

INTERNET

## What does Elon Musk's Twitter bid mean for luxury?

April 19, 2022



*Tesla and SpaceX CEO Elon Musk at TED2022. Image credit: TED*

By SARAH RAMIREZ

Entrepreneur and investor Elon Musk continues to generate headlines with his public push to takeover social media platform Twitter.

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Since becoming Twitter's largest shareholder this April, Mr. Musk has persistently publicized his interest in buying the platform and privatizing it. This has drawn attention from both investors and regulators, and, if successful, his bid could have wide-ranging implications.

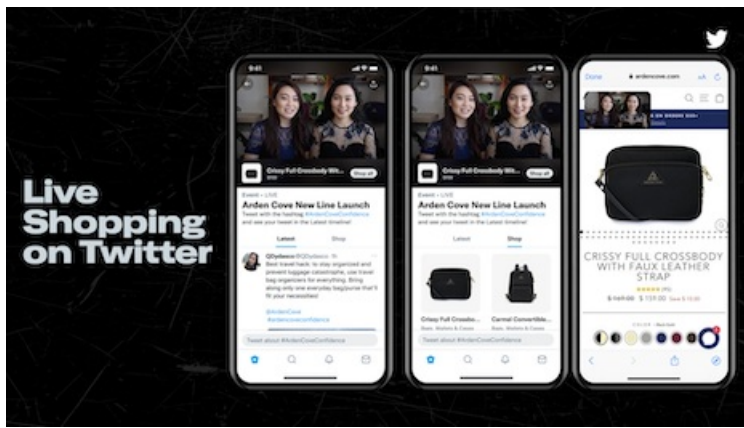
"Marketers should keep up with the bid for Elon Musk to take over Twitter for one reason and one reason alone: it shows how the narrative can be controlled," said Baruch Labunski, founder/CEO of internet marketing firm **Rank Secure**, Toronto.

"Until now, most people think social media platforms were free-thinking and could be used by anyone from marketers, small business, creative artists and election officials to get their message out," he said. "If that were true, the Twitter board of directors would only be concerned about the bottom dollar and take the offer."

Twitter takeover?

On April 4, it was revealed that Mr. Musk, CEO of Tesla and SpaceX, had acquired a 9.2 percent stake in Twitter. At the time, his share was worth about \$2.89 billion ([see story](#)); however, Twitter's stock is trading about 18 percent higher than its close on April 1.

Initially, the multibillionaire was invited to join Twitter's board of directors. Mr. Musk **informed** Twitter on April 9 that he would not be joining the board.



Like other social media platforms, Twitter is experimenting with live shopping. Image credit: Twitter

By April 14, Twitter **confirmed** it received an unsolicited proposal from Mr. Musk to acquire its outstanding common stock for \$54.20 per share in cash valuing the company at about \$43 billion. On April 13, Twitter shares had closed at \$45.08 about 18 percent below the proposed sale price, which itself is well below the stock's 52-week high of \$73.34.

"I invested in Twitter as I believe in its potential to be the platform for free speech around the globe, and I believe free speech is a societal imperative for a functioning democracy," Mr. Musk said in a **letter** to Bret Taylor, chairman of the board at Twitter.

"However, since making my investment I now realize the company will neither thrive nor serve this societal imperative in its current form," he wrote. "Twitter needs to be transformed as a private company.

"As a result, I am offering to buy 100 percent of Twitter for \$54.20 per share in cash, a 54 percent premium over the day before I began investing in Twitter and a 38 percent premium over the day before my investment was publicly announced. My offer is my best and final offer and if it is not accepted, I would need to reconsider my position as a shareholder."

In response to Mr. Musk's proposal, the Twitter board unanimously adopted a limited duration shareholder rights plan. Often referred to as a "poison pill," shareholder rights plans were introduced in the 1980s as a defensive mechanism to prevent takeover bids.

**Twitter's rights plan** will be triggered if an individual or group, such as Mr. Musk, acquires 15 percent or more of the company's outstanding common stock without company approval. In this case, other shareholders will have the opportunity to purchase additional shares of common stock at a discounted rate.

This poison pill would dilute the bidder's share, and the cost of the takeover bid would climb. Twitter's plan is scheduled to expire on April 14, 2023.

"My impression of Musk's takeover bid is that this is not some impulsive move he decided to take on," Mr. Labunski said. "He obviously thought this through for several years.

"Musk didn't make one big stock purchase but, instead, bought smaller portions over time until he owned 9.2 percent," he said. "His motives are more than owning a social media investment; Musk is thinking bigger about opening up the narrative."

In the meantime, Mr. Musk continues to tweet about his bid for Twitter. One of his most recent **claims** is that board members would not be compensated for their participation on the board, saving Twitter \$3 million annually.

There is also some speculation that Mr. Musk may consider a tender offer to purchase the stock of Twitter shareholders to take over the platform, according to **CNBC**.

The prolific Twitter user has also been posting memes about his takeover bid and posing polls to users.

Mr. Musk is also likely to draw scrutiny from the Security Exchange Commission for failing to disclose his acquisition of Twitter shares in a timely manner.

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### *Luxury brands like Louis Vuitton have millions of followers on Twitter*

According to the SEC, shareholders who acquire more than 5 percent of a company's common shares must disclose their holdings within 10 calendar days. Mr. Musk made his disclosure 21 days after accumulating the necessary shares, potentially allowing him to acquire more shares before his disclosure drove up the price of Twitter stock.

This is not the first time Mr. Musk has drawn the ire of the SEC.

The SEC sued Mr. Musk in 2018, claiming that he misled investors with tweets about taking the U.S. automaker private ([see story](#)).

Mr. Musk and the SEC eventually settled the suit, although he is now looking to terminate the agreement. He is also facing a [class-action lawsuit](#) from Tesla shareholders, with a trial scheduled to start in May.

### Fallout for Twitter

While Twitter may not be as prominent as rival Meta's Facebook and Instagram platforms and video-sharing app TikTok, the social media company remains influential.

Mr. Musk's takeover bid also comes at a time of change for Twitter.

In November 2021, Jack Dorsey, cofounder of Twitter, stepped down from his role as chief executive. Mr. Dorsey is in his last year as member of the Twitter board and was succeeded as CEO by Parag Agrawal ([see story](#)).

If Mr. Musk proves successful in buying Twitter and privatizing it, it would mark a turning point for the platform and the advertisers who rely on it.

"This will bring back advertisers to the platform that are spending more on the TikToks of the world to come back to spending on Twitter to connect with real authentic conversations," said Mark Werner, founder/CEO of high-end mattress line [Nature's Sleep](#), Florida.

"It is a recommendation engine in that people tweet to make big ticket purchases," he said. "So it's a way to engage and connect on a personal level.

"It's your front line for your brand and way to tell your story and engage."

Many luxury brands have established presences on Twitter in the last decade-plus. The platform's importance for some brands, however, has diminished.

"Twitter has lost a lot of appeal to luxury marketers because it is largely considered to be a dead zone by many," Rank Secure's Mr. Labunski said. "That, in part, is due to so much banning and censoring that the number of users dropped considerably.

"Those who still want to use it for luxury marketing have a narrow opportunity to benefit," he said. "The benefit could be from targeting specific groups or followers on Twitter who would buy a luxury product rather than the public at large."