



1 Summary of the Case

The Twitter case study analyses the history and development of Twitter Inc. Twitter, together with FaceBook, Google+ and LinkedIn, is now one of the four key on line interactive marketing platforms¹.

The company developed from a brain storming “hackathon” in 2006. Jack Dorsey sent the first “Tweet” in June 2006. Twitter had just six users. In March 2014, Twitter had over 250 million monthly active users. (MAUs). The growth in the user base has been huge.

For the first three years of life, Twitter generated no revenues. By the end of 2009, the company had raised over \$150 million in funding and was capitalised at \$1billion. Some sceptics doubted if the company would ever generate revenue let alone a profit.

In 2010, Twitter launched a revenue model based primarily on advertising. By the beginning of 2014, the average revenue per user (ARPU) had increased to \$3.55, still some way to go compared to Facebook \$7.24 and LinkedIn \$5.96.

Twitter revenues increased to \$655 million in 2013. We are forecasting revenues of over \$2 billion within the next three years. The MAU (user) base will increase, as will the ARPU (average revenue).

From an IPO in 2011, Twitter now has a market cap of over \$20 billion. Twitter is yet to make a profit? Can Twitter make the breakthrough? The Twitter Case Study discusses the possibility with a comprehensive analysis.

2 Target Audience

The case study is suitable for students of Strategy and Strategic Management at every level from MBA students to first degree undergraduates. The case study is contemporary and rich in material for study and analysis.

¹ Excludes China, Tencent and Weibu

3 Teaching and Learning Objectives

3.1 The Concept of Strategy

Understanding the role of strategy in the organisation. Twitter did not have a long term strategy at onset but gradually the strategy and route to monetisation and profit emerged.

3.2 Porters Five Forces and CBS News

The Odeo project was blighted by the intervention of a large market player. The Apple launch of Podcasting within the iTunes framework, presented a terminal challenge to the Odeo - "reason to live". Competitor intervention, with new products and players proved the importance of the classic CBS News analysis.

3.3 The Innovation Framework

The new ideas framework. Twitter demonstrates the value of Brainstorming and "Hackathons". Where great ideas begin!

3.4 The Product Champion

Every business needs a product champion. But who was the product champion? Evan Williams, Noah Glass, Jack Dorsey, or Biz Stone, all were there at the onset but who was the Champion of the product within the company?

3.5 The Vision

"The mission we serve as Twitter Inc is to give everyone the power to create and share ideas and information without barriers. Twitter is a global platform for public self expression and conversations".

The mission statement is derived from the IPO listing prospectus and the first quarter 2014 financial report.

3.5 Which Market Are We In?

The Online Advertising Market is valued at \$138 billion in 2014 with a user (MAU) stat of 1.8 billion. The average revenue per user is over \$70 dollars per capita. So is Twitter in the communications business, the online advertising business or the search and trend analysis business. All options are possible!

3.6 Key Success Factors

Within our corporate Strategy framework it is important to analyse the KSFs or the Key success Factors within the organisation. So what would we consider to be the key success factors for Twitter. The communication platform, the scope for interaction and information dissemination, simplicity? scale and the maintenance of capacity. Just for starters!

3.7 Kaizen - Constant Improvement

Constant improvement of Key Success Factors, key factors within our corporate strategy framework. Kaizen and KSFs the mantra. Twitter is racing to maintain capacity on the server network. The early experience and the “Failed Whale” outline the challenge.

3.8 Acquisition Strategy

Twitter has completed over thirty acquisitions including Tweetdeck and Vine. How can we best understand the acquisition strategy. Is a conventional, horizontal, vertical framework adequate or does the age of the internet create a bigger challenge?

3.9 The Funding Round

Of “Burn Rates” and “Runways”, online businesses need time to develop the CTR - content, traffic, revenue timetable. The “runway to revenue” and profit needs a funding round with a slow “burn rate” to be viable in the process.

Initially financed by the bank of 3Fs, Twitter had a number of funding rounds before the IPO in 2011. A great example of the funding process of online start ups, Twitter has yet to make a profit.

3.10 Valuing High Tech Stocks

Can Twitter really be worth over \$20 billion with revenues of just over \$650 million in 2013? It hasn't even made a profit yet!

4 Case Study Material

The Case Study Material includes

- 4.1 The Case Study outline - The Main document (5000 words)
- 4.2 The Case Study Handbook - Presentation slides
- 4.3 The Case Study Excel Files - Financial analysis
- 4.5 The Case Study Video Clips - Video clips for downloads.
- 4.6 The Case Study article List - A collection of books and articles.

5 Teaching Approach and Strategy

The case study main document may be used in class as a collective reading or for private study. The Group Session would include presentation of the case study using the presentation slides and video material.

6 About the Case Study

The Twitter Case Study is part of the Dimensions of Strategy series including, Apple, Lego, Amazon, Google and Facebook. Each case study has a web site with material available for free download. The Dimensions of Strategy Series is presented by John Ashcroft and Company.

7 About the Author



John Ashcroft is an economist and expert in Corporate Strategy. The Twitter Case Study is part of the Dimensions of Strategy series. The LEGO case study was developed in 2013 following the success of the earlier Apple Case study originally written as the major case study for the Manchester Business School International MBA module.

Author of The Saturday Economist, John publishes weekly updates and insights into headline economics news. Other web sites include The Saturday Economist, Dimensions of Strategy, The Apple Case Study, Social Media Experts and the host site John Ashcroft and Company.

[The Twitter Case Study by John Ashcroft and Company, experience worth sharing.](#)