

BUSM3200 Strategy

Twitter SWOT Analysis, PESTEL Analysis, VRIO Analysis, and confrontational Matrix

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1.0 Introduction

1.1 Overview

Twitter's has a strong brand and global. Its annual revenue has been steadily increasing and of December 2022, the company recorded the highest revenue of \$4.46 billion with a net profit/loss of \$-221 million (Mansoor, 2023). The company has more than 401 active subscribers. There are many market dynamisms that influence Twitter's financial and market position. These include, market opportunities, emerging threats. This paper examines Twitter's using Porter's five forces, SWOT, VRIO, and PESTLE, and VUCA analyses.

1.2 Background

Twitter, is a microblogging platform that enables online interaction through tweets. It is headquartered in San Francisco, California, and was founders by Jack Dorsey in 2006. Twitter has 1,300 working employees (Mansoor, 2023).

1.3 Mission, Vision, Objective

Giving everyone the power to generate and share ideas and information instantly and without hindrance" is Twitter's mission. Its vision is to create a free and global conservation. Twitter's objective is to create a free expression and make every voice to have power to impact the world.

2.0 External Environment Analysis

2.1 PESTLE Analysis

The PESTEL analysis is a descriptive examination of company based on its political, environmental, social, technological, and environment, legal aspect as well. The theoretical framework is used to perform a strategic analysis to determine the current context in which the organisation (Whittington et al., 2020 p.36).

2.1.1 Political

Twitter has a global presence and it has to adapt and realign its culture to each and every different political environments as a global survival tactic. This include adopting a non-political interference policy to operate smoothly in authoritarian countries that tend to suppress freedom of speech (Wu & Goran, 2022).

2.1.2 Economic

The economic macro-environment is positive, it is a new emerging sector in full growth, but it is not easy to adapt to this growth. Twitter attempts to increase revenue by streamlining its labourforce, for instance, the recent layoffs initiated by Musk was a reflection of the current economic depression (Stephenlepitak, 2022). To address its dwindling revenue, Twitter has introduced a paid-subscription plan to double-up its revenue. However, critiques questions the viability of such payment plan (Webber, 2022).

2.1.3 Social

Social and cultural differences around the world have an impact on the communication strategy of the company. The level of education, the way of doing things, attitudes play an important role in the impact of Twitter and its penetration in a new market level.

2.1.4 Technological

There are many emerging social networks that are possible substitutes for what Twitter is offering to the public. This undermines Twitters expansion because it need to use technological advancements to gain competitive edge in the market. Technological trend such as AI automation gives Twitter space to increase system efficiency with less operation costs (Hutchinson, 2022).

2.1.5 Environmental

The environment is an important factor when thinking about a Twitter's social responsibility. If Twitter want to enter a new market, it need to be aware of the social responsibility

requirements of the new market and environmental standards (Balasubramanian et al., 2021). Twitter's ability to engage in many CSR activities such as internet safety and education as well crisis and emergency response during Russian-Ukraine war has increased its global acceptance level and public good-will (Sinéad. 2022).

2.1.6 Legal

Antitrust law could play in favour of Twitter's development because it prevents Facebook and Google from monopolising the market. These social networks open up opportunities for harassment and discrimination law includes obligations that social networks must comply with. These are all new adaptations that Twitter must be aware on the impact of relaxing its content moderation policy to avoid legal problems from the EU (Morar & Santos, 2022).

2.2 VUCA Analysis & Confrontation Matrix

The VUCA environment, in which organizations currently operate, is characterized by volatility, uncertainty, complexity and ambiguity. The analysis is used to designate the scenario in which companies are forced to adapt to the continuous changes that attack their strategic programming and professional routines (Rimita, 2019).

Volatility: Twitter is exposed to many market volatilities and specifically the unpredictable and sharp price movement and inflation shocks given its global presence. Managers at Twitter have attempted to build a comprehensive hedging strategy to tackle forex exchange shocks such as buy and hold.

Uncertainty: Major uncertainty issue Twitter faces in rise of Nationalism considering the geo-political competition between US and China. Twitter being a US company, risks many sanctions from China including ban. Twitter attempts to deal with geo-political uncertainties by refraining its business from politics using content moderation policies, as it was noted from the case of Russia and Ukraine war (Sinéad, 2022).

Complexity entails environment that Twitter needs to overcome various issues that it has little control over (Wu & Goran, 2022). Twitter attempts to reduce complexity by adopting a holistic approach such as use of complex supply chain to reduce operation cost.

Ambiguity: Twitter has inadequate predictive capacity on macro-environment factors and might use ineffective tools to manage such factors. For instance, inability to predict the negative influence of Russian-Ukraine war on its business. The war led to forex rate shocks affecting Twitter's revenue in the last quarter of 2022 (Person & Tracy. 2022; Wu & Goran, 2022).

		Opportunities			Threats			Total
		New regulations	New markets	Media	Growth regulations	Pricing	Incidents	
Strengths	Low inventory	++	++	+	++	+	0	8
	Good service	++	++	+	+	-	0	6
	Knowledge	++	++	0	+	+	0	6
Weaknesses	Safety	-	-	-	-	0	-	7
	Internal growth	-	-	0	-	0	0	5
	Pricing and payment	-	-	-	0	-	-	6
Total		6	6	2	4	2	0	

Figure 1: Twitter Confrontation Matrix

2.3 Macro-Environmental Analysis Summary

Twitter is exposed in a dynamic macro-environment influenced by technological advancements and intense policy regulatory frameworks (Whittington et al., 2020, p.136-145). This has predisposed the company to loggerheads with the European Union. The agency has criticised Twitter's content moderation and data privacy policy thus undermining Twitter's smooth operation (Morar & Santos, 2022).

3.0 Industry Analysis

3.1 Porter's Five Forces Model

Porter's five forces are a framework for analysing the level of competition within a given industry. For this model, competition does not come from competitors exclusively ((Bruijl & Gerard, 2018)).

3.1.1 Bargaining Power of Buyers

The high degree of loyalty that Twitter has achieved with its customers means that they are able to pay much higher prices than other offers to obtain a product similar to that of other more affordable brands. Twitter consumers have low power, as they prefer to accept the conditions of the brand in exchange for belonging to its community (Read et al., 2019).

3.1.2 Threat of Substitute Products

Despite the fact that there is a large number of competition and substitute products, Twitter manages to become the option chosen by consumers in most cases. Despite that, the threat is high and the company is reinventing its product catalogue and implements new innovations.

3.1.3 Rivalry Among Existing Competitors

Twitter has positioned itself as a benchmark in its sector, although there are competitors within the sector of software development and hardware creation. The company stands out for its commitment to innovation and its consolidated marketing and branding strategy (Segal, 2022).

3.1.4. Threat of new incoming competitors

Twitter has managed to link its brand to differentiation and exclusivity, values that for many consumers are decisive in their purchase decision (Ma et al., 2015).

3.2 Key Success Factors (KSFs) & Summary of Industry Analysis

Lead with the Brand: Twitter creates a brand that is easily recognizable and identifiable with little to none words. For example, Twitter achieved to have a brand which is recognised by its icon and not a name (Ibrahim et al., 2017).

Use of advanced technology as a tools to meet customer needs: Twitter has developed software technology which informs people of real time information and conversation, allowing users to consume, create and share content. The company has introduced minimal restrictions of which users can follow (Morar et al., 2015). The measure has seen increased number of active users, especially, those that were opposed to content moderation policy during Jack Dorsey tenure.

Flexibility: Twitter uses its flexibility factor to make its customer service and support responsive by introducing artificial intelligence-based Chatbot. The use of social Chabot ensures user issues are resolved any time even without the need for human support (Liu, 2019). This has allowed Twitter to reduce its workforce, thus achieving low business operation cost.

In summary, the industrial capability for Twitter to be recognised by its brand logo explains its significant success. The company has succeed to increase number of active users given its ability to advance web application algorithms to reflect emerging user preferences and needs. The algorithm has allowed the company to receive real-time data and issues from users and address them. The use of advanced AI algorithms (Hash-tag) allows that predict audience based on age, gender, location, and status has allowed advertisements made in Twitter to reach a larger audience as compared to competitors, leading to more customers and revenue.

4.0 Internal Analysis for Key Success Factors (KSFs)

4.1 VRIO Strategic Capability Analysis

The VRIO framework represents four fundamental spaces of a company, which include value, uniqueness, imitability and organization (Whittington et al., 2020). For sustained competitive advantage, Twitter must take an internal resource analysis-based view (Barney, 2015).

4.1.1 Resources/Capabilities for KSFs & Summary

Twitter has a professional and committed team of marketing experts, who also provide exceptional social media marketing services, making it to surpass its close rivalry (Facebook) based on its effectiveness of the short-based text “hash-tagging”, which makes advertisement reach large audience. The short-based text called “tweet” distinguishes the company in the social media market which can be termed as “inimitable”. The unique “trend for you” advertisement resource can be rated as valuable.

Twitter is a registered trademark, it also use state-of-the-art social media software which is rare in other agencies in the same sector. Therefore, its social media web application resources are rare. The Elon Musk work culture is seen as casual and friendly but more impactful regarding attracting public attention thus leading to more subscriber. Musk’s Twitter acquisition led to onset increment of active users (Heath, 2022). Twitter has well-defined processes and seeks to enhance the processes, as observed by Musk, who has made several attempts to restructure the company’s workforce to reflect the current global economic shock; the move can be terms as being “organised” (Segal, 2022; Stephenlepitak, 2022).

Table 1: Twitter VRIO summary

Resources	Value	Rare	Imitation	Organization	Competitive Advantage
Distribution and Logistics Costs Competitiveness	Yes, as it helps Twitter in delivering lower costs	No	Can be imitated by competitors of Twitter but it is difficult	Yes	Medium to Long Term Competitive Advantage
Supply Chain Network Flexibility of Twitter	Yes	Yes	Near competitors also have flexible supply chain and share some of the suppliers	Fully utilized by Twitter organizational structure and capabilities	Keeps the business running
Position among Retailers and Wholesalers – Twitter retail strategy	Yes, Twitter has strong relationship with retailers and wholesalers	Yes, Twitter has dedicated channel partners	Difficult to imitate though not impossible	Yes, over the years company has used it successfully	Sustainable Competitive Advantage
Vision of the Leadership for Next Set of Challenges	Yes	No	Can't be imitated by competitors of Twitter	Not based on information provided in the case	Can Lead to Strong Competitive Advantage

5.0 Summary of Current Position (SWOT Analysis)

The SWOT analysis is sourced from an acronym that correspond to the Strengths, Opportunities, Weaknesses and Threats as shown in Figure 2. With this analysis companies such as Twitter can establish it's the strengths, weaknesses, threats and opportunities of the based on existing market dynamics (Whittington et al., 2020 p.377).

SWOT-Twitter Internal Organisation	POSITIVE STRENGTHS <u>Strong Market Share</u> Twitter is one of the largest microblogging and social networking platforms in the world in terms of market share.	NEGATIVE WEAKNESS <u>Over-reliance on ads</u> Twitter's business model largely focus its revenue from ads with little effort on other online ventures such as E-commerce
External Environment	OPPORTUNITIES <u>Online store</u> Companies already sell their products on Twitter. It would be a great added value to offer virtual stores or marketplaces to sell directly to users like on Instagram...	THREAT <u>Suppression of Free Speech</u> Authoritarian, military regimes such as China and Russia, and dictators, hate any tool that can be used by the masses to share critics thus can impose a full ban on Twitter

Figure 2: Twitter's SWOT Analysis

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