

ENGRMGMT 542: Competitive Strategies

Live Case 3: Twitter

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1. Executive Summary

1.1. Overview:

Twitter is an online social media and networking platform where people share their opinions via tweets and retweets. It also serves as a platform for companies for digitally advertising themselves amongst a current strong user base of 450 million. It had a revenue of \$5.1 billion in 2021 out of which \$4.5 billion was generated by advertising only. On October 27, 2022, Elon Musk bought the company for \$44 billion and now he has goals for Twitter to shift to the subscription model while decreasing its dependence on advertisements and improving the user experience. He immediately did massive layoffs and cut costs and introduced drastic changes in the business.

1.2. Situation:

The advertising revenue model has been the core of many social media platforms since long. Due to a huge digital presence of people today, companies realized this value and took the opportunity to capitalize the advertisement market. The social media companies also provided sophisticated tools to track users data and provide personalized ads as per the user behaviors. But this eventually led to rise in concerns of data privacy and people realized what was actually happening behind the scenes. Apple's privacy policy changes drove this whole slowdown of online marketing. Eventually this model of digital advertising started falling and companies stopped investing in digital advertisements. Moreover, due to sophisticated algorithms which track user behavior, the society is getting polarized and this leads to spread of fake news and misinformation.

This raises the need for content moderation but again content moderation kills the idea of free speech and people want the unfiltered and decentralized way to share their opinions. Elon Musk is trying to shift the advertising revenue model to subscription based model but revenue from subscriptions probably won't rise as fast as revenue from advertisements is going down.

1.3. Problem Statement:

- How to achieve the perfect balance of free-speech and content moderation to remain viable and vibrant as a global democratic digital Town Square?
- How will Twitter move towards the subscription revenue model from the advertising model, given the low percentage of subscription revenue compared to ad revenue and have a sustainable business model?

1.4. Strategic Response:

Twitter is right now trying to adopt and testing various approaches. It is taking the adaptive strategy while there is a shift in user needs and the value is migrating out of the advertisement model. It needs to continue doing efforts in these lines and invest in identifying user needs by continuous user behavior analysis. It must diversify its revenue streams and achieve the right balance between content moderation and free speech to handle the issues of fake news, hate speech and misinformation to sustain and grow its user community.

2. Situational Analysis

2.1. STEEP analysis

We used the STEEP framework to better understand the different external factors that may influence the use of social media platforms. The impact on Twitter is also outlined in each section.

1. Societal:

Social media's impact is multifaceted and reflects the constantly changing user behavior in today's world. It has led to a "subprime attention crisis" from addictive feeds, a term coined by Tim Hwang to characterize the risk of collapse of digital advertising. There is also a tradeoff when platforms try to maximize their user base and increase engagement as this invites malicious users to exploit others.

The impact on Twitter is the erosion of data privacy and personal boundaries and the impact on adolescents' mental health and well-being.

2. Technological

The development of advanced algorithms including AI generated content and data tracking tools for advertising purposes has led to more personalized user feeds. There is also a rise of decentralized social platforms which gives users more control over their data and the content they see (higher freedom of speech).

The impact on Twitter is two-fold: more people have access to real-time information and there is a rise in online hate speech and misinformation.

3. Economic

For the economic factors, we observed that social media platforms are creating and capturing value for changing user preferences. This is mainly because the majority of companies follow the advertising-based model with the average person in the US being exposed to more than 3,000 advertisements per day in

2000 (*Media Matters*, 2007). Today, we have crossed the 10,000 advertisements per-day threshold (Flynn, 2023).

The impact on Twitter is that there is a reduced customer reach if they move to a subscription-based model or if they cut down on online advertising, which is also the outcome from Apple's privacy changes in 2021.

4. Environmental

The environmental impact of social media is large as the rapid growth of social media platforms has increased the production and disposal of electronic devices. This has contributed to the growing problem of e-waste, which can have harmful environmental and health impacts. Furthermore, energy consumption is a major issue, as data centers require vast amounts of energy, water, and cooling systems to store and process massive amounts of data generated by social media platforms. This contributes to greenhouse gas emissions and climate change.

5. Political

Finally, there are issues with showing political ads on social media platforms, and its polarizing impact on tailored content viewing. It is known that in the past US presidential campaigns in the past have been swayed due to Facebook ad campaigns. Moreover, some of the policy decisions are government binding and involve centralized content moderation which may stifle freedom of speech.

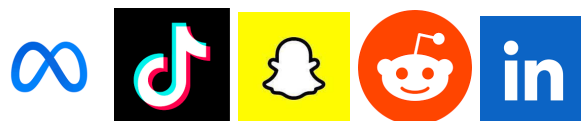
The impact on Twitter is that one-third of tweets from US adults are political according to the Pew Research Center (Mitchell, 2022). This leads to political content making up a larger share of tweets on the platform, and helps to inform (or mislead) users about political issues.

2.2. Competitive Sea-Scape Analysis

a) **INCUMBENTS**

The social media seascape is filled with incumbents and everyone has a good share of the pie based on its value proposition. The **INCUMBENTS** that are fighting for a piece of the market share are: Meta, TikTok, Snapchat, Discord, and LinkedIn.

Twitter is an incumbent that has survived the seascape by adapting and reinventing itself to maintain its ranking.



1. Facebook: Facebook offers a similar micro-blogging platform called "Facebook Status Updates" which allows users to share short messages with their friends and followers.

2. Instagram: Instagram offers a micro-blogging feature called "Instagram Stories" which allows users to share short messages, photos, and videos with their followers.

3. TikTok: TikTok offers a platform for sharing short-form videos with a focus on entertainment. It is a video-sharing app that has become hugely popular, particularly among younger users. While it is a different format than Twitter, it competes for attention and time spent on social media.

4. Snapchat: Snapchat offers a micro-blogging feature called "Snapchat Stories" which allows users to share short messages, photos, and videos with their friends and followers. It also offers a Discover feature where users can view content from publishers and influencers.

5. Discord: Discord is a chat app that has gained popularity among gamers, but has also been used by communities for a variety of purposes. It offers real-time chat and the ability to share media, making it a potential competitor to Twitter for certain use cases.

6. LinkedIn: LinkedIn is another social network that competes with Twitter, particularly for business users. LinkedIn allows users to create a professional profile, connect with others in their industry, and share updates. LinkedIn offers "LinkedIn Updates" which allows users to share short messages with their professional network.

To effectively compete with established competitors, we propose adjusting our value proposition to identify our distinct advantages, allowing us to appeal to a wider audience and ultimately position ourselves for success among the top players in the tech industry.

b) INSURGENTS:

Here are some up-and-coming social media platforms that could be considered direct competitors to Twitter:



1. **Substack:** Substack is more focused on longer-form content that is delivered directly to subscribers' inboxes. However, Substack's recent expansion into podcasting and other forms of content creation could put it in competition with Twitter's audio and video features. Additionally, both platforms are focused on building communities and connecting people with similar interests.
2. **Mastodon:** Mastodon is a decentralized social network that offers a similar micro-blogging platform to Twitter. It has gained a small but dedicated following, particularly among those who value privacy and decentralization.
3. **Gab:** Gab is a social network that positions itself as an alternative to Twitter, with a focus on free speech. It has gained a following among those who have been banned or censored on other social media platforms for their views.
4. **Parler:** Parler is a social network that positions itself as an alternative to Twitter, with a focus on political discourse and free speech. It gained notoriety in 2020 after many high-profile conservatives joined the platform.

It's worth noting that Twitter has a large and dedicated user base and its focus on real-time public updates makes it unlikely for any one of these platforms to completely replace it. However, they do offer similar features and could attract users who are looking for alternatives to Twitter.

c) ADJACENTS:

Few Adjacent and Complementors that Twitter should be on the lookout for because they can create a new arena and eat its market share or can be a potential collaborator.



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1. **Dogecoin and Binance:** To support its vision of expanding into payment processing markets. Twitter could potentially collaborate with Dogecoin or other cryptocurrencies to offer new features or payment options on the platform. It could also facilitate cryptocurrency exchange by partnering with companies like Binance to offer users the ability to buy and sell cryptocurrencies directly on the platform.
2. **Clubhouse:** Clubhouse is an audio-based social media platform that allows users to join virtual rooms and have live conversations with each other. While it is not a direct competitor to Twitter, it does offer a different type of real-time engagement and could potentially create a new arena for users who are looking for more intimate and focused conversations.
3. **Twitch:** Twitch is a popular streaming platform that primarily focuses on video games, but has also expanded to include other types of content such as music and talk shows. While it is not a direct competitor to Twitter, it does offer a different type of real-time engagement and could potentially create a new arena for users who are looking for more immersive and interactive content experiences.
4. **News/media apps:** Twitter has long been a popular platform for news and media organizations to share updates and engage with their audiences. However, as media consumption habits continue to evolve, Twitter may need to consider new partnerships and collaborations with companies like Wall Street Journal, etc. to stay relevant and meet the changing needs of its users.

3. Scenario Planning and DOTS Analysis

3.1. Probability vs Impact:

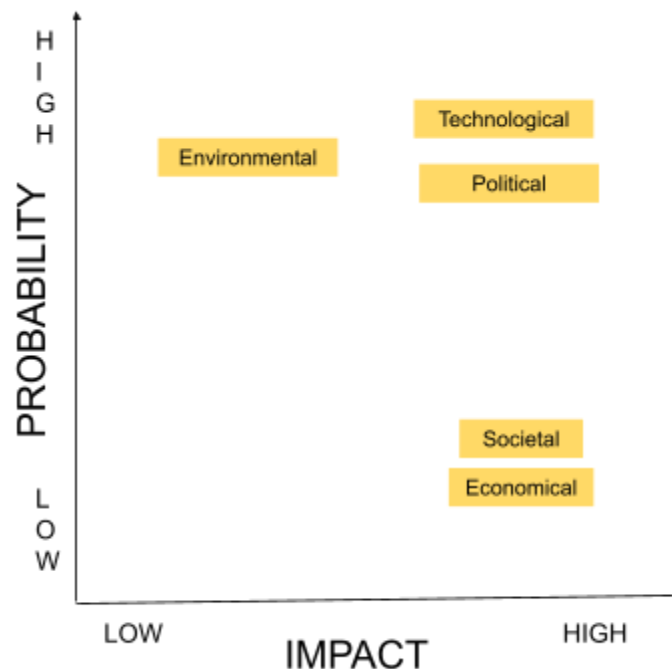


Figure 1: Probability versus Impact graph

The Probability versus Impact graph serves as a visual tool to highlight Twitter's major uncertainties. Societal and economic factors, characterized by their high unpredictability and potential for significant impact, represent the most critical uncertainties. In contrast, technological and political factors, which are relatively predictable, also pose a significant risk to the company. Environmental factors, while less impactful, remain an important consideration for Twitter's operations.

3.2. Scenario Map:

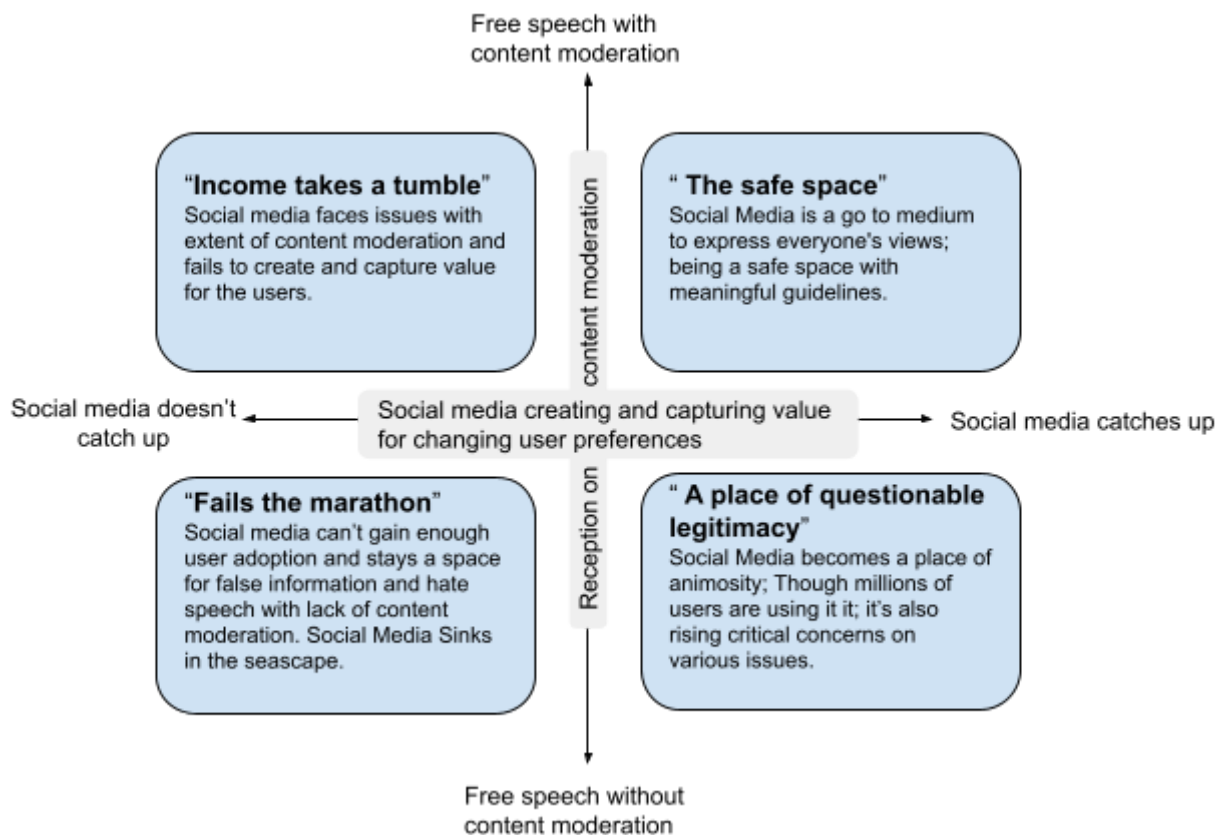


Figure 2: Scenario Map

3.3. Drivers:

1. **Changing User Preferences:** Changing user preferences are a common occurrence among social media users, and Twitter must keep up with the latest trends to remain relevant. By innovating and creating new features that resonate with their user base, Twitter can capture and create value from their users, which is crucial for sustained success in the highly competitive social media industry.
2. **Response to Content Moderation:** Twitter's content moderation policies are essential for promoting a safe and civil environment on the platform, which in turn drives user engagement

and revenue. At the same time, Twitter's commitment to free speech allows for a diverse range of perspectives to be shared and discussed, further increasing user engagement and the platform's overall value.

3.4. Opportunities:

1. **Partnerships and Collaborations:** Twitter could partner with content creators and influencers to help them monetize their content and engage with fans, such as through sponsored posts and premium subscriptions. Twitter could partner with media companies to create more premium content offerings, such as live events, exclusive interviews, and behind-the-scenes access.
2. **Diversifying Revenue Streams:** While advertising remains Twitter's primary source of revenue, there are opportunities to diversify its revenue streams and reduce its reliance on this model. Twitter could explore opportunities to integrate e-commerce functionality into its platform, such as by allowing users to buy products directly from tweets and they could also sell their APIs. Twitter could develop more premium content offerings, such as live events, documentaries, and original programming, that users are willing to pay for.
3. **Real-Time News and Information:** Twitter has long been known as a platform for real-time news and information, and there is still significant opportunity to build on this reputation. Twitter could increase its coverage of key topics and events, such as business news, weather events, and breaking news stories. By developing new features and products that are aligned with its core strength of real-time news and information, Twitter can enhance the user experience and keep users engaged on the platform.

3.5. Threats:

1. **Content Moderation and Privacy Regulations:** A major threat to Twitter is the increasing scrutiny and regulation of content moderation and privacy practices. Governments and regulators around the world are grappling with how to balance free speech with the need to protect users from harmful or offensive content, which can create challenges for platforms like Twitter that rely on user-generated content. Additionally, privacy regulations like the General Data Protection Regulation (GDPR) and the California Consumer Privacy Act (CCPA) are creating new compliance requirements for social media platforms, which can be costly and time-consuming to implement.
2. **Misinformation and Fake News:** Twitter has also been criticized for its role in spreading misinformation and fake news, which can erode trust in the platform and potentially lead to legal or reputational consequences. While Twitter has taken steps to combat misinformation, such as labeling or removing false or misleading content, this threat is likely to persist as new forms of misinformation and disinformation emerge.
3. **Advertiser Boycotts:** Twitter's revenue model is largely dependent on advertising, but there is a risk that advertisers may boycott the platform in response to controversial content or events. This has already happened in the past, such as when many advertisers boycotted Twitter in 2017 over concerns about hate speech and extremist content. If this were to happen on a larger scale, it could have a significant impact on Twitter's revenue and overall business model.
4. **User Fatigue and Disengagement:** Twitter's success depends on its ability to attract and retain users, but there is a risk that users may become fatigued or disengaged with the platform over

time. This could be due to a variety of factors, such as the platform's cluttered interface, the prevalence of negative or toxic content, or the perceived lack of value in the content and features offered.

3.6. Strategic Response:

To address the opportunities and threats identified for Twitter, we propose a three-phase strategic response as follows.

1. Focus on decentralization, diversifying revenue streams, research and development, and improving content moderation to establish credibility and generate revenue through multiple channels.
2. Prioritize the development of new product functionality, test and iterate to redefine the revenue model, stay ahead of the competition, and introduce external tools for user engagement.
3. Launch an updated version of Twitter aligned with societal behavior, periodically revise sales models to attract more users, invest in R&D and user behavior change, monitor competition, and explore co-operative opportunities

3.6.1. Strategy Palette Positioning:

Currently, Twitter is following the Adaptive strategy, and should continue in the Adaptive space. It must continue trying new approaches to sustain the business and adopt the ones those are successful..

3.6.2. Value Migration:

We used Slowotzky's Value Migration model to characterize the shifts that Twitter needs to take to remain relevant and competitive. The model is divided into three phases: Value inflow, Stability, and Value outflow. Twitter is currently in the 'Stability' phase and at risk of moving into the 'Value outflow' phase, as they are facing economical and societal issues due to a lack of censorship toward hate speech and is "predicted to lose over 30 million users over the next two years" according to The Guardian (Sweney, 2022).

Value Inflow

Twitter started out by carving a niche for itself through byte-sized content, due to the 240 character limit. This allowed users to use it as a medium to get updates and other real-time microblogging content. It gained popularity during prominent events, such as the 2010 FIFA world cup and later included the ability to see pictures and videos on the platform.

Stability

Twitter remained in this phase for a long time but competitors such as Instagram and TikTok started to push it into providing more value for content creators and users. Twitter acknowledged the competition by introducing new features such as Spaces. Twitter currently uses the digital advertising model, but due to various factors including the change to Apple's privacy terms in 2021, they are forced to consider other modes of revenue stream.

Value Outflow

Competition is high for Twitter and they are figuring out which new market to move into before their competitors. This can be done by creating and capturing value from bringing in initiatives like a subscription-based model and iterating and improving upon their content moderation system to improve user performance. They should consider diversifying their revenue stream by introducing paywall or other subscription services to remove ads or gain access to exclusive content.

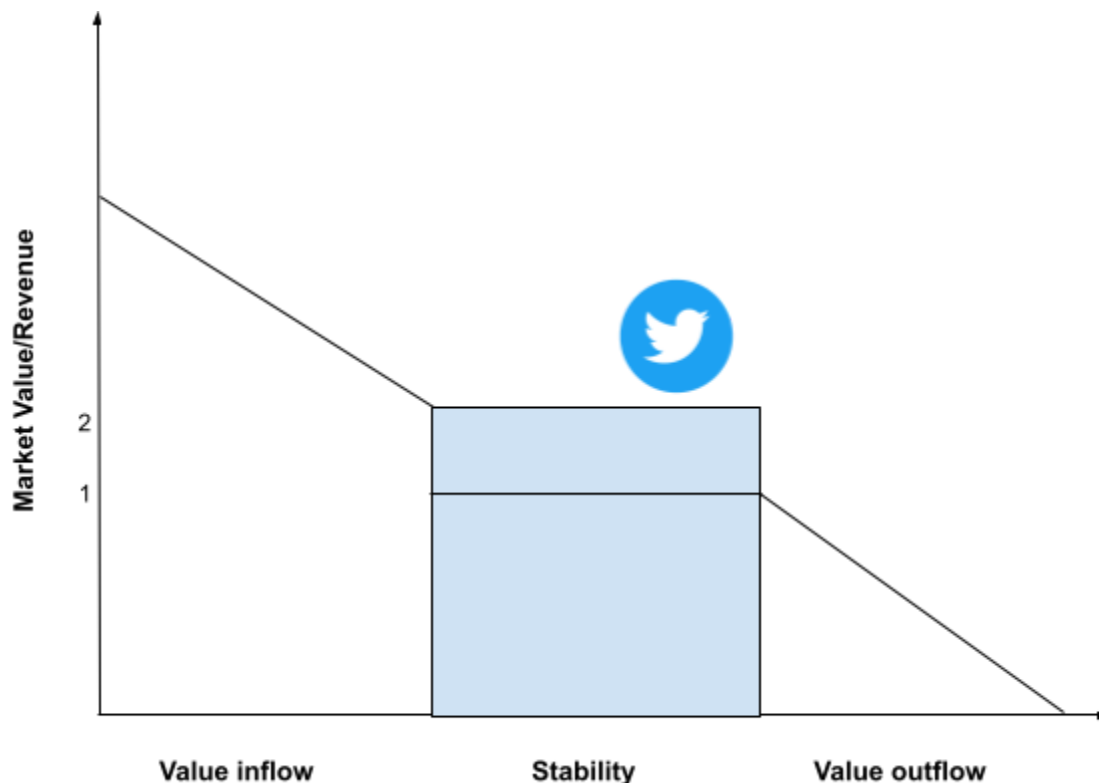


Figure 3: Three Stages of Value Migration. Twitter is transitioning from Phase 2 to Phase 3

3.6.2. Three Horizon Recommendations:

Horizon 1 (6-12 months)

- To ensure Twitter stays true to its proclaimed vision of free speech and decentralization, it is crucial to avoid sudden changes in product offerings and their negative impact on equity and share prices. Therefore, Twitter should focus on **decentralizing the power of authority** to the entire system.
- **Diversifying its revenue streams** with subscription-based (Twitter Blue), tier-based, and end-user-based sales models, looking to data licensing agreements, API licensing, and Paywall models. While these are the top choices of alternative revenue options Twitter has, it should continue to focus primarily on add-based income since its impact on revenue is large. Creating user personas for different user segments and finding the best pricing strategy for a greater value capture is essential. Exploring the opportunity to collaborate with major e-commerce platforms

could also be a viable business opportunity. Prioritizing ways to engage customers and create value for them while monetizing that value through these techniques will be crucial for the success of Twitter's business model.

- **Increasing research and development efforts to develop new product features, studying user behavior patterns**, and analyzing competition offerings are also important to stay ahead of the curve.
- **Improving content moderation** is critical for maintaining a healthy platform. Implementing a decentralized platform with content guidelines and introducing a new feature called Twitter Originals that provides a fact-check symbol for posts and endorses authentic content while sharing relevant information can help establish credibility.
- **Twitter originals** can also be a go-to tool to check the authenticity of information opening up new market space for Twitter. It could also leverage its insights on contemporary happenings around the world and list them based on various verticals in real-time and supporting true journalism and bringing in more users for it.
- **Leveraging Bluesky**, a project incubated inside Twitter that aims to develop an open and decentralized standard for social media, utilizing blockchain and virtual currency, can also be beneficial for the long-term success of Twitter. By implementing these strategies and continuously adapting to changes in the market, Twitter can establish itself as a trusted free-speech platform while generating revenue through multiple channels.

Horizon 2 (8-20 months)

- After conducting promising research and development to understand user behavior patterns in Horizon 1, **Twitter should prioritize the development of new product functionality**. This involves focusing on building the functional and non-functional requirements of the selected features and conducting beta testing through focus group studies to find a product-market fit and redefine the value proposition of Twitter by leveraging its new unique selling propositions (USPs).
- Extensive analysis of the results from the test phase should be carried out, followed by iterative improvements to **redefine the new revenue model**. From the pool of revenue options tested in Horizon 1, a firm revenue model should be selected.
- To stay ahead of the competition, Twitter should closely monitor its evolution and **introduce fighter brands/features**. For example, Twitterspace was introduced as an alternative for Clubhouse.
- To improve the content moderation system, more resources should be allocated to make it more efficient. **The performance of Twitter Originals and Bluesky should be evaluated, and interactive actions should be taken to increase their value offering for end-users.**
- Twitter should **introduce external tools such as chatbots and analytics** for influencers to make the platform more user-engaging. It should also onboard multiple thought leaders and followers to use Twitter as **a safe space to share their views**.

Horizon 3 (14-24 months)

- Launch of an updated version of Twitter from horizon 2; in the market would be a strategic move that **aligns with the current societal behavior of people**.
- With the company's emphasis on free speech and decentralization of authority, Twitter can position itself as a **pioneer in the social media seascape**.
- By providing a **go-to platform for users to express** their thoughts on global events, Twitter can cater to the growing demand for platforms that support free expression.
- To attract more users on board, Twitter should **periodically revise its sales model**. This can involve experimenting with different pricing strategies, such as subscription-based, tier-based, or end-user-based revenue models. This approach can help Twitter capture more value from its user base and sustain growth.
- **Continued investment in R&D** and user behavior change will also be crucial for Twitter's success. This involves staying ahead of the curve in terms of product innovation and ensuring that Twitter remains relevant to its users' evolving needs. By closely studying user behavior patterns, Twitter can develop new features and functionalities that better serve its user base. The
- Furthermore, Twitter should monitor the insurgent players in the social media landscape and be open to **potential M&A opportunities**. By introducing fighter features for incumbents, Twitter can differentiate itself and stay ahead of the competition. Exploring **co-operative opportunities with adjacent industries** can also be beneficial in expanding the platform's reach and creating new revenue streams.

By taking these actions, Twitter can establish itself as a leader in the social media space, one that emphasizes user empowerment, free speech, and innovation. This can attract a diverse range of users and help Twitter capture a larger share of the market.

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