



MORE MARKETS. MORE OPPORTUNITIES.

- ▶ Global Stock Trading
- ▶ Professional-grade Futures Trading
- ▶ Direct access for stock and options

E*TRADE

E*TRADE Securities LLC

100 FREE STOCK & OPTIONS TRADES ▶

INVESTORS.com

Start Using The New Investors.com



SUBSCRIBE/RENEW

FREE TRIAL!

[Stream a free Volatility Webcast today.](#)

[Power up with optionsXpress](#)

HOME

NEWS & ANALYSIS

IBD STOCK LISTS

HOW TO INVEST

IBD STORE

NEWS & ANALYSIS

Today in IBD®

- The Big Picture
- NYSE & Nasdaq
- Real Most Active

Investing:

- Long-Term Investor
- Income Investor
- IBD Industry Themes
- Base Reader
- International Leaders
- The New America
- To The Point
- Investor's Corner
- Investor's Corner Archives
- New Issue America
- IBD's Top 10
- Internet & Technology
- Feature Story
- Investor Education
- Editorials & Opinion
- Editorial Cartoons
- Mutual Funds & Personal Finance
- Exchange Traded Funds
- Futures
- Bonds
- Stocks By Sector
- Expanded IBD® Data
- Leaders & Success
- Inside Real Estate
- Monday Special:**
- Health & Medicine
- Managing For Success
- Industry Snapshot
- IBD® 100
- IBD® Calendar
- Daily Stock Analysis

INTERNET & TECHNOLOGY



[E-mail](#) | [Print](#) | [License](#) | [Republish](#) | [Post](#) | [IBD news direct to your inbox with IBD® Alerts Plus](#)

[Sohu Spinoff Of Game Unit Called Loser](#)

[Yahoo Asset Alibaba Has Fans, Critics](#)

[Social Networking Is Fast Migrating To Business World](#)

[Microsoft Releases New, 'Improved' Browser](#)

Twitter Seen Facing Challenges If Ads Part Of Its Revenue Plans

BY PETE BARLAS
INVESTOR'S BUSINESS DAILY

Posted 3/23/2009

A huge Internet success now faces the hard part — making money. This time, its timing might not be as good.

The free microblogging service Twitter has passed the first hurdle, attracting many users. It reportedly has some 5 million subscribers and its Web site gets more than 7 million unique U.S. visitors via PC a month — up 1,382% from a year earlier, says Nielsen Netview. The Nielsen figure does not include visits made via mobile devices. Also, Twitter's raised \$55 million from the likes of Benchmark Capital and Institutional Venture Partners.

What it hasn't done, yet, is bring in one dime of operating revenue. The 2-year-old company reportedly will unveil its plans to make money in April, and analysts say the plans will almost certainly, to an extent, include selling ads on its Web pages.

But not only is the recession scaling back the once-huge growth of online advertising, the fact is that social networking sites have not done well with ads, most everyone agrees. Those that agree include the top executives of **Google**, ([GOOG](#)) who have publicly lamented their inability to sell many ads at partner site MySpace.com.

Now come two reports last week that throw more cold water on the plans of Twitter, a sort of faster e-mail that lets users send and exchange short

[Sign In](#) [Register Now](#)

Enter Email Address

Enter Password

60

Remember me on this computer

[Sign In/Password help](#)

INVESTING TOOLS

Enter Symbol

[Symbol lookup](#) [Help](#)

[Quotes/News](#) 60

[Stock Checkup®](#) 60

[IBD® Charts](#) 60

Screen Of The Day

CAN SLIM® Select

My Stock Lists

IBD® Forums

IBD® Archives Search

PREMIUM TOOLS

eIBD™ - Digital Edition

IBD® Alerts Plus

Top-Rated Stocks Under \$10

IBD® eTables

[Daily Graphs Online®](#)

Premium Stock Graphs

Custom Screen Wizard

Industry Groups

Fund Center

Option Guide

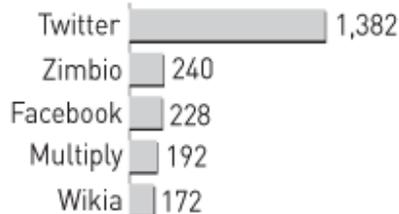
197 Industry Groups List

Check Out The New Investors.com!

Whither Twitter

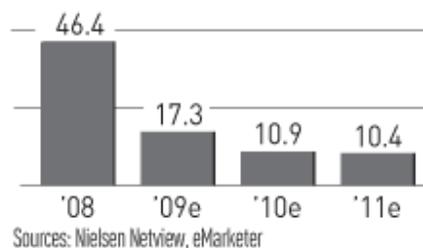
The microblogging site leads by far in the list of fastest-growing member community online destinations . . .

% unique visitor growth by PC users, Feb. 09 vs. Feb. 08



. . . but global online social networking ad revenue growth is seen slowing

Social networking ad revenue % growth from previous year



messages called "tweets" within seconds. Besides the U.S., it's up and running in several offshore markets.

EMarketer cut by half its forecast of global ad revenue in 2009 for social networking sites, which in addition to YouTube include Facebook and News Corporation's (NWS) MySpace.com. It now sees 17% growth, to \$2.35 billion. It had forecast 34%.

And a separate report by Forrester Research says three-fourths of 83 global Web advertisers plan to spend \$100,000 or less on social networking sites over the next 12 months — far less than they plan to spend elsewhere on the Web.

Advertisers have become wary of social networking sites, which don't help sell products as well as Google search ads or ads tied to other content-related Web sites, says Forrester analyst Jeremiah Owyang.

"Historically, ads on social networking sites perform very poorly," he said.

And that's not tweet news for Twitter.

Twitter's certainly succeeded in assembling a large audience, but that's only half the battle, says Pam Horan, executive director of the Online Publisher's Association trade group.

"The question really becomes how they take the next step," she said. "Although it's wonderful to amass an audience like this, in the long term their investors are going to be looking for a return on their investment, and that is where the rubber meets the road."

Twitter didn't respond to several e-mails seeking comment for this story.

While Twitter has some options for generating revenue, analysts say it will try to sell ads on its site.

Last week, the Twitter site began featuring a small message below a person's user box reminding them to use the company's "widget" service, which lets users' "tweet" posts appear on another person's Web site.

To Chris Winfield, president of 10e20, a search marketing firm that helps companies advertise online, that house ad has a different purpose.

"It's a precursor to an ad box," he said. "They are probably getting people used to having something there (in that space), where they could potentially put an ad."

Others agree.

Check Out
The New
Investors.com!



Use Our New and
Enhanced Features:

- **IBD® Stock Research Tool:**
A tool to find, evaluate, and track stocks.
- **Screen Center:**
All the IBD screens in one place.
- **Enhanced Stock Checkup®**
- **Expanded IBD Quotes**

Go to the New
Investors.com
Now!

INVESTORS.com

Be a
Good Friend!

- IBD® Indexes
- Option Center
- IBD TV
- ETF Center
- Tech Center
- Special:
ETF Monthly **NEW!**
- Special: Mutual
Fund Monthly
- Special:
Into The New Year
- Special:
Investment Tools
- I&T Special:
Reinventions
- Special Report:
Global Investing
- IBD® Newsletters
- Investing Tools

IBD STOCK LISTS

- The IBD® 100
- Screen Of The Day
- Stocks On The Move
- CAN SLIM® Select

HOW TO INVEST

- Financial Dictionary
- Investor's Corner
- Learning Center
- What Is CAN SLIM®
- IBD® Workshops
- IBD® Community

Send 4 FREE weeks
of IBD to a friend

Self Service for IBD®
Print

Search the Ask IBD®
Knowledgebase



SERVICES

- IBD® Store
- Contact IBD®
- Affiliate Program
- CAN SLIM® Licensing Opportunities
- IBD® Calendar
- RSS Feeds
- IBD Widget **NEW!**
- Investors.com Mobile **NEW!**
- Rates & Calculators
- IBD® Retail Locations
- IBD Careers
- Corporate News
- About IBD®/ Press Info



Try it FREE!



Continue

ADVERTISING

- [IBD® Partners](#)
- [Classified](#)
- [Reprints](#)
- [Media Kits](#)
- [Editorial Calendar](#)

[Make investors.com your homepage](#)

"It's a prelude to an ad unit," said Greg Sterling, principal for Sterling Market Intelligence. "They are testing it out."

So far, ads haven't worked well on social networking sites. Ads tend to get lost in the shuffle. Many users of social networking sites are preoccupied conversing with one another and not looking for ads.

Researching and buying products is rarely on the agenda of social networking users, Winfield says.

"The problem you have with these sites is that people become kind of ad blind," he said.

Forrester's Owyang says that instead of placing a number of individual ads, Twitter might opt to find large advertisers that would sponsor big sections of the service — and in a way that isn't too obtrusive.

"Twitter could benefit by offering services to brands who want to reach the Twitter community," he said.

Twitter must avoid upsetting its users with too many, or the wrong kinds of, ads, says OPA's Horan.

"They are going to have to be very careful and thoughtful," she said. "The question is: What will this audience tolerate?"

There are also other revenue possibilities.

Companies such as **Dell** ([DELL](#)) have set up Twitter accounts and used them to notify customers of special sales available only to Twitter users. Twitter has used the prospect of such discounts to help attract new members to its service, but it hasn't — yet — gotten any fees from helping a Dell or anyone sell products this way, Sterling says.

Is this a revenue opportunity for Twitter? Hard to say, says Sterling.

"It's emerging as an effective marketing platform, but the revenue potential is not quite clear," he said.

Many analysts says Twitter will need more than one source of revenue.

One possibility is monthly subscription fees for either the heaviest Twitter users or for users willing to pay extra to get the service without any ads, says Danielle Leitch, executive vice president of client strategy for MoreVisibility, a search marketing firm.

"You have a very wide diversity of people that use that site," Leitch said. "How about making them pay to keep tweeting to the volume at which they are?"

[Click here for copyright permissions!](#)
Copyright 2000-2009 Investor's Business Daily, Inc.

[Return to top of page](#)

Trading Center

© Investor's Business Daily, Inc. 2000-2009. All Rights Reserved. Reproduction or redistribution is prohibited without prior authorized permission from Investor's Business Daily. For information on reprints, webprints, permissions or back issue orders, go to www.investors.com/terms/reprints.asp.

Investor's Business Daily, IBD and CAN SLIM and their corresponding logos are registered trademarks of Data Analysis Inc. [Copyright and Trademark Notice](#)

© 2000-2009 Investor's Business Daily, Inc. All rights reserved. [Privacy Statement](#) [Terms and Conditions of Use](#)

More sites from IBD: IBDeditorials.com

 **William O'Neil + Co.** © 2009 [William O'Neil + Co. Incorporated](http://www.williamoneil.com). All Rights Reserved. The William O'Neil + Co. Database and all data contained herein are provided by William O'Neil + Co. Incorporated and are used by IBD under license agreement. Daily Graphs and Daily Graphs Online are trademarks of William O'Neil + Co. Incorporated or its subsidiaries.

This site is powered by Interactive Data Corp. Real Time Services market data. Price and Volume data is delayed 20 minutes unless otherwise noted, is believed accurate but is not warranted or guaranteed by Interactive Data Corp. Real Time Services and is subject to Interactive Data Corp. Real Time Services' terms. All times are Eastern United States.

The S&P 500 data is the property of Chicago Mercantile Exchange, Inc. and its licensors. All rights reserved.

*Stocks On The Move data may be delayed more than 20 minutes due to the auto-refresh schedule for these features.