

MOBILE

Twitter's new momentum could build in second half with Project Lightning

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Twitter

By CHANTAL TODE

Following months of reports that advertisers have been abandoning Twitter, the microblogging platform surprised yesterday with better-than-expected earnings and advertising revenue, initially sending shares higher in after-hours trading.

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Twitter said ad revenue was driven by strong demand and growth in its user base, with Promoted Tweets features such as video, mobile app downloads and Web site cards proving popular. Ad engagements were up 53 percent year-over-year, driven by an increase in audience and the move to autoplay video, but user growth slowed, which is what led to the drop in share value after analysts were able to digest the information.

“You should expect Twitter to be as easy as looking out your window to see what’s happening,” said Jack Dorsey, co-founder and interim CEO of [Twitter](#), in a conference call with analysts to discuss the results. “You should expect Twitter to show you what’s most meaningful in the world delivered first straight from the source.

“And you should expect Twitter to keep you informed and updated throughout your day,” he said.

“Twitter can’t just be the best window to the world. Twitter also has to be the best microphone to the world. You should expect Twitter to increase your reach and you should expect Twitter to increase live and direct conversation and participation around whatever you share.”

Scaling up

While Twitter has been struggling over the past year to build excitement around its advertising options compared to Google, Facebook, Snapchat and Instagram, the results suggest that brands are reacting positively to some of Twitter’s attempts to enhance its monetization strategy.

Twitter recently lifted the 140-character limit on Direct Messages in an effort to become more of a messaging platform.

Other developments in the quarter included the launch of an autoplay feature for native videos and new targeting capabilities enabling advertisers to reach mobile users based on the categories of apps they have installed.

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Additionally, Twitter and Google partnered up to bring real-time tweets to search results, thereby increasing the relevancy of search results and helping Twitter expand its reach, something that is crucial to its future potential.

“The Google partnership was another great achievement,” said Matt Rednor, founder and CEO of [Decoded Advertising](#). “Real-time tweets can make the best search results so it's a natural fit.

“This also helps to solve Twitter's scale problem since tweets can now be more easily seen off of the platform, and even by non Twitter users,” he said.

Making Twitter more attainable

Project Lightning – which is expected in the second half - is another attempt by the company to make it easier for users to follow live events – which is where Twitter’s biggest value to users has been to date – by curating and aggregating relevant content in one place. Users will no longer need to scroll through an endless stream of tweets to find breaking news or a live event even if they are not logged into Twitter.

The move could help Twitter play a more meaningful role in how consumers get their news, which is increasingly taking place on mobile devices and is a crucial way to attract advertisers.

“Project Lightning is a big opportunity in the back half of the year,” Mr. Rednor said.

“Lightning will be Twitter's highlight show, making the platform easier and more attainable, even for non users, again to help with scale.

“It has all of the elements to be better than Snapchat's Stories, and could command some of those ad dollars,” he said.

User growth disappoints

Twitter reported yesterday that its revenue for the three months ended June 30, 2015, totaled \$502 million, up 61 percent from \$312 million a year ago.

The company also reported a net loss totaling \$137 million and a diluted loss per share of \$0.21.

Advertising revenue totaled \$452 million, up 63 percent, with mobile advertising accounting for 88 percent of the total.

One area where Twitter did not meet expectation was in the growth of its user base. During the second quarter, average monthly average users totaled 316 million, up 15 percent, with vast majority coming from SMS Fast Followers, Mobile represented 80 percent of the total.

Twitter said it continues to look for a replacement for Dick Costolo, who recently stepped down as the company's CEO.

"The best thing that happened to Twitter in Q2 was probably the Mayweather/Pacquiao fight," Mr. Rednor said. "Tens of thousands of people watched the fight (pirated) through Periscope.

"That was a great, unintentional, use case that helped build awareness of the service, Twitter's video capabilities, and solidify their position as the best platform for live events," he said.

"Its biggest misstep is telling a clear story about its audience and user growth. Brands aren't seeing the same reach and engagement that they used to so are starting to pull back their spends there. We need a better understanding of the vision and future of the platform."

Final Take

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