

# Twitter dives, growth stall highlights contrast with Facebook (Update)

July 27 2017

---



Twitter said revenues in the quarter slipped five percent from a year ago to \$574 million, and advertising revenue fell eight percent to \$489 million

Twitter shares were hammered Thursday after the company reported no gain in its user base in the past quarter, raising fresh fears about the future of the service as it loses more ground to Facebook.

Twitter, which has been struggling to keep pace in the fast-moving world

of social media, reported a net loss of \$116 million in the second quarter, slightly wider than its \$107 million loss a year ago.

More significantly, Twitter reported its base of monthly active users was unchanged at 328 million compared to the first three months of the year and up just five percent from a year earlier.

Twitter said revenues in the quarter slipped five percent from a year ago to \$574 million, and advertising revenue fell eight percent to \$489 million.

Shares in Twitter sank 14.1 percent to close at \$16.84.

Twitter's results came in sharp contrast with those of Facebook a day earlier. The world's leading social network reported a 71 percent jump in profits to \$3.9 billion, fueled by growth in ads delivered to its more than two billion users worldwide.

Analyst Trip Chowdhry at Global Equities Research said Twitter's "fundamentals are broken" and reiterated his view that it is on a downward spiral that will cost advertising revenue.

"I don't see any way Twitter can come out of it," Chowdhry said.

He expected Twitter shares to sink to \$10 or less, saying the company lacks mass market appeal and is "trading on entertainers and politicians."

Lou Kerner, a venture capital investor and founder of the Social Internet Fund, said Twitter is likely to see more troubles ahead as Facebook asserts its dominance.

"Facebook has managed to drive engagement in a way that Twitter hasn't," Kerner told AFP.

"On average, more than 10 years after their founding, Facebook users on average are still spending more time on Facebook today than they did yesterday. Twitter's engagement has largely been falling."

## **Opposite directions**

As Twitter's growth has stalled, Facebook has been gaining new users for its main social network as well as Instagram, the social network focused on images and video.

Facebook hauled in some \$9 billion in revenue in the past quarter, mostly from advertising delivered via mobile devices.

"The contrast with Facebook's results last night couldn't be starker, with the two companies moving in seemingly opposite directions," said Jan Dawson of Jackdaw Research in a blog post.

"The one thing they have in common is that both are working to convince advertisers of the value of spending money on their platforms. But Facebook is doing so from a position of strength, trying to win more TV ad dollars with its targeting and attribution features, while Twitter is mostly still trying to convince advertisers that it has a world-class ad platform at all."

Twitter, which has never delivered a profit, said it is making progress on improving its product, in the expectation this will boost growth and help it move to profitability.

"We have developed what we believe are steady, stable and sustainable engines of growth," Twitter chief executive Jack Dorsey told a conference call.

"Twitter is what's happening in the world and what people are talking

about."

## Daily vs. monthly users

Dorsey said Twitter was focusing on the metric of "daily active users" rather than the more closely watched monthly figure, and said daily usage was up 12 percent, without offering a specific number.

Twitter has built a loyal base of celebrities, journalists and political figures—and had been expected to see more engagement following the election of US President Donald Trump, a prolific tweeter who frequently makes policy announcements by tweet.

"The president tweeting doesn't seem to be helping much, because it demonstrates what bad things can happen when there is no filter between your fingers and your head," said Silicon Valley analyst Rob Enderle of Enderle Group.

"Twitter just has not found a path to monetize the ad stuff effectively. There is no obvious path there without breaking it."

The San Francisco group has been seeking to draw in users by offering more video including live streaming of sporting events, in a bid to broaden its appeal.

The research firm eMarketer predicts that Twitter's total ad revenue will grow 1.6 percent this year to reach \$2.28 billion worldwide—but that its share of total worldwide digital ad spending will shrink to just one percent.

Facebook meanwhile is expected to generate \$36.29 billion in digital ad revenue, or some 16 percent of the worldwide total, according to eMarketer.

Facebook shares jumped 2.9 percent to close at \$170.44.

© 2017 AFP

Citation: Twitter dives, growth stall highlights contrast with Facebook (Update) (2017, July 27) retrieved 26 June 2024 from <https://phys.org/news/2017-07-twitter-user-growth-stalls-revenue.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.