

Twitter faces new pressure to boost global ad revenue

October 10 2013, by Jessica Guynn And Andrea Chang

Fans of "Castle in the Sky" in Japan set a world record in August when they sent 143,199 tweets in a single second while watching a rerun of the 1986 anime classic on television.

The social media frenzy that took place thousands of miles from Twitter's San Francisco headquarters underscored just how ingrained the microblogging service is in Japanese popular culture - and how much of an international phenomenon it has become.

With more than three-quarters of Twitter's 218 million monthly active users hailing from outside the United States, Twitter has vast potential to turn that overseas popularity into a thriving advertising business, analysts say.

Yet Twitter makes far more of its [advertising revenue](#) from Americans than from foreign users. Just \$53 million, or 17 percent of its total revenue last year, came from overseas, according to a regulatory filing, which Twitter made public last week as it started the clock on the most hotly anticipated public offering since Facebook.

Twitter's overseas revenue is climbing. The share of Twitter's revenue that came from outside the U.S. increased in the first six months of this year to 25 percent, or \$62.8 million, according to the filing documents.

But now that Twitter has made official its plans to sell stock to the public, it will face intensifying pressure from investors to ramp up

advertising revenue in every corner of the world.

"It's already very much a global business, but the revenue is an American story," said Max Wolff, chief economist and strategist at ZT Wealth. "It gives them a huge opportunity."

Japan is one of Twitter's largest international markets and one of the first in which it started making money from online [ads](#). Twitter got an early foothold there and greatly increased its visibility as people searched for news and loved ones in the aftermath of the March 2011 earthquake and tsunami.

The last time that "Castle in the Sky" aired on Japanese television in December 2011, Twitter recorded a burst of 25,088 tweets per second when people in unison tweeted "balse" or "destruction" at the very same moment the incantation was uttered on screen, making the airborne city of Laputa fall from the sky.

Twitter sees the same promise elsewhere.

It is a virtual town hall and a tool for political activists in the Middle East. It's a popular way to keep up with the latest news in Indonesia, where President Susilo Bambang Yudhoyono, who joined Twitter in April, has nearly 3.6 million followers.

During Argentina's version of the Oscars for television and radio, the annual Martin Fierro Awards held in August at the historic Teatro Colon, the public followed along on Twitter, mentioning the official hashtag "martinfierro" more than 412,000 times, with peaks of more than 13,000 tweets per minute.

"We believe that advertisers outside of the United States represent a substantial opportunity and we plan to invest to increase our advertising

revenue from international advertisers," the company said in its filing with the Securities and Exchange Commission.

But Twitter has a long way to go in reaching that goal.

By way of comparison, Facebook made at least \$2.5 billion, or about half of its overall revenue, overseas last year. That's in large part because the giant social network had a self-service system where advertisers overseas could buy ads on Facebook without the assistance of a salesperson.

"International is a really hard nut to crack. You can't just go into a market and suddenly start selling a lot of advertising," said Emarketer Inc. analyst Debra Williamson.

Williamson noted that Twitter has taken a slow and deliberate path to increasing its advertising business and has not actively targeted many overseas markets. The company began rolling out its "promoted" advertising products in only a few international markets in the third quarter of 2011.

She expects the company to begin ramping up overseas efforts - adding languages, rolling out advertising products in more countries, and hiring sales and marketing teams in more places. Williamson also said she expected Twitter to expand its self-service advertising system to let marketers in international markets more easily buy ads.

Analysts say if this push is successful, Twitter could drive a healthy amount of overseas revenue. Currently it makes an average of \$2.17 from each user in the United States, but just 30 cents in the rest of the world.

Still, Twitter faces a number of hurdles.

In many countries, it must surmount cultural barriers and weather political and economic instability while contending with locally grown, deeply entrenched competitors such as LINE in Japan, Sina Weibo in China, and Kakao in South Korea. In China, Iran and other countries, it faces all-out or intermittent government bans.

And in much of the world, Internet connections are not speedy or reliable.

Twitter was built on simple text messaging technology and its service works well on low-tech phones, reaching an audience that many services cannot.

Three-quarters of Twitter users accessed the service from mobile devices during the second quarter of this year and 65 percent of its revenue came from [mobile ads](#), the company said.

But most mobile ads are tailored to smartphones, and in many emerging markets such as India people access Twitter on low-tech phones, limiting Twitter's ability to show media-rich ads.

"International expansion has required and will continue to require us to invest significant funds and other resources," Twitter said in the SEC filing.

Pivotal Research Group analyst Brian Wieser said Twitter's overseas expansion will be costly but worth it.

"It's not an alien concept to Twitter to be in [international markets](#) and make money there," he said.

As it looks to drive advertising [revenue](#) overseas, Twitter will try to appeal to users such as Dhamini Ratnam, a journalist from Mumbai,

India, who joined a few years ago.

At first, the 29-year-old "wasn't very sure what it could do for me" but she soon became a fan of Twitter. She tweets several times a day about news events, pop culture and women's rights, and interacts with her 843 followers.

Twitter has "definitely increased in popularity" in India, she said, with many high-profile public figures on the service, including Bollywood star Amitabh Bachchan, who has more than 6.5 million followers.

But Twitter faces the same challenge internationally that it does in the U.S.: holding the attention of a fickle audience.

Thiago Araujo, a Brazilian journalist and DJ, said Twitter dominated the online conversation in Brazil three years ago when he joined.

"Everyone had it. Everyone was tweeting," the 27-year-old recalled.

One of the first social networks to explode in popularity, Twitter had a head start on Facebook and Instagram. But now Facebook and messaging service WhatsApp have cut into Twitter's lead, Araujo said.

"The general public doesn't tweet that much anymore," he said.

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