

Musk's Twitter antics keep some advertisers away, curbing sales

March 31 2023, by Aisha Counts and Kurt Wagner



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In the weeks after Elon Musk acquired Twitter Inc., hundreds of

advertisers paused spending on the platform, wary of the changes the mercurial billionaire might bring to the social media platform. Months later, many still haven't returned, despite efforts by Twitter's sales team to woo them back with steep discounts and new safety tools.

From September to October of last year, the top 10 advertisers on Twitter spent \$71 million on ads, according to estimates from Pathmatics. In the past two months, that figure dropped to just \$7.6 million, a decline of 89%, the research firm said. Twitter's top ad customers historically have included marquee names like HBO, Amazon, IBM and Coca-Cola.

Despite a slight uptick in daily users since early 2022, Twitter's revenue has fallen by 50% since October as a result of a "massive decline" in advertising, Musk said earlier this month. Major brands such as Mondelez International Inc., Coca-Cola Co., Merck & Co. Hilton Worldwide Holdings Inc. and AT&T Inc. still hadn't resumed ad spending on the platform as of February, according to Pathmatics.

Major media agencies like IPG and Horizon Media, which advised clients to pause or consider suspending their Twitter campaigns after Musk took over, have not yet encouraged marketers to return, according to people familiar with the situation. One media buyer said that their firm's initial recommendation to clients after Musk took over was a "red light," as in, stop spending.

They're still advising clients proceed with caution—the light has changed to "amber"—as the company still appears to be in a chaotic state. Twitter is preparing to remove verification from accounts that don't pay a [subscription fee](#), and in recent weeks Musk got into a public spat with a disabled ex-employee. This week, the company disclosed that its source code was leaked online.

Musk has taken steps to shore up advertiser confidence. Shortly after the billionaire acquired the San Francisco-based company in November, as hate speech made a resurgence on the platform, Twitter tried to win back wary ad customers by rolling out a new product that would let marketers block their ads from appearing alongside tweets that contain certain keywords or images—called adjacency controls.

"If it's like a train accident or a war scene, then probably a family-friendly brand is not going to want to advertise right next to that," Musk explained at the Morgan Stanley technology conference in early March.

And late last year, as the company scrambled to win back marketers who had fled, Twitter started offering advertisers major discounts—in some cases hundreds of thousands of dollars in free ads—if they would start spending again. Twitter is no longer broadcasting those deals, but several advertisers said they know they could get them if they did want to return. The company didn't respond to requests for comment about its advertisers.

One of the biggest barriers to spending more, advertisers say, is Musk's own behavior on Twitter. In the past month alone, Musk defended the cartoonist who created "Dilbert" after he went on a racist tirade and made a sexist joke about women being "dangerous and violent." This week, he responded to—and thereby amplified—a tweet that promoted an anti-trans narrative around the school shooting in Nashville, Tennessee.

Advertisers have expressed concern about Musk's erratic decision making and how his personal brand blurs with Twitter's corporate image. For instance, the same weekend as the Super Bowl—traditionally a major advertising event for Twitter—Musk was asking engineers to adjust the algorithm to boost his own tweets into users' feeds.

"It's this intangible wild card," the media buyer said about Musk, asking for anonymity to preserve relationships at Twitter. "We need to work with clients to understand from a values perspective: Is this a partner you want to be in business with?" The short answer for many advertisers right now is no. Read the Big Take: Musk's Empire Becomes a Burning Problem for Washington

Last month, the company expanded its adjacency controls so that brands can block their ads from showing up next to specific user accounts, too. Author Exclusions, as Twitter calls them, let advertisers choose as many as 1,000 handles that they want their ads kept away from, in addition to keywords and topics. "Brands need to consider the source and what a person stands for," said Jason Lee, brand safety officer at Horizon Media, a leading U.S. media agency.

"The irony, of course," said another media buyer from a large agency, is "the No. 1 or No. 2 account that we're going to look to avoid is the owner of the company."

Twitter, which has historically gotten more than 85% of its annual revenue from advertising, has long specialized in brand advertising, offering marketers a place to put their message so that it would appear in the same conversation around major events like the World Cup or the Super Bowl. But many major events aren't feel-good moments, and brands have also worried about spikes in hate speech and other unsavory content.

The company is working with outside agencies like DoubleVerify and Integral Ad Science to audit its advertising adjacency tools to assure marketers that their ads aren't running next to inappropriate posts. The company has also hired Sprinklr, a social media strategy and analytics firm, to audit the prevalence of hate speech on the service. But marketers say the results from the various audits either haven't been

clear enough to continue spending, or they are still waiting to see the results.

There are other issues. Advertisers are reducing their digital spending more generally, due to economic pressures and a reduction in ad effectiveness after Apple Inc. implemented new privacy rules on iPhones—a change that's affecting Twitter's competitors, too.

Musk hasn't scared away all of his advertisers—during an interview on Bloomberg Television in late February, WPP Plc's Mark Read, who runs the largest media agency in the world, said he thought Twitter "seems to be a lot more stable" than it had been a few months earlier. "I think clients want to start to look about how they can come back onto Twitter," he added. During his Morgan Stanley interview, Musk thanked Read for his support, and called out Apple and Walt Disney Co. as advertisers that "stuck with us."

Until more big names come back, some smaller advertisers are filling the spots reaching Twitter's still-sizable audience, which Musk says is 250 million people daily. FinanceBuzz, a personal finance website, has spent more on Twitter ads each quarter since Musk's takeover, and didn't even think about leaving the platform, said Franck Delbecque, a senior media buyer who leads FinanceBuzz's social media strategy.

"We have not reconsidered as long as it's meeting our platform goals," said Delbecque, whose site spent less than \$1 million on ads in the first quarter. Since Musk took over, FinanceBuzz has actually seen ad performance improve. The company primarily measures performance in terms of conversions, or how many users visit its website after viewing an ad. Delbecque thinks changes to Twitter's algorithm, which controls where, when and why ads are shown, have led to better conversion rates. Twitter is "definitely on par with other platforms," he said.

Musk seems to have taken more interest in Twitter's sales organization in recent weeks, and changed the reporting structure so that around half a dozen sales leaders now report directly to the CEO, according to a person familiar with the move. In a step that may be aimed at keeping more workers from exiting, Musk has offered employees new equity grants that will start to vest after six months and will offer them the chance to cash out some of their equity in about a year, the Wall Street Journal reported.

Still, advertisers have worried about the churn on Twitter's sales team, thinned through multiple rounds of layoffs since October. Some marketers said they have had several new account managers or sales reps during that time, which has hurt relationships and confidence that Twitter will deliver as promised.

Those concerns were renewed in early March after yet another round of personnel cuts. It was reported publicly that Chris Reidy, Twitter's head of sales, was laid off with colleagues, but employees and partners later realized Reidy is still at Twitter—adding to the confusion among marketers.

"There needs to be a clear understanding of their organization," said one media agency executive. "Regardless of Elon, like who is running the shop here?"

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Distributed by Tribune Content Agency, LLC.

Citation: Musk's Twitter antics keep some advertisers away, curbing sales (2023, March 31)
retrieved 9 April 2024 from

<https://techxplore.com/news/2023-03-musk-twitter-antics-advertisers-curbing.html>

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