals costs, assets and liabilities (in billions of $)

<table>
<thead>
<tr>
<th></th>
<th>Revenues</th>
<th>Total costs</th>
<th>Assets</th>
<th>Liabilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Twitter</td>
<td>2,443</td>
<td>2,404</td>
<td>7,4</td>
<td>2,36</td>
</tr>
<tr>
<td>Facebook</td>
<td>40,6</td>
<td>20,4</td>
<td>84,5</td>
<td>10,18</td>
</tr>
<tr>
<td>Snapchat</td>
<td>0,825</td>
<td>4,3</td>
<td>3,42</td>
<td>0,429</td>
</tr>
</tbody>
</table>

We can see in the exhibit 6 that Facebook has a revenue of $40,6 billions and costs up to $20,4 billions which is way more than Twitter who has a revenue of $2,4 billions and costs up to $2,4 Billions but Twitter is better positioned than Snapchat who has a revenue of $825 millions and costs up to $4,3 billions as we can see in the exhibit 7.

There is an obvious winner here and it is Facebook they have the best cost/revenues ratio as well as assets/liabilities ratio.

6. Final debriefing about case n.13 (“Twitter, Inc. in 2018: Too Little Too Late?”)

Analyzed by Isidoro Carrillo Llamas

Scientific articles/papers

State at least n.1 scientific article/paper you selected to support your analysis and recommendations

<table>
<thead>
<tr>
<th>N.</th>
<th>Title</th>
<th>Author</th>
<th>Journal</th>
<th>Year, number</th>
<th>Link</th>
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</table>
Describe the company’s strategic profile and its industry

Twitter is a young company that is in the growing phase of the cycle of the company’s life, it has had a rough start but it’s now beginning to be profitable. Twitter strategy is to cut expenses to become more profitable on long run. This industry is growing worldwide and evolving very fast, this is a challenge for all companies of the sector. It is also a high risk and an industry with a lot of legal barriers. There are 5 driving forces that are leading the path of this industry’s future.

Your action recommendations

Write your recommendations and be critical not descriptive.

Twitter’s top executive team should try to keep the same level expenses a few years so that they can use the profit to invest in important points like R&D and sales and marketing. By increasing investment in these two points Twitter will attract investors and could make agreements with other companies. Twitter has to focus on growing its numbers, on a financial and user point.

It’s also very important for twitter to keep an eye on the legal environment because privacy is a very important matter and a secure platform gives a good and strong image that will attract more users to the platform.

Twitter has to give more importance to the 5 main driving forces of social media as they play a crucial role in the development of the platform. Helping people to communicate and to express themselves is this platforms goal. The trends that are given more importance in this platform are trust, time and cause. Twitter has to work on these 3 driving points to become a more attractive, safe and useful platform because of the growing concern of privacy issues.

To be able to work on these 3 forces they have to invest in R&D and stay in tune with the legal environment.

This is a growing sector and it has a lot of business opportunities to expand and work on, but it also has threats that are constantly attacking twitter like the growth of direct and indirect competitors in the market. This means that twitter has to use the opportunities to overcome the threats by working on developing the right market expansions, but always remaining within the regulatory challenges related to data security and privacy.

Optional section: additional sources (company disclosures, web pages, video etc)
| 1. | Crafting & Executing Strategy: The Quest for Competitive Advantage: Concepts and Cases | Arthur Thompson and Margaret Peteraf and John Gamble and A. J. Strickland III | 22th EDITION | [https://player-ui.mheducation.com/#/epub/sn_4e83#epubcfi(%2F6%2F478%5Bdata-uuid-f21d0dff2e8740bc8c6bceec227588d%5D) %2F4%2F2%5Bdata-uuid-d90028b637f34bf2857a6e2e0aa0d56f%5D %2F8%5Bdata-uuid-a94f16a96cbb45f9b178e794b3bd4c3e%5D](https://player-ui.mheducation.com/#/epub/sn_4e83#epubcfi(%2F6%2F478%5Bdata-uuid-f21d0dff2e8740bc8c6bceec227588d%5D) %2F4%2F2%5Bdata-uuid-d90028b637f34bf2857a6e2e0aa0d56f%5D %2F8%5Bdata-uuid-a94f16a96cbb45f9b178e794b3bd4c3e%5D) |
| 3. | Trump signs executive order targeting social media after Twitter fact-checked his tweets | CBC NEWS | 28 may. 2020 | [https://www.youtube.com/watch?v=aOHSwWcSx5Q](https://www.youtube.com/watch?v=aOHSwWcSx5Q) |