

Twitter: The Next Tech IPO is developing into a gamechanger

A look at Twitter's developing role as a major player in media – and why we think it has the potential to be a game changer

On September 12th, Twitter announced it was going public. The announcement wasn't delivered through the traditional PR newswire used to reach global media houses or a press conference by the CEO or the founders. Instead, the message was delivered on Twitter itself, in less than 140 characters. Twitter's decision to forgo traditional media routes to announce its IPO, and instead use its own platform as the forum of communication, is symbolic of the force Twitter has developed into in the world of media.

Headlines over the past weeks have been buzzing with talk of Twitter- as it is set to be the largest tech IPO since Facebook. Twitter is positioning itself as a game changer in media- shaping new ways for users, content providers and advertisers to interact. It's become a "global town square" - a forum where Presidents, NBA superstars, economists, scientists, journalists and political protestors can be found sharing their thoughts, research or updates in real time format. It provides a filter through the endless amounts of content, getting the main message through in only a few succinct sentences. This piece is not to recommend clients on deciding to participate in the IPO or not. Instead, we aim to give our clients information on a company that we believe is developing into a powerful force in the world of media. Below are some of the attributes of Twitter which we believe make it a gamechanger:

- Global town square: a forum for everyone to share their views around the world, instantly
- "Second screen": providing a filter for endless content
- "Pure" social media play: only company which is strictly focused on being a social media network
- Tweeting: Twitter has been able to brand "tweeting" as a verb, following in the pioneering footsteps of Xerox & Google

Twitter was started in 2006, and since has built up a user base of 200 million in 31 different countries, and is transcribed in 35 different languages. The user base is global, with 70% of users outside the US. It is estimated that there are 400 million tweets

The Thinking Man's Approach



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Ignacio Pakciarz | CEO

Ilna Dutt | Research Analyst

What is Twitter?

-Twitter is a real-time information network that connects users to the latest stories, ideas, opinions and news. Users create their own custom feed of information by choosing to follow certain people/topics

-At the heart of Twitter are small bursts of information called Tweets. Each Tweet is 140 characters long- a succinct message to express an idea/opinion or the summary of a story/news/research piece

-Who uses Twitter? From Barack Obama, Warren Buffet and LeBron James, to CNBC and the National Institute of Health - key thought leaders, celebrities and institutions are all on Twitter sharing in the real time information digital network



everyday. Estimates of Twitter's revenues for 2013 range from \$583 million (EMarketer) to \$750 million (WedBush Securities).¹ In its most recent round of fundraising, the company was valued at \$10 billion, and based upon light trading in the secondary market, most recently looks more like \$15-16 billion. More information regarding the company will be released closer to the IPO date. However, this piece isn't focused on the valuation of the company- but rather the impact it has achieved in media. The details of why we believe Twitter is becoming a force in media are highlighted below.

The Global Town Square

When describing his vision for Twitter, CEO Dick Costolo describes Twitter as a "global town square." Thousands of years ago there was a town square where everyone from politicians, musicians, and story tellers went to share their views and talents. People would flock from miles away to gather at the town square and take it all in. Lively discussions, sharing of information, trading of ideas- all of this happened in a raw, unfiltered and live format. This is exactly the type of exchange that Twitter is trying to promote by providing a digital platform for users to get real-time content on any topic they desire. Users can follow sports commentators, key thought leaders, politicians and media outlets - and have a custom feed of information tailored to the content providers they follow or also trends/topics they are interested in.

Additionally, Twitter empowers users to be active participants in the town square forum. This phenomenon has been evident in a few instances- including the Arab Spring and the Boston Marathon. During the revolutionary wave of demonstrations and protests in the Middle East, many used Twitter as the forum to coordinate action- by tweeting out plans of where and when to meet. The mass level of coordination and participation in the protests could not have been achieved without the use of Twitter. The first information of the Boston Marathon bombings was available through Twitter- with eyewitnesses uploading images and videos of the bomb blast. Journalists actually used Twitter as a primary source of information. The Boston Police were also using Twitter, as a means of communication with the public during the aftermath of the bombing. The police instructed the public of safe zones, both received and disseminated important information regarding the suspects with users, and even announced the moment the second suspect was captured - all in real time on Twitter.

A "Second Screen" or Filter of All Content.

In today's digital information age, we are facing a constant barrage of information. It can be overwhelming and over stimulating- and users are constantly scanning through lengthy articles just to find the bottom line. This bottom line or main point is exactly what Twitter looks to provide. Tweets are limited to 140 characters- a purposefully chosen number, keeping messages brief and to the point. In a society where our attention span is short and time is limited, this strategy seems to

¹ Boorstin, Julia. "Twitter files IPO with SEC." *CNBC* video, 8:59, September 13, 2013, <http://video.cnbc.com/gallery/?video=3000199098&play=1>



be well thought out, as it keeps users engaged. Think of Twitter as a filter, providing a “second screen” of longer form information, utilized to provide a succinct summary to the user. Often times, Tweets are accompanied by longer articles or videos attached, and then Tweets are used more as a preview- giving the user the option to delve deeper in a topic if it peaks their interest.

Twitter is a pure play in social media

Social media refers to the means of interaction among people in which they create, share, and or exchange information and ideas in a digital network. When many hear the term social media, they immediately think of Facebook. It's true that Facebook is a social media play- users are sharing information about their lives and preferences on the site. But it is not purely social media- as many users are also using Facebook for its built in apps and also its games (initially both of these were the sources of revenue for Facebook). Additionally, many view Facebook more as a “social yellow pages,” where people are posting information about their lives, but not so much engaging or interacting with each other. Real time information and news is not shared on Facebook the way it is shared on Twitter. Facebook is trying to become a bigger player in social media- as they have shifted toward a focus in mobile ad revenues- a major contributor for its strong revenues in 2Q13. Twitter, on the other hand, is only going to be focused on social media. One partnership illustrative of the power Twitter users provide is the partnership the company has started with Nielsen. Nielson TV ratings have traditionally provided advertisers and television producers data on viewership, in the form of number of viewers and surveys, often conducted well after the actual experience. The partnership with Twitter aims to create a better way to understand a viewer's experience of a television show- tracking emotional reactions to content as it happens, giving advertisers and producers much more powerful information and color on what engages audiences and what they like and don't. This is demonstrative of many potentially powerful advertising relationships for Twitter.

Tweeting: Company Brand Already a Verb

Tweeting is the verb for creating a message on Twitter, and is a commonplace word used and recognized by those familiar with Twitter. There are a few other companies who have also branded a verb, the most notorious are Xerox and Google. In the 1960s as Xerox made the first office copy makers, to make a copy become known as “xeroxing,” and in the early 2000s as Google become popular, performing a web search became known as “googling.” Why is this significant? When a company becomes synonymous with a verb, it illustrates two things: 1) the company is a pioneer; the act it supports is a unique phenomenon and needs a new word to describe it and 2) the company has widespread use or appeal, demonstrated by the verb becoming a commonplace term most people would recognize. Both of these factors indicate that the company is creating an important place in their industry, and from the success in Xerox's early days and the continued success of Google, bodes well for Twitter's potential future.

Conclusion

Twitter has already become a powerful force, and we are excited to see how it continues to influence the future of the media world. It has carved a unique niche for itself- serving as the global town



square and second screen for endless content. This pure social media play has established itself in our culture with its very own verb, "tweeting." We look forward to seeing how Twitter develops and will be watching for how they continue to shape the media world. Again, this piece is an informative look at a company that we think is creating change in its industry- not a recommendation to participate in the IPO of Twitter- which should only be considered for clients with the correct risk profile.



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