

The Daily: X (formerly Twitter) a year after Musk bought it: the good, the bad, and whatever's next

Audio

On today's podcast episode, we discuss what's most to blame for X (formerly Twitter) losing half its value in the past year, what the platform has turned into, and the biggest challenges

facing it heading into 2024. Tune in to the discussion with our analysts Jasmine Enberg and Max Willens.

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Episode Transcript:

Marcus Johnson:

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Jasmine Enberg:

I said it before. For all of its problems Twitter was a beloved brand. It had a clear place in the social media landscape. Now users don't know what to make of it, advertisers consider it a headache to deal with, and reporters barely want to cover it anymore.

Marcus Johnson:

Hey, gang, it's Monday, November 20th. Jasmine, Max and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast. I'm Marcus. Today I'm joined by two people. Let's meet them.

We start with our principal analyst covering everything social media based out of California. It's Jasmine Enberg.

Jasmine Enberg:

Hi Marcus. Hey everyone.

Marcus Johnson:

Hello. Hello. We're also joined by one of our senior analysts on the digital advertising and media desk, typically based out of Philadelphia, but he's in our New York office/studio. For today's recording, it's Max Willens.

Max Willens:

Yo. I drank all the seltzer and I'm not sorry.

Marcus Johnson:

Bloody hell. Good man. It's the main reason to go in.

Max Willens:

I had to go and replace it every week. It's honest to God.

Marcus Johnson:

Yeah.

Jasmine Enberg:

I hope so. I'll be there next week. I always want seltzer when I'm in the office.

Max Willens:

Load up.

Marcus Johnson:

We don't load up because that's stealing, but load up at the same time. Today's fact, why does NASA famously have a countdown before launching a rocket? So the countdown, Fritz Lang used to create suspense in the rocket launch scene of his 1929 silent film, *Frau im Mond*, which means woman in the moon in German. That's what inspired NASA's use of countdowns, a silent German film in the 1920s.

Jasmine Enberg:

That is not what I was expecting you to say.

Marcus Johnson:

No. Me neither. And I've written it down.

Max Willens:

Yeah, I thought they were going to be like, Dominic screwed that up one time after that.

Marcus Johnson:

It just makes me think of the countdown in *Austin Powers* when Dr. Evil tells Frau Farbissina to start from 30. She's like, "30, 29, 28." He just pops back out because he sat there for ages, like, "Just say go when the doors close." Such a good film. Anyway, that's how it started apparently. Anyway, today's real topic X, the good, the bad, and the whatever next.

In today's episode, first in the lead, we'll cover X, used to be called Twitter. No in other news today. That's too much to talk about here. Let's get into it folks. Before we start, so short history. Elon Musk, the guy who runs Tesla, SpaceX, The Boring Company, X.ai, et cetera, bought Twitter for \$44 billion in October 2022. It's about a year ago. He wanted to permit more free speech and turn it into an everything app. He renamed it X this past summer, so a few months ago, relaxed its content moderation rules, has changed its verification process, and 80% of its workforce have either been let go or walked out. The company says it's now worth \$19 billion. That's down from 44 billion a year ago. So it's been cut in half in terms of its value.

We're going to play Blame Pie. It's the first time we've played this before. How does it work? Well, you basically assign blame, so it makes up 100%. The question I'm going to ask I'll start with Jasmine is what's most to blame for X losing over half its value in just a year? Jasmine can say a bunch of different things. She'll assign different shares, all make up 100%. Max will do the same.

Jasmine, what is most to blame for X losing over half its value in 12 months?

Jasmine Enberg:

This is exactly what you said that we shouldn't do, but I'm going to do it anyway.

Marcus Johnson:

Never listens.

Jasmine Enberg:

I am going to say 75% Elon Musk, but I'll tell you why. And that is because he is seemingly the mastermind behind all of the other issues, whether that is the rebrand that you mentioned, the staff cuts, the worsened content moderation problems, the backtracking and the botched product launches that have led to the decline in value.

Now, I will say that I don't think all of his ideas are necessarily bad, but when he bought Twitter, he came in at an 11 literally carrying a kitchen sink into the Twitter offices and started making all of these changes really quickly in this very erratic and ad hoc fashion. And he also hasn't been able to step away from the spotlight, which means that Yaccarino, after he finally appointed her as CEO, can't do her job properly.

Marcus Johnson:

So 75% Musk. What's the rest?

Jasmine Enberg:

I'm going to give 20% actually to the economy, and that might be a little bit kind of generous, but the reason is because a lot of advertisers were already considering cutting their social ad spending and specifically their Twitter ad spending before he bought the company, and Musk gave them a reason to leave. We wouldn't have seen the same kind of advertiser exodus, but Twitter's ad business would have suffered regardless in 2022.

Marcus Johnson:

Okay.

Jasmine Enberg:

And the last 5% I'm going to give to Linda Yaccarino herself. I was cautiously optimistic when she came on as CEO. She hasn't really lived up to her reputation and what I hoped she would be able to do for the company. And we barely hear from her unless she's acting as a cheerleader for Musk's moves and she also hasn't been able to make Musk stop tweeting.

Marcus Johnson:

Yeah. Max?

Jasmine Enberg:

Not that I think that anyone can actually do that.

Marcus Johnson:

What does your blame pie look like?

Max Willens:

Yeah, they changed the source code so literally no one can stab him.

Jasmine Enberg:

Yep.

Max Willens:

My pie looks about the same as Jasmine's, but I've sort of labeled the ingredients a little bit differently. At 40% I put Elon Musk treating the product like a toy, which is to just say the constant mercurial changes in direction, the failed attention to detail in terms of the products that it launched and the changes that it made.

The biggest slice of pie though I'm giving to the decision to cleave away most of the content moderation and user safety guardrails A) because it, I think was the main reason that lots of people wound up leaving the product. It hasn't had the sort of mass exodus that I think people were worried about when they first started taking these things away, but it's definitely a smaller app than it was when Musk bought it. And just taking those things away I think was really the most specific thing that lots of advertisers pointed to when they said, "We're not going to spend money here anymore."

Jasmine is 100% correct that he picked a very inopportune time to buy a kind of third tier social media platform, but the decision to make it as brand unsafe as possible was definitely not a good one.

And the final 10% is just advertisers leaving. Advertisers are a skittish and a group that's sensitive to peer pressure. And so if they see a bunch of their friends walking out the door, they're going to go with them. And so I think that 10% of the blame has to lay with the advertisers who picked up their things and left.

Marcus Johnson:

So I want to come back to advertising in just a second, but Jasmine, I want to return to something you said because said 75% Musk. And just to push back on that, so Peter Kafka of Vox was arguing Elon Musk may have made Twitter demonstrably worse, but he blames its founders for killing Twitter because early on they couldn't decide what it was supposed to be or decide on a business model it was going to make enough money.

The company's made an annual profit just twice since its launch in 2006. So twice in 17 years. If I said you have to assign some percent to its original founders in terms of who's to blame, even though I said losing its value in the last half a year, you could argue that maybe there was some runway into that year. What percent would you give its original founders for its faltering?

Jasmine Enberg:

Well, can I respond first to the article that you were just reading about because he's not wrong, right? Twitter was not a good ad business before Elon Musk bought it. And there were a lot of issues with the founders, and he's absolutely right that they squabbled a lot and couldn't figure out what Twitter was supposed to be.

However, I think when Elon Musk came aboard, he had a very specific vision of what he wanted Twitter/X to become. And to Max's point of it, him treating it like a toy, in reality, to me, he treated it like and continues to treat it like a technology company that he can remake in his own vision rather than a social media platform that is run and depends on people and brands and advertisers.

And that to me is the single largest problem and the single biggest reason for the decline because despite what the founders want, despite what the technology is, despite what Elon Musk wants, it's people who really form the culture of a social media platform. And Twitter was a beloved brand with a clear purpose and role before Musk kind of tore that apart.

Marcus Johnson:

So let's move to advertisers. Max, you mentioned, you're giving 10% of the Twitter struggles, X's struggles, and attributing 10% to advertisers.

So I'm trying to figure out where advertisers stand on the platform and whether they've completely given up. It seems like it's quite a mixed bag. There are some who are out. Ryan Mac and Tiffany Hsu of the New York Times referencing six ad agency executives who said their clients continue to limit spending on the platform, citing confusion over Mr. Musk's changes to the service, inconsistent platform support from Twitter and concerns about the persistent presence of misleading and toxic content on the platform.

Then you've got some folks who are in or back in, Group Empire of ad giant WPP it may have removed its high risk flag on Twitter guiding clients to return at their discretion to business as usual, and ad company IPG also recommended its clients proceed just with caution.

Max, I mean, where do you think advertisers stands with regards to how they view X?

Max Willens:

Well, I'm glad that you laid out how a bunch of agencies essentially changed their minds. Advertisers are a fickle bunch and they're never going to wash their hands of anything that attracts an audience whose attention they covet. And I would say this is a big if. If Twitter can kind of prove to the world again that it is a place that people feel they need to be during moments of great import, either at a kind of national level around the elections and news or around particular moments of fandom like the NBA or the NFL, if it can prove that it is still valuable in those contexts, then it's going to attract some of the advertising interest back. But it definitely has a large onus on it to prove that it can do that. It's no longer kind of a given that that's something that people can turn to it for.

And even with that, I mean I think, I don't want to kind of get too bogged down here, but I think I would argue that Twitter was in many respects before Musk bought it, a very well realized service that just wasn't optimized sufficiently around ad spending. I mean, I think that they tried maybe too hard to focus on the platonic ideal of what the product was, and that limited it in a lot of ways.

I mean, think for example about people would hold up Facebook as a successful product, and from a financial standpoint, that's 100% correct. But it is, I would argue a really quite unpleasant and confusing product to use. It's crammed with lots of weird sideshow features that don't really fit together very well. It's very unpleasant, it's very noisy and kind of chaotic to use in my opinion. But it mints money because it has a critical scaled user base. And that was something more than anything that Twitter couldn't attract, and that was the main problem.

If Twitter can kind of get back to growing its audience by doing what it was once very good at, then advertisers will I think have no choice but to come back.

Marcus Johnson:

Let's talk about what Twitter has or X has turned itself into because there's an article by Kate Conger of The Times titled How Elon Musk Changed the Meaning of Twitter for Users. She says that Twitter was a deeply personal source of conversation, news and community for a lot of folks. And a year after Mr. Musk took over, users say that has shifted.

Jasmine, in your opinion, what has Twitter or X turned into?

Jasmine Enberg:

Well, I think that that's completely true, and Max said it really eloquently before. I mean, Twitter has lost its main value proposition for users. I mean, it was a place where you would go and keep up with real-time information, news, gather around events, et cetera, and that doesn't exist anymore.

But I don't think, for me, it's really become anything else but a nuisance at this point. And I think that that's true on all fronts. I said it before, for all of its problems, Twitter was a beloved brand. It had a clear place in the social media landscape. Now users don't know what to make of it, advertisers consider it a headache to deal with, and reporters barely want to cover it anymore.

I mean, there was a time when my phone would ring almost on a daily basis and we'd be excitedly talking about all the drama at Twitter with Musk, and now it's more of an, "Ugh, I have to do this and write about this thing."

Marcus Johnson:

Yeah, it seems as though users feel they can't use it for what it used to be used for. One big reason was news, and there was an account in this piece saying of how in 2022 people were using Twitter to follow what was happening with the war in Ukraine because they could follow accounts that provided good information. Fast-forward a year to 2023 and trying to follow the war in Israel and Gaza is impossible. Amidst the unrecognizable accounts and debunked information, 55% of Twitter users use it for news as of 2022, Quantum Pew Research, is the highest share of any social platform. So it's interesting to see where that number will land this year, a year after Musk has taken over the platform.

And then communities as well. Folks using Twitter for communities and subcultures. There was one anecdotal account from Bryan William Jones, a visual neuroscience professor at University of Utah who used to chat with other academics and pursue his hobby of photography on Twitter. He stopped both since Musk took over.

Jasmine, I'll start with you. So what are the two biggest issues that X needs to figure out moving forward?

Jasmine Enberg:

One big issue that X has is a failure to launch problem. Musk has made a lot of promises. He's made a lot of pronouncements on what X will be or what it could be. But really if you think

about this past year or so, he hasn't made a single meaningful improvement to the platform, and we are no closer to this everything app he keeps talking about than we were in October 2022.

Max Willens:

Failure to launch is that reference to the beginning of that.

Marcus Johnson:

You know what he needs? A countdown.

Jasmine Enberg:

Did you like that?

Marcus Johnson:

Referencing me. Well played, yeah.

Jasmine Enberg:

And then if he can do that, I think X can start to address its second-biggest problem or its second big problem I should say, which is how to make money. Because what this year has sort of amounted to me is Musk trying to convince people to pay for a platform that they're used to accessing for free while simultaneously tearing apart everything that they love about it, exacerbating a ton of existing problems and not giving them anything as a replacement.

I don't think a subscription model is necessarily a bad idea for social media, but there's got to be a reason to pay for it, and he hasn't given that.

Marcus Johnson:

Yeah. Yeah. I mean, going back to the everything app idea, he wanted it to be a place for audio, video, messaging, payments. According to the New York Times, they got hold of his pitch deck, investors from last year. X was supposed to be bringing in \$15 million from its payments business this year, growing it to a 1.3 billion business by 2028. So that definitely hasn't got off to the best of starts.

And then in terms of, yeah, they plan to make money. I mean, ad revenues, X's US ad revenues for the first five weeks from April 1st to the start of May, in that snapshot, they were down

60% year-on-year. Fast-forward to September, Mr. Musk said revenues were down 60% still year-on-year. We have ad revenues for 2023 as a whole falling 55% year-on-year.

There is the subscription side. They just introduced two new tiers alongside it. So they have the eight buck a month X premium tier that gets you the blue check mark. You can edit tweets, things like that. Now there's the \$16 a month premium plus plan. Lets people get the best algorithmic boosts and removes ads as well to a certain extent.

And then there's the \$3 a month basic option, which gets you a smaller bump. And on top of that, he's also charging users in New Zealand, in the Philippines, \$1 a year just for regular X and Twitter. So it seems like they're throwing a lot of things at the wall.

Max, what do you make of their plan to make money?

Max Willens:

I think that Jasmine summed up all the points that I was going to make. I had sort of reframed them with the risk of oversimplifying it and just saying that he needs to figure out what his attitude toward consumer revenue is. Because I'm with Jasmine. I think that one of the sort of through lines of social media in 2024 is going to be all the social platforms trying to figure out how to maximize consumer revenue without nuking their ad businesses.

And Musk is clearly much more in on this than anybody else, but as Jasmine laid out, he has also done so while completely nuking the user experience, which is absolutely not something you can do when your plan is to sort of make money by charging consumers money to access your services. And so if by some miracle, and this is I would say a long shot given that their CEO made her career selling ads, but if they can somehow come up with a coherent, consumer revenue philosophy and approach to overhauling the product, then they have a shot. But that to me is the biggest thing that they need to figure out because once they understand how they want that to come together, it will allow them to attempt to move forward with that while also retaining the kind of core brand promise, which we've been talking about all episode, which is being a kind of combination of a breaking news TV station, the peanut gallery, the best comment section you've ever been in, and maybe a group chat with your friends all at the same time. And-

Jasmine Enberg:

Do you want that though, Max? That's my big question.

Max Willens:

Well, as a brain-damaged former journalist, that does sound really nice to me. But I acknowledge that that is not something that maybe most people want.

And that's another problem is that the people that spent all their time writing about Twitter and commenting on Twitter are also its power users, which has I think in a lot of ways created a very dangerous, weird blind spot for the company where all the kind of coverage of it was being produced by people that used it a disproportionate amount. And so not everybody was walking into it with a kind of a clear-eyed vision for what the regular person might've wanted out the platform in the first place.

Marcus Johnson:

So let's in the episode we're talking about what we can expect from the company next year. I think one of the things that they have to try and figure out is who they want to be and how to stop users from walking away from the platform because there are a lot of indicators suggesting that people don't want to use X anymore.

So we think 3 million Americans will leave Twitter X this year, 5 million next year, 5 million the year after that. That would mean 13 million Americans saying goodbye to X from 2022 to 2025.

Look at any other metric, things are going in the wrong direction. Globally things are pretty rough. App downloads fell nearly 40% in the past year, even steeper in the US going to Sensor Tower, web traffic's down. Some folks saying they've just taken a break from Twitter. 60% of Twitter users, according to Pew Research, have taken a break from checking it regularly. Some people say that by March of 2024, a quarter of people will say they're not very likely to be using Twitter come March of 2024.

Other people just using it less. Similar Web says average daily time spent per user is down. And then also in terms of brand loyalty, rebranding, they were at 45, after the rebranding 47th in terms of brand loyalty and they fell to 92nd. That's according to Brand Keys. Every user metric it seems to be bad to put it bluntly.

Jasmine, what do you expect from X next year?

Jasmine Enberg:

Well, Max has said that advertisers are fickle, but social media users are fickle too. I hesitate to make an exact prediction or say exactly what I think about X next year because so much is up in the air and things continue to change. But I do still think that if Musk can put his ego aside, stop being his own worst enemy and focus on what he does best, which is innovate, something could still emerge from the ashes of Twitter. What that something is, I don't know, but there is a possibility of a comeback of some sort.

Marcus Johnson:

Yeah, it seems like Dan Primack of Axios was reminding us that Mr. Musk, well, at least it seems like he knew he had made a bad impetuous bet almost the minute he made it because he'd sued to try to cancel the deal. That seems like it was yesterday. But an indicator perhaps that even Elon Musk thought that, "Oh, hang on a second. Maybe I can't turn things around." I mean Max, what do you expect from this company in 2024?

Max Willens:

I think what Jasmine said is correct that there is a chance that some kind of turnaround is possible. And if you're someone who's really kind of rooting for Twitter, then I would say that you go into 2024, despite all the negative headlines, feeling like you're going to have a lot of chances.

I mean, as difficult and as damaged as the platform is, it's still got a lot of sway and has a lot of ability to kind of attract attention during news and sports moments. And next year we're going to have the Olympics, we're going to have the US presidential election, we're going to have-

Marcus Johnson:

The euro cup-

Max Willens:

The Euro typical drama.

Marcus Johnson:

The Euro cup, of course.

Max Willens:

That's right, the Euro Cup. We're going to have ...

Marcus Johnson:

No one caress about it. It's okay.

Jasmine Enberg:

I care Marcus. I care.

Max Willens:

Yes. And you'll have the typical drama with the NBA and the NFL. And so all of that, those all amount to chances for them to sort of begin building brick by brick something back into the space that Twitter once held. But I don't know that I would bet on it, but they've certainly, they'll have a shot next year.

Marcus Johnson:

A good place to start could be getting people to call it X. And Jeremy Goldman who writes for our briefing was pointing out, yeah, a bit of an identity crisis going on. 7 in 10 US X users still call the platform Twitter. You've heard me refer to it a million times on this very episode as that it's according to The Harris Poll and Ad Age as well. That's despite 80% of them being aware of the name change. So maybe start there.

Jasmine Enberg:

I mean, just think about that. And Max has made this point many times about the outside influence that Twitter had despite its size and the ad dollars that it brought in. I mean, Twitter is a well-known household name. The word tweet has become a verb in part of the public vernacular. So that just goes to show how [inaudible 00:23:15] this platform was despite its size.

Marcus Johnson:

Yeah, a tough rebrand. One thing that the company does expect next year, Linda Yaccarino, X's boss was saying that the company expecting to be profitable by next year 2024, which we'll see.

That's what we've got time for this episode. Thank you so much to my guests for hanging out. Thank you to Jasmine.

Jasmine Enberg:

Thank you, Marcus. Thank you everyone.

Marcus Johnson:

Thank you to Max.

Max Willens:

Always a pleasure, Marcus.

Marcus Johnson:

Yes, indeed. And thank you to Victoria who edits the show, James who copyedits it, Stewart who runs the team, and Sophie who does our social media. Thanks to everyone for listening in. We hope to see you tomorrow for the Behind the Numbers Weekly Listen, which we're going to put out on Tuesday this week because of Thanksgiving. It's an eMarketer podcast.