

Twitter steps up growth push as pressure builds

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Twitter is stepping up efforts to boost its user base and monetization as the messaging platform faces pressure from lackluster growth since its stock market splash debut in late 2013.

Twitter, set to release its quarterly financial results later Thursday, saw a 40 percent drop in its stock price last year, raising questions about the future of chief executive Dick Costolo.

In recent weeks, Twitter has taken steps to woo new users, boost engagement and to improve monetization.

This week, Twitter unveiled plans to sell ads that run outside its own platform in what could be the start of a broader advertising network.

The plan allows advertisers to place "promoted tweets" on third party sites, the first of which are Yahoo Japan and the news app Flipboard.

In January, Twitter began rolling out new group

chat and video features.

According to reports Thursday by Bloomberg News and The New York Times, Twitter has reached a deal with Google to make its short messages more visible on the Internet.

The deal would allow tweets to show up with Google searches as soon as they are posted.

Deutsche Bank analyst Ross Sandler said in a research note this tie-up "could be the catalyst to push shares meaningfully higher," and help Twitter boost its user base.

Twitter still needs to prove it can attract and retain new users, according to Forrester research analyst Nate Elliott, who notes that Twitter is lagging other social networks such as Instagram and Pinterest.

"Twitter has acquired only a modest number of new users in the past year, and its engagement rate per user actually went down slightly last quarter," Elliott said.



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"Twitter hasn't just had its silver medal taken away—it's likely been knocked off the podium entirely, tumbling into fourth place."

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A Pew Research Center report showed that among US users, Twitter is behind Facebook, Pinterest, LinkedIn and Instagram in the number of users.

The research firm Trefis said in a report this week that Twitter has strong potential over the long term.

The report said Twitter could provide some positive surprises with "some uptick" in users over the past quarter, and "strong demand for advertising during the holiday quarter."

"Over the long run, we think Twitter has a solid monetization potential," the Trefis analysts said.

Although Twitter's base of active users has been stuck, Trefis said the company can get revenue from "over 500 million visitors who come to Twitter-owned properties but don't login, and from hundreds of billions of tweet impressions that are accessed through syndication" at other websites.

Bird 'stands for something'

But the short-term concerns prompted Twitter co-founder Jack Dorsey to launch a "tweetstorm" last week defending the company and its CEO.

Speaking of Costolo, Dorsey said "there isn't a single person who has been thinking longer about Twitter" than the CEO.

Dorsey also said Twitter is not just a company but "a movement."

"Twitter has more global awareness than most century old companies, and yet the brand actually stands for something," he said.

"The Twitter bird has come to stand for empowerment and a positive force in civil society."

But as a public company, Twitter needs to reassure investors on its outlook.

According to the research firm eMarketer, Twitter accounted for 0.84 percent of digital advertising worldwide in 2014, up from 0.49 percent a year earlier. In mobile Twitter's share was 2.56 percent, up from 2.25 percent.

"Twitter is at a crossroads. We've been in constant 'wait and see' mode over the last few quarters as it rolls out new features designed to boost usage," said Debra Aho Williamson, analyst at eMarketer.

"And while Twitter's advertising business has been a bright spot for the company, it isn't the only company making bets on video advertising and on selling ads outside of its walls. It will face a lot of competition in those two areas."

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