

1 Section 1: Analyzing the Twitter

Please refer to the file "[Assignment_3_ThuyVo.py](#)" in the attachment.

Question 1: Retrieves the unique ID for a given Twitter user

Please refer to the code from line # 1 to line # 28.

Question 2: Identifies the most popular (aka 're-tweeted') Tweet from Citron Research

Please refer to the code from line # 30 to line # 56 and the data in the file

"[Citron_most_retweeted.csv](#)".

Question 3: Creates a list of Tweets from Shopify's official account that mention Citron Research

Question 4: Creates a list of Tweets from Citron Research that mention the FTC

Question 5: Exports the selected Tweets to a CSV file

Please refer to the code from line # 58 to line # 83 and the data in the file

"[Shopify_mentions_Citron_Research_and_CitronResearch_mentions_FTC.csv](#)".

2 Section 2: Explaining the Case

What does Left mean by "worse than Herbal Life" and why does this matter to the FTC?

Herbal Life is a company who uses massive network of individuals and distributors to sell powdered nutritious products such as shakes, vitamins, and other tablets designed to help people manage their weight, boost energy, and calm stress. The sales method, under which some people get more money for recruiting new distributors than selling products, has attracted criticism. (Bartz & Flaherty, 2016).

FTC is the U.S. Federal Trade Commission with its principal mission is the promotion of consumer protection and the elimination and prevention of anticompetitive business practices. (Wikipedia, 2017). In 2014, FTC investigated Herbalife for a fraudulent pyramid business model where it found Herbalife used "*pervasive unfair and deceptive practices*" to mislead business partners about the existence of retail sales and a profitable business opportunity. Despite Herbalife disagreed with FTC's criticism, it opted to settle with the agency restructure to avoid litigation.

On the Oct 04th, 2017 Andrew Left who is the Managing Director of Citron Research released a YouTube video criticizing Shopify, calling the company "a pyramid scheme [...] worse than Herbal Life" (Left & , 2017). He presented several facts collected from Google, YouTube, Facebook, and Shopify websites to describe the Shopify 's business is similar to Herbalife which violates the regulations. Left's findings about Shopify include selling business opportunities, over-promising potential earnings, and the questionable affiliate "partnerships".

- Left conducted a search for *become a Shopify millionaire* which returned 27,000 results in Google and 10,000 in YouTube. Shopify's Facebook posted that 2,700 of their customers became millionaires each day. Left also identified 13,000 partners of Shopify which he doesn't label as "partners" but "promoters selling business opportunities".

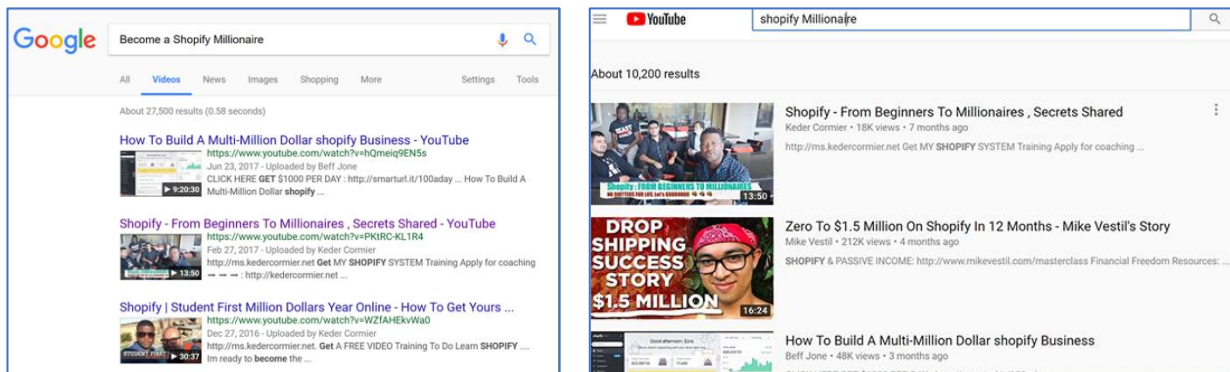


Figure 1: Google & YouTube search results

- Left used a sample of resignation letter found in Shopify's website to interpret that Shopify goes too far that Herbalife could never dream of.



Figure 2: Sample resignation letter from Shopify's website

According to Left, **at corporate level**, Herbalife never disclosed about making distributors millionaires or suggested that they quit their job while Shopify did - which makes them "worse" than Herbalife. While FTC concerned with Herbalife's "over promising", "misrepresenting potential earnings", and "misleading distributors", Left concluded of Shopify's over stipulation, and violation of FTC.

In response to Citron's allegations, the Shopify CEO Tobi Lutke called Left a "short selling troll" (CBC News, 2017):

Shorting, or short-selling, is when an investor borrows shares and immediately sells them, hoping he or she can re-purchase later same number of shares at lower price, return them to the lender, and make profit from the pricing difference (Doorn, 2015).

According to the BusinessInsider.com, Andrew Left has been an *active short seller* since 1994. His business at Citron Research is about publishing reports on firms which he claims are overvalued or are engaged with fraud (Wikipedia, Andrew_Left, 2017). Usually, the share price of the firms dropped following such reports.

The Tobi's quotation of Left as "short selling troll" describes perfectly the basis of Left and Citron's reports is to short-shell stocks by creating bad faith reports, in which several facts are collected to interpret a horrible scenario. As influenced from this kind of report, the stock price will be dropped which is favorable for "trolls" to make profit on a company's losing.

Given the facts, in my opinion - Left's allegations does not always true but it does draw some very potentially serious issues regarding Shopify:

In my opinion, Left's first question about "where is the 450,000 customers" is a valid question. The basic Shopify was found lack of critical reports (Arvin_MECstudent, 2017) for a simple photography business to operate. If a business as simple as \$30 monthly revenue does not make sense of using the basic package, how could 450,000 basic customers (90%) make money as the company promotes "get rich quick scheme"? This raises a valid concern whether these customers who have sold dubious "business opportunities" built around reselling, which goes gains FTC rules.

In another point, Left referred to a search exercise for "*Shopify millionaire*" which found 27,500 results in Google and 10,200 results in YouTube. The inference of Shopify's overpromising and selling business opportunities from that examples is not convincible. For example, a Google search for "*who want millionaire board game hasbro*" returns 95,500 results – 05 times more than Left's example. It does not simply mean "Hasbro" or any other company in similar exercise is told selling business opportunities! This is a tricky conclusion which are not strong evidences.

Despite the fact of possible intention and motivation to "short-sell" the Shopify, the Citron's report reveals valuable concerns which Shopify should carefully review its business model and marketing plan to avoid getting labelled as business opportunities seller since the line is not always clear-cut.

3 References

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Doorn, P. v. (2015, Nov 17). *Why you should never short-sell stocks*. Retrieved from MarketWatch.com: <https://www.marketwatch.com/story/why-you-should-never-short-sell-stocks-2015-11-19>

Left, A., & . (2017, 10 04). *Citron exposes the dark side of Shopify*. Retrieved from citronresearch.com: <http://citronresearch.com/citron-exposes-the-dark-side-of-shopify/>

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