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# Twitter: Strategic Analysis

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## Report Introduction:

### 1.1 Introduction to Twitter

Within this report we will provide strategic analysis of the social media industry, within the lens of Twitter Inc. A large scale social media company; "Twitter is one such social media platform that started in 2006 and has over 330 million monthly active users" (Statista 2023)

### 1.2 Background of Twitter

Contextually Twitter has experienced significant change over the past year, since the "\$US44 billion" (Di Stefano 2022) publicly traded, to private acquisition of Twitter by the notorious entrepreneur Elon Musk. Since this development, Twitter has been faced with a number of difficult internal economic, macroeconomic and talent conflicts; with Musk enforcing widespread dismissal of the number of top leaders within the company and establishing strong profitability targets to meet his ROI; "He dismissed the company's board, and fired Agrawal and other top leaders" (Di Stefano 2022)

### 1.3 Mission, Vision, Objective

Twitter's mission is noted; "The mission we serve as Twitter, Inc. is to give everyone the power to create and share ideas and information instantly without barriers" (Twitter 2023)

### 1.4 Introduction to Report

Within this report we will undertake industry evaluation through frameworks such as PESTLE and VUCA within a confrontation matrix, porter's five force, KSF's and SWOT analysis.

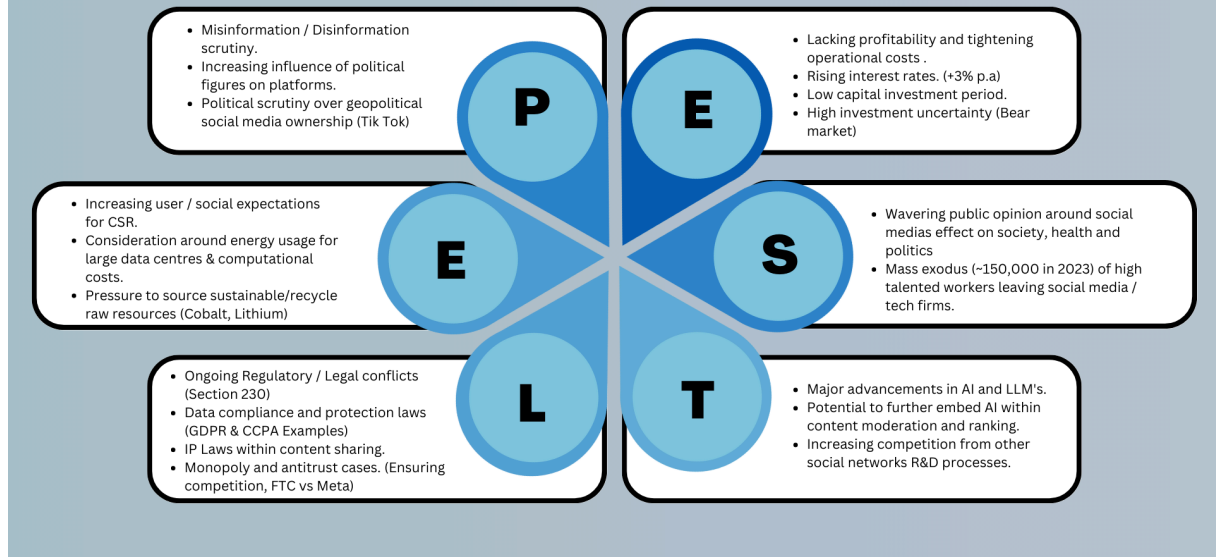
## 2.0 Industry Level Analysis

### 2.1 PESTLE:

Within the analysis below we explore PESTLE; "The PESTLE framework is a —mnemonic used in strategic management to group macro-environment factors to help strategists look for sources of general opportunity and risks" (Witcher & Chau 2010)

# Pestle Analysis

PESTLE Analysis of the social media industry, within the broader technology sector.



In our analysis, we found significant risks within the factors of Economic, Social and Legal factors to the social media industry, we provide further analysis and breakdown below:

## 2.2 Confrontation Matrix:

Within the below confrontation matrix we evaluate the two frameworks; PESTEL and VUCA in relation to their overarching effect on the macroeconomic environment of the social media industry; “A competitive strategy should rest on an understanding of industry structures and the way they change.” (Bruijl 2018)

PESTEL Element:	PESTEL Sub-Factors:	Volatility	Uncertainty	Complexity	Ambiguity	Average Value	Total
Political:	Misinformation / Disinformation compliance pressure:	4	3	4	3		
	Increasing political based content:	2	3	3	2		
	Increasing influence of political figures:	3	1	3	2	2.8	33
Economic:	Reliance on advertisements as main source of income:	4	3	2	2		
	Industry wide competition for ad revenue:	4	3	3	2		
	Pressure to enable profitability / cost cutting:	5	4	5	4	3.4	41
Social:	Shifting user preferences driving platform direction / short form content:	4	2	4	3		
	Negative perception of social medias effects on society:	3	2	5	2		
	Talent displacement of tech professionals (2022-2023):	4	4	5	3	3.4	41
Technological:	Emergence and adoption of LLM's	2	4	3	3		
	Increasing access and usage of AI technologies:	2	2	4	2		
	Increasing internet access in 3rd world countries:	1	1	2	1	2.3	27
Environmental/Ecological:	Concern around energy usage at large data / computation centres:	1	1	2	1		
	Increase pressure for investment in CSR:	2	1	2	1		
	Utilising social networks as a means of climate action:	1	1	2	1	1.3	16
Legal:	Data protection laws (GDPR & CCPA)	4	2	4	2		
	Platform liability legislation (Section 230, Gonzales vs Google)	5	4	5	4		
	App Tracking Transparency effect, reduction of 3rd party data:	3	4	5	2	3.7	44

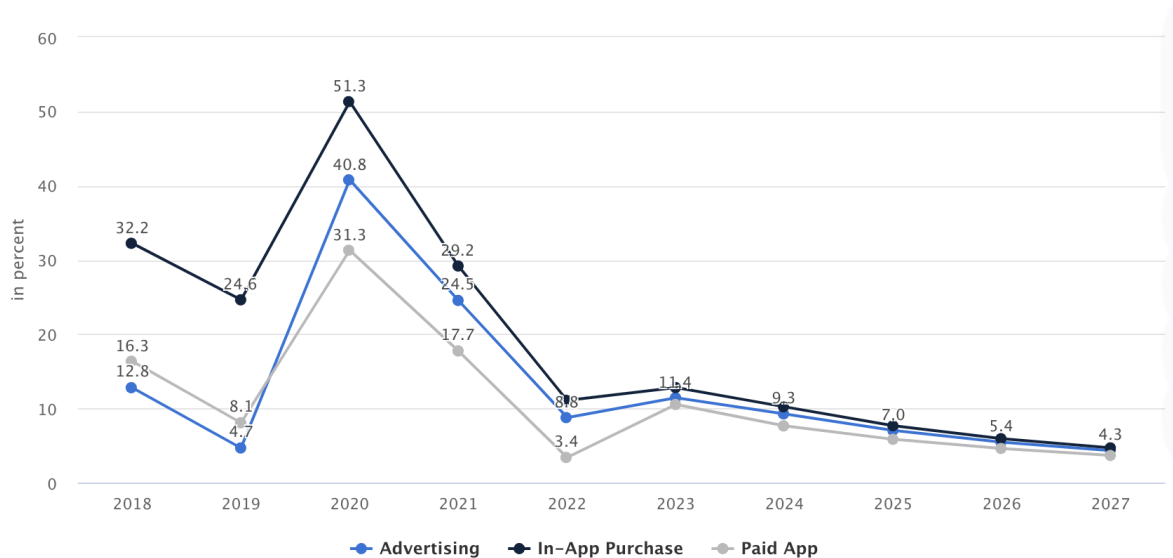
Economic, Social, and Legal factors have the highest scores in the VUCA framework (41/62,

41/62, and 44/62 respectively). This indicates the volatility, uncertainty, complexity, and ambiguity of the risks associated with these factors.

### 2.2.1 Economic:

Within the economic environment, there are a number of issues that are actively affecting the strategic landscape of the social media industry; in an economic context “companies have cut advertising budgets in response to recession fears, companies like Alphabet, Meta and the newly private Twitter have seen ad revenues fall.” (Q.ai 2023)

The social media industry is experiencing profitability issues, with projections indicating lower growth and profitability challenges over the next five years. (Refer to Graph 2.2.2)



Most recent update: Mar 2023

Source: Statista

### 2.2.2 - Social Media Industry Outlook 2018-2027 (Statista 2023)

The macroeconomic environment for social media platforms exhibits high VUCA factors, including market volatility, uncertainty in project development and user preferences, and complexity within talent leadership and job security. The broader technology industry has experienced significant layoffs and cost-cutting measures in 2023; “January 84,714 employees laid off, February: 36,491, March: 37,109” (Mascarenhas 2023)

### 2.2.3 Legal:

The social media industry is not only affected by economic challenges, but also by regulatory and legislative oversight. In fact, according to our confrontation matrix, the Legal factors of the PESTEL framework have the highest score at 44/62.

One such example of a legislative risk within the macroeconomic environments, is the impact of legislation within content and platform liability. In which a current highly complex and volatile (scoring 5 under both frameworks) legislative battle of Gonzales vs Google will determine the shape the way in which platforms can legally protect themselves against users posts and expression on their platforms; “Section 230 of the Telecommunications Act has

allowed tech companies to avoid liability for content that users create and post on their platforms.” (Reed 2023)

## 2.2.4 Social:

Within a macroeconomic sense, social media is facing increased scrutiny and impact via user sentiment, particularly within youth; namely through user demands, much of social media is shifting towards short form based content; “The 15- to 60-second format offers great appeal, especially among those younger than 40” (Montenegro 2022)

Due to cost cutting measures; there has been a mass exodus of a number of highly talented, skilled individuals within the social media industry, causing a influx of displaced workers within the technology industry, breakdown of company cultures and clear social impact to those ~120,000 affected “Those who remained would start to realised that their place is no longer the same: colleagues left, environment is harsher, no employee engagement activities or development plans, no team building events.” (El-Deeb 2023)

## 2.3 Porter's Five Forces:

Within the lens of Porter's five force model below, we can evaluate potential threats, impacts and opportunities within the social media industry; “Porter argues that the aim of the strategist is to recognize and handle a competitive environment by directly looking at competitors, or to contemplate a broader perspective that competes against the organisation.” (Porter, 1979)

	Factors (or issues) affecting the threat/power	Strength of the threat / power (low, medium or high)	Managerial implications	References
<b>Entry threat:</b>	High barrier of entry, significant technological and infrastructure costs needed in establishing new businesses.	Low threat	Managers can target products and services to niche markets and user segments to reduce the risk of new market segment entrants.	TBD
<b>The bargaining power of suppliers:</b>	Key suppliers such as data warehousing and computation infrastructure have low power, due to low switching cost and highly competitive landscape; companies have a wide range of potential suppliers.	Low threat	Managers can establish strategic partnerships with suppliers in order to establish competitive pricing and further value to their business operations; whilst reducing cost and enhancing efficiency.	TBD
<b>Substitute threat:</b>	Social media substitution is moderate, whilst VR/AR may provide substitution in the future, currently the technology is not yet sufficient.	Medium	Managers must continually invest in R&D and innovation to retain and attract users.	TBD
<b>Competition / Rivalry:</b>	Competitive rivalry is high, key players are constantly launching new services, features and monetization strategies to attract users, content providers, advertisers and ultimately attention to their platforms.	High	Managers must closely monitor industry trends and emerging technologies: In order to ensure competitive relevance	TBD
<b>The bargaining power of buyers / users:</b>	The social media industry features two pivotal stakeholders: users and advertisers. Their influence stems from distinct factors: (1) Users possess considerable influence owing to their capacity to effortlessly transition between competing platforms. (2) Advertisers, as the primary revenue source for the industry, maintain the ability to readily reallocate their financial investments among competitors.	High	Platforms can incentivise advertisers through providing engaging CVP; by engaging stakeholders and building close, intimate and tailored services the possibility of switching between competitors is lower.	TBD
<b>Overall conclusion</b>	The social media industry is highly competitive, with a number of platforms having large “monopolistic” market shares and competing over user attention. As well, with the evolving nature of technology and new social media offerings the industry is constantly evolving. To succeed in this environment, companies must actively differentiate themselves, adapt to user preferences and stay ahead through innovation and emerging technologies.			

## 2.3.1 Competition / Rivalry Factors

As noted above, within the “attention economy” social media platforms compete intensely for user engagement, Within this sense, platforms fiercely compete to pull users attention; “the international economy is shifting from a material-based economy to an attention-based economy, pointing to the many services online offered for free.” (De Marcos 2020)

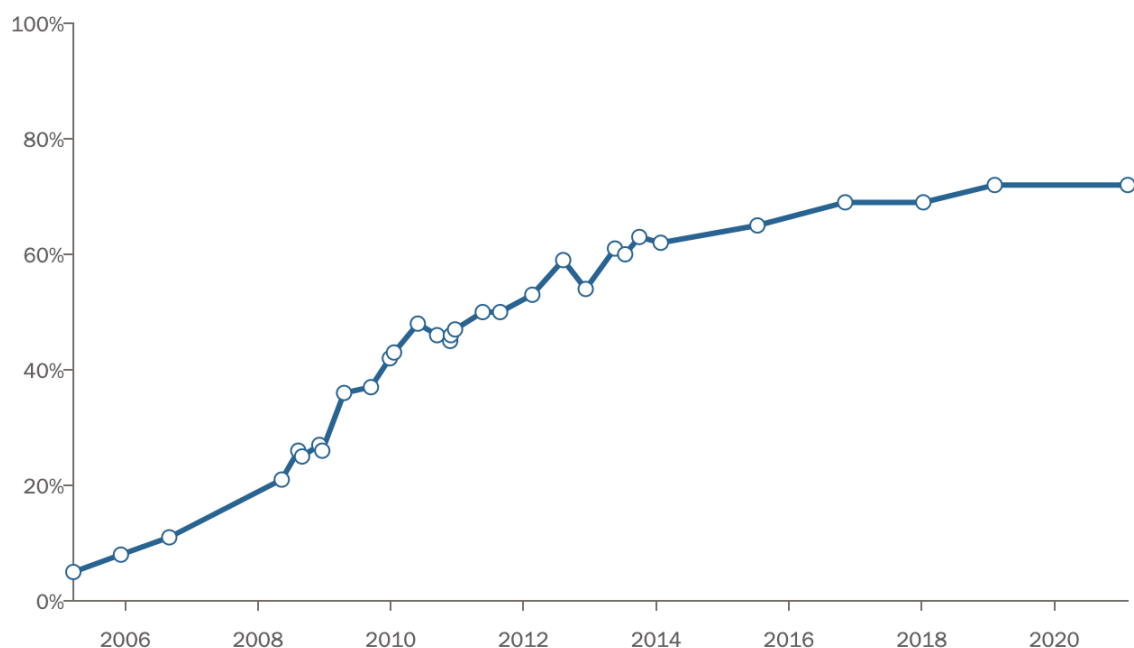
### 2.3.2 Bargaining Power of Buyers / (Users)

The majority of the social media industry operates within a “freemium” based mode, thus necessitating income via advertisement stakeholders, yet within this analysis we will explore arguably the most important buyer power, users. As without a consistent user base, all aspects of the social industry will cease to operate.

As data indicates increased social media usage, users commonly cycle between various platforms, contributing to an elusive attention economy. A study found users often switch between platforms; Most of them routinely swing among different platforms, recognizing overlapping as well as distinct affordances.” (Tandoc, Lou & Min 2018)

#### Social media use

*% of U.S. adults who say they use at least one social media site*



Note: Respondents who did not give an answer are not shown.  
Source: Surveys of U.S. adults conducted 2005-2021.

PEW RESEARCH CENTER

#### Graph 2.3.3 Social Media Usage 2006 -2020, (Pew Research Center 2021)

Thus, it's essential for social media platforms to create an appealing and engaging experience for users, as switching costs are low, and mass exodus can be devastating.

### 2.3.4 Macro Analysis Summary :

Analysing the five forces model, the social media industry can be considered attractive in specific contexts. Whilst new entrants may struggle to gain market share, established players can access a highly profitable business model when successful strategy is implemented; through innovation, customer centricity and diversification.

### 3.0 Company Level Analysis

#### 3.1 Twitter KSF Analysis:

Twitter has managed to stay relevant within the social media market for a number of key internal competencies, below we will analyse these key strategic differentiators within a key success factor analysis (KSF's); defined "supporting or threatening the attainment of company goals and even the key factors in company survival." (Huang & Yao 2018)

Twitter KSFs	Why They Are Effective
Simplicity and brevity	The platform's 280-character limit encourages users to share concise messages, making content easy to read and digest. This attracts users who value quick, easily consumable information.
Conversational and user engagement	Twitter encourages interaction through features like replies, retweets, and likes. This fosters an engaging environment, enabling discussions and conversations between users, brands, and influencers.
Content organization and use of hashtags	Hashtags categorize and organize content, making it easy for users to find and follow specific topics or trends. This enhances discoverability and engagement on the platform.
Influencer and celebrity presence	The presence of influencers and celebrities on Twitter attracts a large user base, increasing platform visibility and engagement. Users are more likely to join and stay on the platform to follow and interact with their favorite public figures.
Real-time news and information sharing	Twitter's real-time nature makes it an ideal platform for sharing breaking news, live events, and time-sensitive information. Users rely on Twitter for up-to-date content, which attracts a broad audience seeking current information.

Whilst the social media industry is highly competitive, Twitter has adopted a user centric model that focuses on a simplistic, short form and high user engagement approach to content generation and interaction.



Twitter's operational approach utilises "hashtags" and content grouping for real-time, up-to-date, and accessible information. This not only enhances the user experience but also promotes an information-sharing style, enabling users to engage with breaking news at a personal level; "hashtag activism" or, the "act of fighting for or supporting a cause with the use of hashtags as the primary channel to raise awareness of an issue and encourage debate via social media" (Tombleson & Wolf 2017)

Alongside this, Twitter's user base includes celebrities and political figures, fostering a "town square" style community engagement. This allows users and public figures to experience a sense of intimacy, connection, and derive extrinsic or intrinsic value.; "Twitter allows celebrity practitioners to create a sense of closeness and familiarity between themselves and their followers." (Marwick & Boyd 2011)

### 3.2 VRIO Analysis:

Within our VRIO analysis below, we evaluate three key resources prevalent within Twitter's platform. In which academics note that "VRIO encouraged users to evaluate resources relative to competitors and competitive dynamics" (J. Knott 2019)

	Valuable and Why? (How to assess this?)	Rare and Why? (How to assess this?)	Inimitable and why? (How to assess this?)	Supported by the organisation? Why?	Conclusion (yes or no)
<b>Established User Base</b>	<b>Yes:</b> User base attracts advertisers and supports growth; crucial in a prohibitive market.	<b>No:</b> Smaller user size compared to competitors.	<b>No:</b> Unique user pool with higher engagement, closer connection to the platform's brand and differentiated discourse.	<b>Yes:</b> Twitter adds features, services, and functionality to stay relevant and profitable, while monetizing its user base through advertising tools.	?
<b>Unique format and user experience</b>	<b>Yes:</b> 280-character limit and "hashtagging" foster a unique, streamlined user experience.	<b>Yes:</b> Twitter's character limit creates a unique environment for brief, focused and united communication.	<b>No:</b> Twitter's format is intertwined with its brand and subsequent communities, making it difficult for competitors to replicate.	<b>Yes:</b> Twitter effectively supports its unique format with internal teams actively managing and developing it to maintain user satisfaction.	?
<b>Influential celebrity, political and academic users</b>	<b>Yes:</b> Influential users attract more users and enhance Twitter's credibility.	<b>No:</b> Other platforms also host influential users, but Twitter's real-time nature and unique format make it a preferred and intimate user experience.	<b>No:</b> Replicating Twitter's experience for influential users is challenging for competitors.	<b>Yes:</b> Twitter supports influential users by offering verified accounts and engagement tools to establish credibility and improve connections.	?

#### 3.2.1 Inimitability

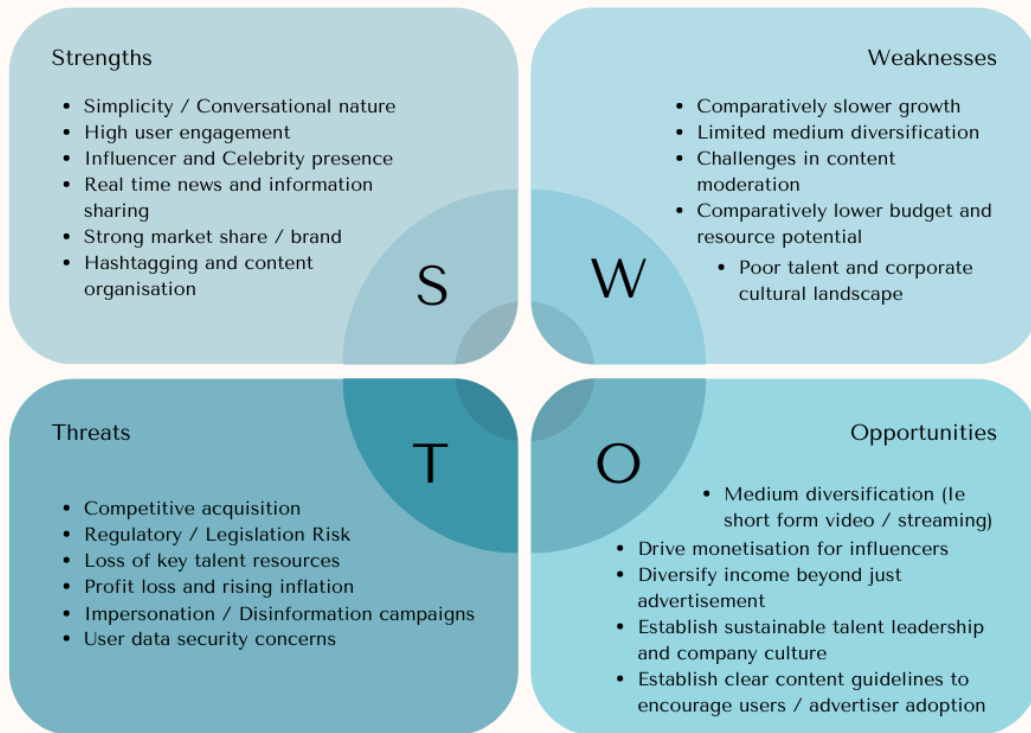
Our analysis concluded that the above factors within our VRIO analysis are uniquely subjective to Twitter's platform, whilst other platforms like Facebook, Instagram and Tik Tok have large bases; Twitter's has a inimitable culture and user experience that differentiates itself from competitors; creating competitive advantage, uniqueness and established market position.

### 3.3 Twitter SWOT Analysis

To contextualise our findings, we note that the KSF's are represented within the SWOT analysis below; notably we see that our operational KSF's are equally represented within our Strengths quadrant of the SWOT framework.



# Twitter SWOT Analysis:



Twitter faces notable internal weaknesses, as Musk highlighted the company's daily loss “over \$4M/day” (Musk 2022), necessitating a reduction in force. To address these issues and ensure long-term success, we will examine strategic external and internal opportunities.

### 3.3.1 Opportunities:

A key opportunity identified in our SWOT analysis is for Twitter to diversify its product offerings by incorporating short and long-form video content, capitalising on a successful trend in the social media industry; [INSERT Short form success here]

Additionally, Twitter has the opportunity to revamp its internal leadership and corporate culture, an area that has faced challenges since the Musk acquisition, as reported by a former employee; “The few days I spent at Musk’s Twitter could best be described as a Lord of the Flies.” (Chowdhury 2023)

## 4.0 Summary:

One thing is for certain, within the current macroeconomic trends of the social media and broader tech industry; as explored within our PESTLE, Confrontation matrix and Porter’s five forces model, the current economic, social, political and legislative environment is not particularly favourable, with a number of risk factors present; Twitter must employ considered and well defined strategy implementation across their KSF and leadership landscapes, in order to stay relevant, competitive and profitable within a difficult industry outlook;

