

Twitter loses more than 500 of its top advertisers in three months

Article

The news: In the three months since **Elon Musk** took over as head of **Twitter**, more than **500 of its top advertisers have stopped spending** on the platform, senior managers told employees last week, according to The Information.

In the same meeting, senior employees revealed that **fourth-quarter revenues had fallen 35%**, far below internal expectations, and that the company hopes to hit \$732 million in revenues during the current Q1—amounting to a 39% decrease from last year.

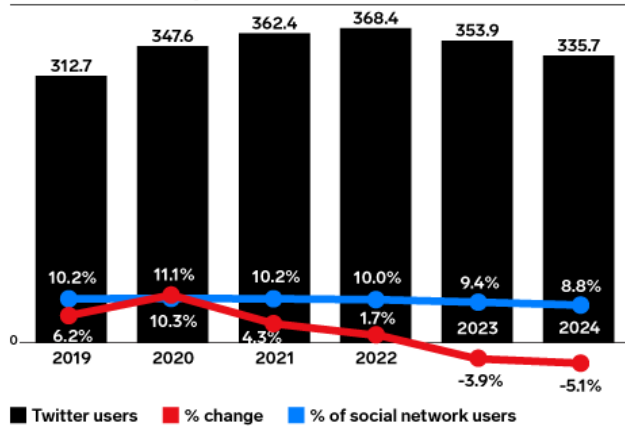
Who's to blame? To pinpoint the cause of Twitter's rapid decline, there's really only one direction to look: up. Musk's takeover has been rife with drama, and his reign so far has been marked by high-profile errors.

- One of the first major incidents was the update to paid **subscription service Twitter Blue**, which allowed any user to receive a verification check for a small fee. The policy quickly led to a deluge of fake accounts impersonating brands and high-profile individuals. Twitter Blue has been **underperforming** compared with other social subscriptions like **Snapchat+**.
- Misinformation and hate speech have populated the platform since Musk's purchase, and he has reinstated the accounts of controversial figures like Andrew Tate. In response, users **left Twitter** for smaller communities on platforms like **Discord** or sites with tougher moderation policies like **Mastodon**, and many advertisers jumped ship.
- Infamously, Musk also dramatically culled Twitter's staff. Almost half of Twitter workers were laid off less than a month into his tenure, and further layoffs have followed, gutting employees behind Twitter's core functions and advertising business.

As a result, we adjusted our **2022 US Twitter advertising revenue forecast in November down to \$4.67 billion**, a **cut of \$1 billion** from our March forecast.

Twitter Users Worldwide, 2019-2024

millions, % change, and % of social network users



Note: internet users of any age who access their Twitter account via any device at least once per month

Source: eMarketer, Dec 2022

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eMarketer | InsiderIntelligence.com

The broader ad market: While Musk's leadership has led the company into chaotic waters, Twitter was far from perfect before his takeover.

- The platform has always been a secondary, or even tertiary, priority for advertisers, failing to generate profits or revenues of comparable companies. In the months leading up to Musk's takeover, several new features like a communities tab, podcasting, newsletters, and more were floated or launched, but didn't get a warm reception.
- Musk's takeover came at the **worst possible time**, just as advertisers were freezing or reducing spending amid rising interest rates and concerns about a recession. Musk may have only accelerated a revenue decline that had long been in progress.

Our take: Shrinking ad budgets and a broad shift from social media advertising means Twitter will not only have to fix its recent missteps to repair advertiser relationships, but will need to innovate and distinguish itself from competitors.

- The proposals put forward to do so don't look promising. Recent changes, leaked features, and statements from Musk show a Twitter eager to copy competitors. **Coins**, an [in-app currency for creators](#), is taken straight out of **Twitch** and **Reddit's** playbook and arrived too little too late. A newly added split feed that mimics **TikTok's** "For You" and "Following" tabs also came across as uninspired.