

Twitter hammered on growth fears (Update)

27 October 2014, by Glenn Chapman



Social media app Twitter posted a net loss of \$175.5 million on \$361.3 million in revenue in the three months that ended on September 30

Twitter saw its shares hammered Monday after reporting quarterly results that largely met expectations but failed to allay concerns about sluggish growth of the messaging platform.

The San Francisco-based firm service posted a net loss of \$175.5 million on \$361.3 million in revenue in the three months that ended on September 30.

Meanwhile, the number of monthly users grew 23 percent from a year earlier to 284 million, matching expectations of analysts.

"We had another very strong financial quarter," Twitter chief executive Dick Costolo said in a release.

"I'm confident in our ability to build the largest daily audience in the world, over time, by strengthening the core, reducing barriers to consumption and building new apps and services."

Twitter shares fell more than 10 percent in after-market trades that followed release of the earnings figures, along with a lackluster fourth-quarter outlook.

Investors had evidently hoped to hear the ranks of users were growing faster at Twitter.

"Their user growth is mildly encouraging, but I want to see better," said Forrester Research analyst Nate Elliott.

"Users is their key metric; they need to get people using the site every day."

Lagging Facebook

The analyst lamented that the Twitter service has changed little since it launched in 2006, while social network Facebook has thrived by perpetually innovating.

"Facebook is constantly giving people new reasons to come back to the site, Twitter needs to do more of that," Elliott said.

Twitter earlier this month said it would start reconfiguring users' timelines with "relevant" messages from people they haven't bothered to follow at the service.

Based on a positive response from its tests, the service is inching toward the Facebook model of using software to "curate" what users see based on their interests or activities, Twitter said in a blog post.

Twitter said the plan, which has drawn resistance from some users, remained a "timeline experiment" and might not make it to 100 percent of users.

The company said testing showed that many people enjoy seeing tweets from accounts they don't follow, provided the messages are deemed worthwhile based on "signals" such as popularity, level of interaction, and how much interest is shown by account's one does follow.

The notion of curating Twitter timelines that have long been loved for real-time blasts of information is seen as anathema by some fans of the service.

Facebook continually refines its algorithm for determining which posts should be given priority in timelines presented at the leading social network.

"Twitter will always be a real-time network," Twitter chief financial officer Anthony Noto promised in an earnings call with analysts.

He left open the door for Twitter to tinker with timelines in the spirit of surfacing "tweets" users may have missed earlier or which may be strongly relevant to their interests.

Twitter will host an analysts day in November to lay out its strategy for taking advantage of opportunity it sees ahead for the business, according to Costolo.

"I feel good about the strategy we have in place," Costolo said during the earnings call.

"It is critical that we increase the pace of execution," he added, saying that innovations need to move faster from theory to reality at the service.

Twitter last week set out to weave itself into mobile applications with a free "Fabric" platform to help developers build better programs and make more money.

Fabric consists of software tools to tackle challenges such as stability and distribution of applications as well as streamlining user log ins and placing ads.

The move could build Twitter functions directly into new mobile apps, which could greatly expand the reach of the messaging platform.

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