CASE 13

Twitter Inc. in 2018: Too Little Too Late?

David L. Turnipseed
University of South Alabama

Jack Dorsey, CEO of Twitter Inc., breathed a slight sigh of relief as the fourth quarter, 2017 financial results showed the first profitable quarter since the company went public in 2013. Twitter had experienced rapid growth since its founding and by January 2018 there were more than 330 million active monthly users. Notables with Twitter accounts included U.S. President Donald Trump, Justin Timberlake, Pope Francis, Katy Perry, and Turkish President Recep Erdogan. However, despite the number of users and the volume of use, Twitter had failed to provide any financial gains until the fourth quarter of 2017, and this profit had come as a result of cutting costs, not growing the business. Research and development, and sales and marketing expenses had been cut by 24 and 25 percent, respectively, and the company's annual net revenue for fiscal 2017 was down over three percent from 2016. Twitter discovered in the third quarter of 2017 that it had been miscalculating monthly user numbers since the fourth quarter of 2014, and consequently was forced to lower the previously reported numbers. Even more problematic was an accumulated deficit of over $2.6 billion, and the March 2018 departure of Anthony Noto, the company's chief operating officer, whose leadership had been vital in Twitter getting rights to the NFL Thursday night football games. Twitter Inc.'s consolidated income statements for 2013 through 2017 are presented in Exhibit 1. The company's consolidated balance sheets for 2016 and 2017 are presented in Exhibit 2.

Twitter was a giant in the industry; however, it faced serious competition from companies such as Facebook, WhatsApp, SnapChat, Instagram, LinkedIn, and Pinterest, plus several others such as Reddit and Quora. Many of these competitors were growing at a multiple of Twitter's growth—over the two-year period third quarter 2015 to third quarter 2017, Facebook had an increase of 461 million monthly active users, and both WhatsApp and Instagram had increases of 400 million. Over the same period, Twitter increased only 23 million monthly users, and its share of worldwide digital ad revenue dropped to 0.8 percent in 2018 (compared to Facebook's 18.4 percent and Instagram's 3.0 percent).

Although Twitter had made a small profit, was it too little and too late? Twitter's CEO and its Board were faced with two daunting questions: 1) what could they do to assure Twitter's survival with its anemic growth, marginal revenue increases, unreliable profitability, and 2) was the company an attractive take-over candidate?

HISTORY OF TWITTER

Founded in 2006 by Jack Dorsey, Noah Glass, Biz Stone, and Evan Williams, Twitter was an online microblogging and social networking service that allowed users to post text-based messages, known as tweets, and status updates up to 40 characters long. Jack Dorsey, a cofounder of Twitter, sent the first tweet on March 21, 2006: "just setting up my twttr"- Jack(@jack) 21 March, 2006. By the first of January 2018, Twitter had more 330 million monthly active users.

The history of Twitter began with an entrepreneur named Noah Glass who started a company named Odeo in 2005. Odeo had a product that would turn a phone

EXHIBIT 1 Consolidated Statement of Operations: Fiscal Years 2013–2017 (in thousands, except per share data)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except per share data)				
Revenue	$2,443,299	$2,529,619	$2,218,032	$1,403,002	$ 664,890
Costs and expenses					
Cost of revenue	861,242	932,240	729,256	446,309	266,718
Research and development	542,010	713,482	806,648	691,543	593,992
Sales and marketing	717,419	957,829	871,491	614,110	316,216
General and administrative	283,888	293,276	260,673	189,906	123,795
Total costs and expenses	2,404,559	2,896,827	2,668,068	1,941,868	1,300,721
Income (loss) from operations	38,740	(367,208)	(450,036)	(538,866)	(635,831)
Interest expense	(105,237)	(99,968)	(98,178)	(35,918)	(7,576)
Other income (expense), net	(28,921)	26,342	14,909	(3,567)	(3,739)
Loss before income taxes	(95,418)	(440,834)	(533,305)	(578,351)	(647,146)
Provision (benefit) for income taxes	12,645	16,039	(12,274)	(531)	(1,823)
Net loss	$ (108,063)	$ (456,873)	$ (521,031)	$ (577,820)	$(645,323)
Net loss per share attributable to common stockholders:					
Basic and diluted	$ (0.15)	$ (0.65)	$ (0.79)	$ (0.96)	$ (3.41)
Weighted-average shares used to compute net loss per share attributable to common stockholders:					
Basic and diluted	732,702	702,135	662,424	604,990	189,510
Other Financial Information:					
Adjusted EBITDA	$ 862,986	$ 751,493	$ 557,807	$ 300,896	$ 75,430
Non-GAAP net income (loss)	$ 328,859	$ 264,406	$ 180,486	$ 68,438	$ (19,057)

Source: Twitter, Inc. Annual Report 2017.

message into an MP3 hosted on the Internet. One of Odeo's early investors was a former Google employee, Evan Williams, who got very involved with the company.

As Odeo grew, more employees were hired including a Web designer, Jack Dorsey, and Christopher "Biz" Stone, a friend of Odeo's new CEO, Evan Williams.

EXHIBIT 2 Twitter Inc.'s Consolidated Balance Sheets, 2016–2017 (in thousands, except par value)

	December 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	$1,638,413	$ 988,598
Short-term investments	2,764,689	2,785,981
Accounts receivable, net of allowance for doubtful accounts of $5,430 and $7,216 as of December 31, 2017 and December 31, 2016, respectively	664,268	650,650
Prepaid expenses and other current assets	254,514	226,967
Total current assets	5,321,884	4,652,196
Property and equipment, net	773,715	783,901
Intangible assets, net	49,654	95,334
Goodwill	1,188,935	1,185,315
Other assets	78,289	153,619
Total assets	$7,412,477	$6,870,365
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 170,969	$ 122,236
Accrued and other current liabilities	327,333	380,937
Capital leases, short-term	84,976	80,848
Total current liabilities	583,278	584,021
Convertible notes	1,627,460	1,538,967
Capital leases, long-term	81,308	66,837
Deferred and other long-term tax liabilities, net	13,240	7,556
Other long-term liabilities	59,973	68,049
Total liabilities	2,365,259	2,265,430
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $0.000005 par value–200,000 shares authorized; none issued and outstanding	—	—
Common stock, $0.000005 par value–5,000,000 shares authorized; 746,902 and 721,572 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	4	4
Additional paid-in capital	7,750,522	7,224,534
Accumulated other comprehensive loss	(31,579)	(69,253)
Accumulated deficit	(2,671,729)	(2,550,350)
Total stockholders' equity	5,047,218	4,604,935
Total liabilities and stockholders' equity	$7,412,477	$6,870,365

Source: Twitter, Inc. Annual Report 2017.

Williams decided that Odeo's future was not in podcasting, and directed the company's employees to develop ideas for a new direction. Jack Dorsey, who had been doing cleanup work on Odeo, proposed a product that was based on people's present status, or what they were doing at a given time. In February 2006, Glass, Dorsey, and a German contract developer proposed Dorsey's idea to others in Odeo, and over time, a group of employees gravitated to Twitter while others focused on Odeo. At one point, the entire Twitter service was run from Glass' laptop.

Noah Glass presented the Twitter idea to Odeo's Board in summer of 2006; the Board was not enthused. Williams proposed to repurchase the Odeo stock held by investors to prevent them from taking a loss, and they agreed. Five years later, the assets of Odeo that the original investors sold for about $5 million were worth $5 billion.

After Williams repurchased Odeo, he changed the name to Obvious Corp. and fired Odeo's founder and the biggest supporter of Twitter, Noah Glass. Christopher "Biz" Stone left Twitter in 2011 and pursued an entrepreneurial venture with Obvious Corp. for six years. In mid-2017, he returned to Twitter full time. As of the second quarter, 2018, only three of the original Twitter founders remained active in the company: Biz Stone, Jack Dorsey as the company's CEO, and Evan Williams who was on the Board.

Twitter provided an almost-immediate access channel to global celebrities. The majority of the top 10 most-followed Twitter accounts were entertainers who used the service to communicate with their fans, spread news, or build a public image. The near-instant gratification from direct updates from celebrities such as Rihanna, Jimmy Fallon, Lady Gaga, and Taylor Swift and the feeling of inclusion in a specific group of fans was a major reason for social media users to use Twitter. The accounts of high-interest people such as entertainers, politicians, or others at risk of impersonation were verified by Twitter to authenticate their identity. A badge of verification was placed on confirmed accounts to indicate legitimacy. Major sporting events and industry award shows such as the Super Bowl or Academy Awards generated significant online action. The online discussion enabled users to participate in the success of celebrities who often posted behind-the-scenes photo tweets or commentaries. On-set or in-concert tweets were other methods utilized by celebrities to enhance their appeal, and fan interaction.

Twitter was quite simple: tweets were limited to 140 characters until late 2017 when the limit was raised to 280. The character constraint made it easy for users to create, distribute, and discover content that was consistent across the Twitter platform as well as optimized for mobile devices. Consequently, the large volume of Tweets drove high velocity information exchange. Twitter's aim was to become an indispensable daily companion to live human experiences. The company did not have restrictions on whom a user could follow, which greatly enhanced the breadth and depth of available content and allowed users to find the content they cared about most. Also, users could be followed by hundreds of thousands, or millions of other users without requiring a reciprocal relationship, enhancing the ability of users to reach a broad audience. Twitter's public platform allowed both the company and others to extend the reach of Twitter content: media outlets distributed Tweets to complement their content by making it more timely, relevant, and comprehensive. Tweets had appeared on over one million third-party websites, and in the second quarter of 2013 there were approximately 30 billion online impressions of Tweets.

THE TWITTER BRAND IMAGE

Twitter had a powerful brand image. Its mascot bird was not chosen because birds make tweeting sounds, but rather because "whether soaring high above the earth to take in a broad view, or flocking with other birds to achieve a common purpose, a bird in flight is the ultimate representation of freedom, hope and limitless possibility."[1]

Twitter was initially named "Jitter" and "Twitch," because that is what a phone would do when it received a tweet. However, neither name evoked the image that the founders wanted. Noah Glass got a dictionary and went to "Twitch," then to subsequent words starting with "Tw" he found the word "Twitter," which in the Oxford English dictionary means a short inconsequential burst of information, and chirps from birds. Dorsey and Glass thought that "twitter" described exactly what they were doing, so they decided on that name. The name was already owned, but not being used, and the company was able to buy it very cheaply.

In 2012, the old Twitter bird was redesigned, slightly resized, changed from red to blue, and named Larry the Bird (named after NBA star Larry Bird).

The lower case "t" icon and the text "twitter" were removed; the company name was no longer on the logo. The blue bird alone communicated the Twitter brand. "Twitter achieved in less than six years what Nike, Apple, and Target took decades to do: To be recognizable without a name, just an icon."[2]

According to a Twitter survey conducted to help understand the company's brand legacy, 90 percent of Twitter users worldwide recognized the Twitter brand. Twitter's 2018 ad campaign "What's happening" used only the Twitter logo and hashtag symbol. The Twitter brand was called "minimalization at its finest"[3]—an advertising campaign that did not have one word, but yet delivered a powerful message from the brand.

Twitter's Global High Profile

Twitter had become very well-known because of several high-profile users and high profile use. Several of the world's leaders had millions of followers, as shown in Exhibit 3. From May 2017 to June 2018, U.S. President Donald Trump's follow count increased to 53.1 million. President Trump regularly used Twitter to break news, praise his friends, campaign for supporters, and feud with his enemies; consequently Twitter was in the daily news almost constantly in 2017.

EXHIBIT 3 World Leaders with the Most Twitter Followers as of May 2017

	Millions of Followers
Pope Francis, Vatican@Pontifex	33.72
Donald Trump, U.S.@RealDonaldTrump	30.13
Narendra Modi, India@NarendraModi	30.06
Prime Minster, India@PMOIndia	18.04
President, U.S.@POTUS	17.76
The White House, U.S.@WhiteHouse	14.42
Recep Erdogan, Turkey@RT_Erdogan	10.27
HH Sheikh Mohammed, UAE@Jokowi	7.92
Joko Widodo, Indonesia@Jokowi	7.43

Source: Statista, 2018.

Although the world's leaders had millions followers, others have far more. As of June 2(Katy Perry had over 108,000,000 followers, Ju Bieber 106.5 million, former U.S. President Bar Obama 103 million, Rihanna 88.6 million, Lady G 78.85 million, and Justin Timberlake 66 million.

The miraculous plane crash on New Yo Hudson River in 2009 was broken on Twitter, and May 1, 2011, an IT consultant in Pakistan unkn ingly live-tweeted the U.S. Navy Seal raid that kil Osama Bin Laden over nine hours before the raid on the news. Prince William announced his enga ment to Catherine Middleton in 2010 on Twit President Obama used Twitter to declare victory the 2012 U.S. presidential election, with a Tweet t was viewed about 25 million times on the Twit platform and widely distributed offline in print a broadcast media.

TWITTER SERVICES, PRODUCTS, AND REVENUE STREAMS

Twitter's primary service was the Twitter glob platform for real-time public self-expression a conversation, which allowed people to create, co sume, discover, and distribute content. Some of t most trusted media outlets in the world, such CNN, Bloomberg, the Associated Press, and BB used Twitter to distribute content. Periscope was mobile app launched by Twitter in 2015 that enable people to broadcast and watch live video with ot ers. Periscope broadcasts could be viewed throug Twitter and mobile or desktop web browsers.

Twitter Inc. generated advertising and dat licensing revenue as shown in Exhibit 4 by provid ing mobile advertising exchange services through the Twitter MoPub exchange, and offering data products and data licenses that allowed their data partners to search and analyze historical and real-time data on the Twitter platform, which consisted of public tweets and their content. Also, Twitter's data partners usually purchased licenses to access all or a portion of the company's data for a fixed period. The company operated a mobile ad exchange and received service fees from transactions completed on the exchange. The Twitter mobile ad exchange allowed buyers and sellers to purchase and sell advertising inventory, and it matched buyers and sellers.

EXHIBIT 4 Twitter Inc. Advertising and Data Licensing Revenue, 2015–2016 (in thousands)

	Year Ended December 31,				
	2017	2016	2015	2016 to 2017 % Change	2015 to 2016 % Change
	(in thousands)				
Advertising services	$2,109,987	$2,248,052	$1,994,036	(6)%	13%
Data licensing and other	333,312	281,567	223,996	18%	26%
Total revenue	$2,443,299	$2,529,619	$2,218,032	(3)%	14%

2017 Compared to 2016. Revenue in 2017 decreased by $86.3 million compared to 2016.

Source: Twitter, Inc. 2017 Form 10-K.

TWITTER RESTRUCTURES

On June 29, 2018, Dorsey announced that he was restructuring Twitter to make the company quicker and more creative, as Ed Ho, VP of product and engineering, stepped down to a part-time position. Twitter employees would be organized in functional groups such as engineering, as opposed to the present product teams. Dorsey decided on the structural change to simplify the way the company worked and to make the organization "more straightforward." He believed that a "pure end-to-end functional organization" would help make decision making clearer, allow the company to build a stronger culture, and prepare the company for increased creativity and innovation. Dorsey believed that Twitter must enter a creativity phase to be relevant and important to the world.

TWITTER'S STOCK PERFORMANCE

Twitter went public on November 7, 2013 with an IPO price of $26.00, and the stock closed up 73 percent ($44.94) on its first trading day. The stock hit its all-time high of $69.00 on January 3, 2014, and began a long down-trend. On August 21, 2015, Twitter shares dropped below the IPO price to $25.87, rebounded slightly, and then slid to $14.10 on May 13, 2016. The stock did not get above the IPO price of $26.00 until early February 2018. On the last trading day of June 2018, Twitter stock was trading at $43.67. Exhibit 5 tracks Twitter's market performance between November 2013 and June 2018.

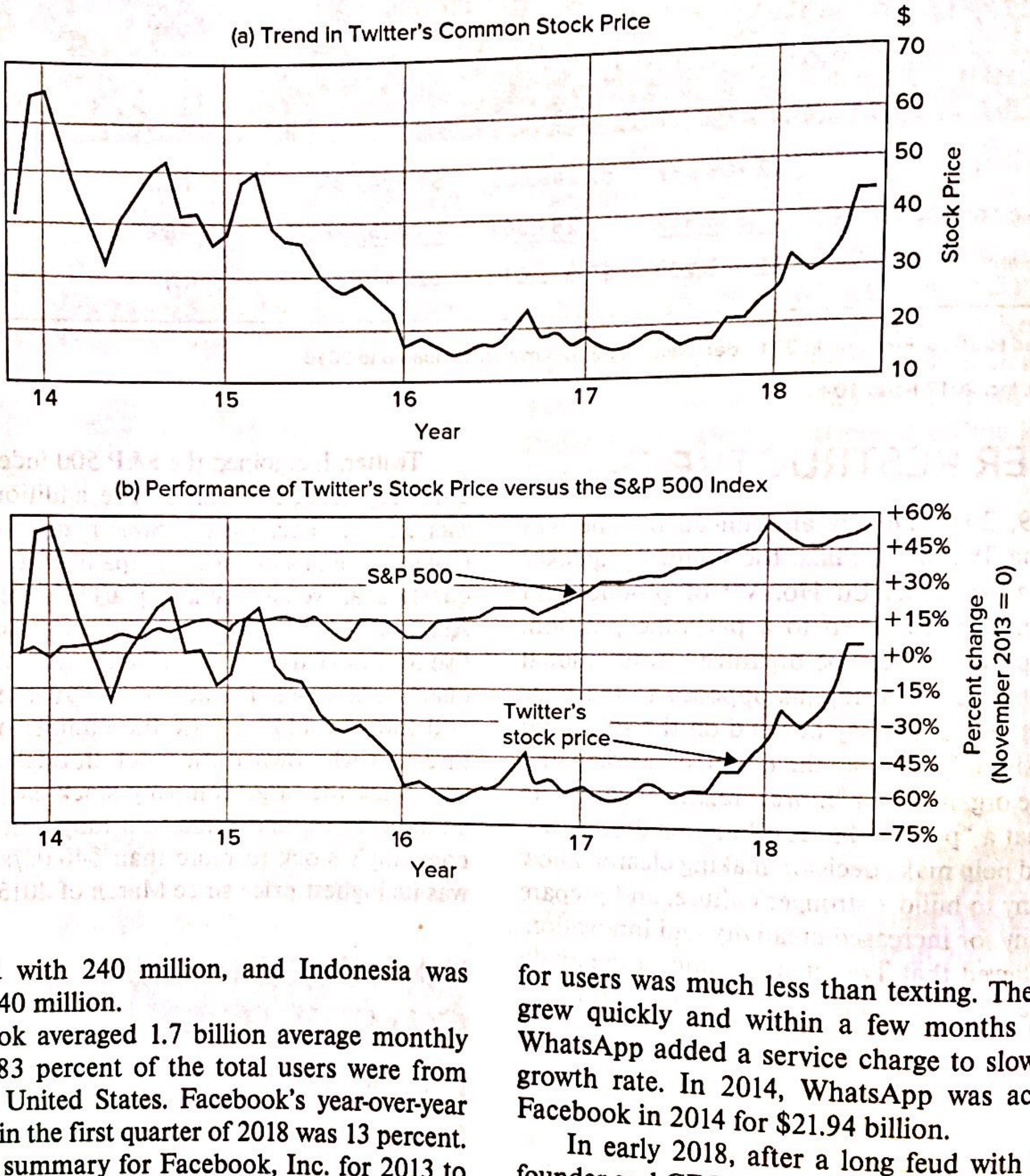
Twitter, Inc. joined the S&P 500 index on June 7, 2018, replacing Monsanto. The addition of Twitter was unusual because the S&P regulations required that the sum of a member company's four most recent quarters, as well as the last quarter, were positive. In April of 2018, Twitter reported its second consecutive profitable quarter, which followed 16 consecutive quarters of losses. The addition of Twitter to the S&P 500 Index would increase the number of individual investors who owned the stock through index funds that track the large company stock gauge. Twitter's addition to the index fueled a rally that pushed the company's stock to more than $40.00/share, which was its highest price since March of 2015.

TWITTER'S MAJOR COMPETITORS

Facebook

Facebook was the world's largest online social networking and social media company. It was founded in February 2004 by Mark Zuckerberg, Eduardo Saverin, Dustin Moskivitz, Chris Hughes, and Andrew McCollum. As was common among online social networking companies, Facebook was not immediately profitable; however, after becoming profitable in 2010, it had its IPO in 2012 at $38/share. Although the stock price dropped to under $20 in August 2012, it rebounded and was selling at $197.00/share in June 2018. In the first quarter of 2018, Facebook had 2.2 billion users worldwide–India had the largest number of users at 270 million, the United States

EXHIBIT 5 Monthly Performance of Twitter Inc.'s Stock Price, November 2013–June 2018



was second with 240 million, and Indonesia was third with 140 million.

Facebook averaged 1.7 billion average monthly users, and 83 percent of the total users were from outside the United States. Facebook's year-over-year growth rate in the first quarter of 2018 was 13 percent. A financial summary for Facebook, Inc. for 2013 to 2017 is presented in Exhibit 6.

WhatsApp

WhatsApp was a freeware and cross-platform messaging and IP service owned by Facebook. The company was founded in 2009 by ex-Yahoo employees Jan Koum and Brian Acton. WhatsApp used the Internet to send messages, audio, video, and images, and was similar to a text messaging service. However, because WhatsApp sent messages over the Internet, the cost for users was much less than texting. The company grew quickly and within a few months of startup WhatsApp added a service charge to slow down its growth rate. In 2014, WhatsApp was acquired by Facebook in 2014 for $21.94 billion.

In early 2018, after a long feud with Facebook founder and CEO Mark Zuckerberg about how to get additional revenue from WhatsApp, Koum and Acton resigned from Facebook. Zuckerberg was focused on using targeted ads to WhatsApp's large user base; Koum and Acton were believers in privacy and had no interest in the potential commercial applications. When WhatsApp was sold to Facebook, the founders pledged privacy of WhatsApp. Four years later, Facebook pushed WhatsApp to change its terms of service and give Facebook access to WhatsApp users' phone numbers. Facebook also wanted a unified profile that could be used for ad targeting and data

EXHIBIT 6 Selected Financial Data for Facebook, Inc., 2013–2017 (in millions, except per share data)

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(In millions, except per share data)				
Consolidated Statements of Income Data:					
Revenue	$40,653	$27,638	$17,928	$12,466	$ 7,872
Total costs and expenses	20,450	15,211	11,703	7,472	5,068
In Income from operations	20,203	12,427	6,225	4,994	2,804
Income before provision for income taxes	20,594	12,518	6,194	4,910	2,754
Net income	15,934	10,217	3,688	2,940	1,500
Net income attributable to Class A and Class B common stockholders	15,920	10,188	3,669	2,925	1,491
Earnings per share attributable to Class A and Class B common stockholders:					
Basic	$5.49	$3.56	$1.31	$1.12	$0.62
Diluted	$5.39	$3.49	$1.29	$1.10	$0.60

	As of December 31,				
	2017	2016	2015	2014	2013
	(In millions)				
Consolidated Balance Sheets Data:					
Cash, cash equivalents, and marketable securities	$41,711	$ 29,449	$ 18,434	$ 11,199	$11,449
Total assets	84,524	64,961	49,407	39,966	17,858
Total liabilities	10,177	5,767	5,189	3,870	2,388
Total stockholders' equity	74,347	59,194	44,218	36,096	15,470

Source: Facebook, Inc. 2017 Annual Report.

mining, and a recommendation system that would suggest Facebook friends based on WhatsApp contacts. WhatsApp had 1.5 billion monthly active users in early 2018, with 60 billion messages sent each day.

Snapchat

Snap Inc. was a camera company that believed that reinventing the camera was a great opportunity to improve the way that people communicated and lived. Snap, Inc.s products empowered people to express themselves, live in the moment, learn about the world, and have fun together. The company's flagship product, Snapchat, was a camera application that helped people communicate visually with friends and family through short videos and images called snaps. Snaps were deleted by default, so there was less pressure to look good when creating and sending images on Snapchat. By reducing the friction typically associated with creating and sharing content, Snapchat became one of the most-used cameras in the world.

Snapchat had 300 million users in January 2018 and, on average, 187 million people used Snapchat daily, creating over 3.5 billion snaps every day. A financial summary for Snap Inc. for 2015 through 2017 is presented in Exhibit 7.

Instagram

Instagram was a video and photo-sharing social network service created by Kevin Systrom and Mike Krieger in 2010. Facebook acquired the company in 2012 for $1 billion. If Instagram was a standalone company, it would be worth more than $100 billion, which would be a 100-fold return for Facebook.

In June 2018, Instagram reached one billion monthly active users and expected revenues of over $10 billion in the next 12 months. Instagram attracted new users at a faster rate than Facebook's main site. At its present rate of growth, it would have over two billion users by 2023.

LinkedIn

LinkedIn was a social media service that operated through websites and mobile apps, and focused

EXHIBIT 7 Snap, Inc.: Selected Financial Data

	Year Ended December 31,		
	2017	2016	2015
	(in thousands, except per share amounts)		
Consolidated Statements of Operations Data:			
Revenue	$ 824,949	$ 404,482	$ 58,663
Costs and expenses:			
Cost of revenue	717,462	451,660	182,341
Research and development	1,534,863	183,676	82,235
Sales and marketing	522,605	124,371	27,216
General and administrative	1,535,595	165,160	148,600
Total costs and expenses	4,310,525	924,867	440,392
Loss from operations	(3,485,576)	(520,385)	(381,729)
Interest income	21,096	4,654	1,399
Interest expense	(3,456)	(1,424)	–
Other income (expense), net	4,528	(4,568)	(152)
Loss before income taxes	(3,463,408)	(521,723)	(380,482)
Income tax benefit (expense)	18,342	7,080	7,589
Net loss	$ (3,445,066)	$ (514,643)	$ (372,893)
Net loss per share attributable to Class A, Class B, and Class C common stockholders:			
Basic	$(2.95)	$(0.64)	$(0.51)
Diluted	$(2.95)	$(0.64)	$(0.51)
Adjusted EBITDA	$ (720,056)	$ (459,243)	$ (292,898)

	December 31,		
	2017	2016	2015
	(In thousands)		
Consolidated Balance Sheet Data:			
Cash, cash equivalents, and marketable securities	$2,043,039	$ 987,368	n.a.
Total assets	3,421,566	1,722,792	n.a.
Total liabilities	429,239	203,878	n.a.
Additional paid-in capital	7,634,825	2,728,823	n.a.
Accumulated deficit	(4,656,667)	(1,207,862)	n.a.
Total stockholders' equity	2,992,327	1,518,914	n.a.

n.a. Not available.

Source: Snap Inc. Annual Report 2017.

primarily on professional networking, which enabled members to create, manage, and share their professional identities online, create professional networks, share insights and knowledge, and find jobs and business opportunities. The company was founded in December 2002 by Allen Blue, Reid G. Hoffman, Jean-Luc Vaillant, Konstantin Guericke, and Eric Ly. LinkedIn was named by Forbes as one of America's Best Employers in 2016. LinkedIn was acquired by Microsoft for $26.2 billion in June 2016.

In July 2018, LinkedIn had 562 million users in more than 200 countries and territories worldwide.[4]

SIGNS OF ENCOURAGEMENT IN MID-2018

Twitter's first quarter 2018 financial results were positive and unexpectedly robust, with revenue growth up 21 percent year-over-year, from $548 million to $665 million. The company's revenues enjoyed growth across all of major product and geographic areas. Year-over-year advertising revenue increased by 21 percent during the first quarter of 2018, from $474 million to $575 million, and data licensing revenue increased from $74 million to $90 million, year-over-year, which was a 20 percent increase. Revenue from the United States increased by 2 percent, year-over-year, from $341 million to $347 million. The largest growth was international revenue, which increased 53 percent year-over-year from $208 million to $318 million. The company's international growth was the largest in three years with Japan accounting for 61 percent of the year-over-year increase.

Although Twitter's first quarter 2018 revenues and profit were up over the prior year, the company still faced considerable challenges, and warned that it would be difficult to have growth rates in the second half of 2018 that exceeded those in 2017. As of March 31, 2018, the company had accumulated a deficit of $2.6 billion, and although revenues had grown, the rate of growth had slowed. The company also noted in its first quarter 2018 report that costs might increase in the future due to spending on the technology infrastructure, sales and marketing, and strategic opportunities. Following this warning, Twitter's stock fell by 7.7 percent, erasing gains of up to 14 percent following the release of the first quarter earnings.

In addition to continuing financial problems, 2018 brought new challenges for Twitter. In June 2018, the company lost its bid to dismiss a lawsuit by Jared Taylor who claimed that the company unlawfully suspended his accounts because of his racial views. The judge said that Twitter's policy of suspending accounts "at any time, for any reason or for no reason" may be unconscionable and that the company calling itself a platform devoted to free speech may be misleading and therefore fraudulent. Twitter claimed that it had a First Amendment right, like newspapers, to publish or not publish whatever it wanted. It insisted that the Federal Communications Decency Act, originally passed to regulate pornography, gives it the right to ban offensive content. Obviously the outcome of this litigation would have a significant impact on Twitter. Also in June 2018, subsequent to Facebook revealing that it had data sharing partnerships with four Chinese companies, Senator Mark Warner, Vice Chairman of the Senate Intelligence Committee, asked Twitter for information on any data sharing agreements they had with Chinese vendors.

ENDNOTES

[1] Armin, "Twitter Gives You the Bird," June 7, 2012, https://www.underconsideration.com/brandnew/archives/twitter_gives_you_the_bird.php.

[2] As quoted in "Is Twitters' logo change the most revolutionary re-branding of the Modern Era?, Gawker, June 6, 2006, (http://gawker.com/5916390/is-twitters-logo-change-the-most-revolutionary-re-branding-of-the-modern-era).

[3] Sunil Singh, "How a Logo Personified the Twitter Brand," February 15, 2018, https://gulfmarketingreview.com/brands/how-a-logo-personified-the-twitter-brand/.

[4] As stated at about.linkedin.com