



# Capstone Project

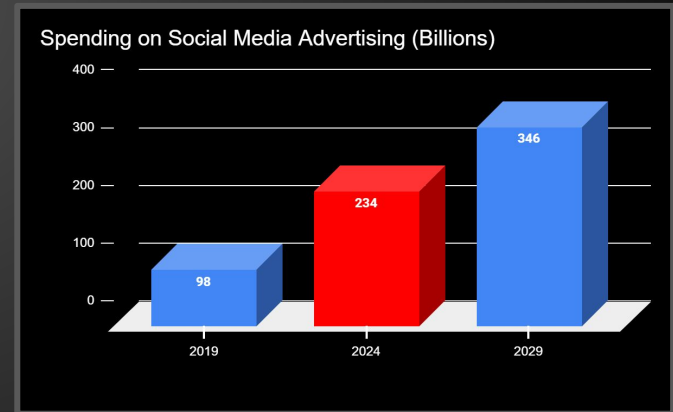
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and Nino Panayotou*

# Introduction

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- As of 2024
  - 5 billion social media users
  - Spending of \$234 billion in social media advertisements
- Industry Definition:
  - *The market where brands and advertisers buy and place ads on social media in order to reach users*
- Platform success depends greatly on:
  - Advertiser appeal
  - Moderation
  - Safety

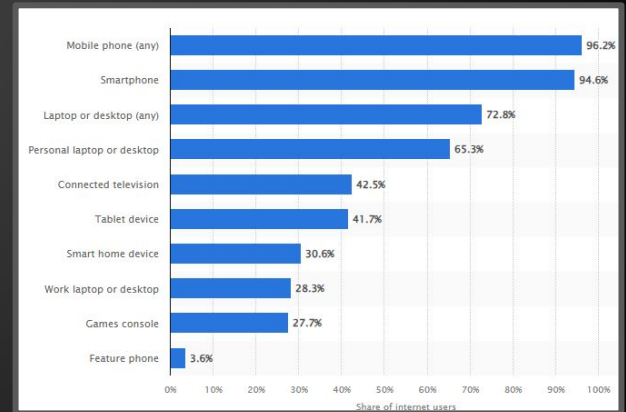
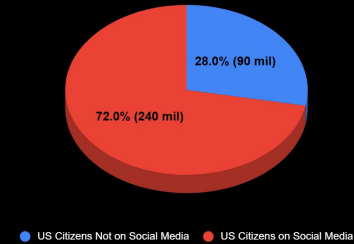


# Industry Analysis - Competitive Landscape

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- Threads & Bluesky directly compete with X
- 240 million US-based social media users
- 96% of internet users access social media via mobile phones

Percentage of US Citizens on Social Media



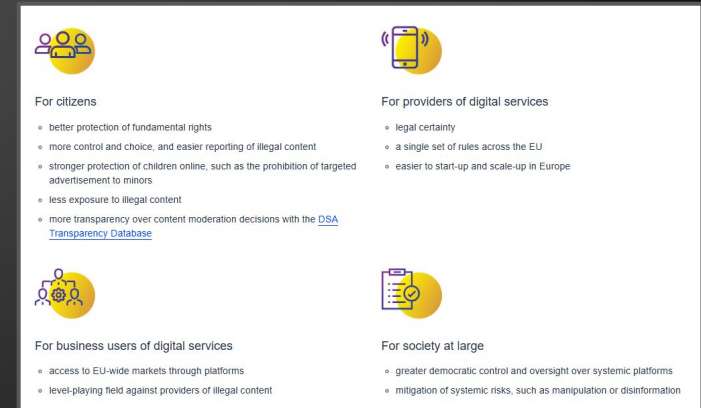
# Industry Analysis - Competitive Landscape

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- Large user data & privacy regulation over past decade



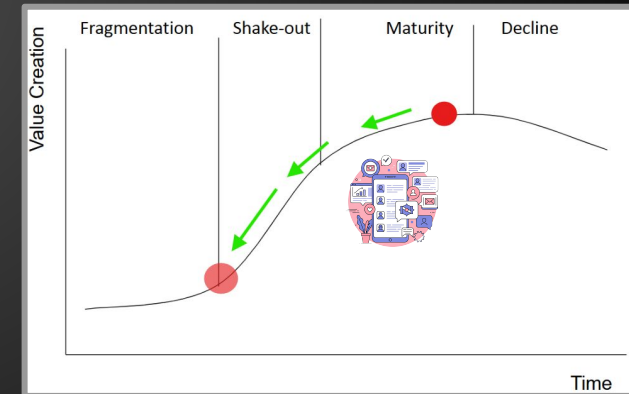
- Worldwide concern:
  - EU 2020 Digital Service Act



# Industry Analysis - Market Trends & Industry Life Cycle

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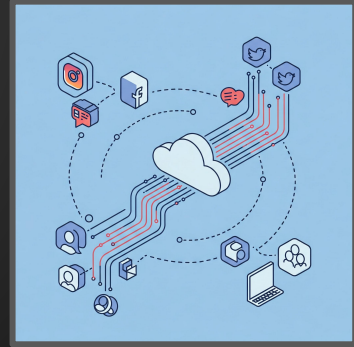
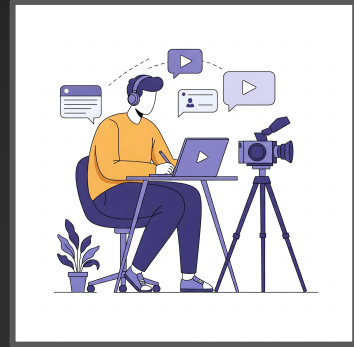
- Reshaping of social media from short-form content
- Short-form content:
  - Greater engagement
  - Greater user retention
  - Easily consumable
- AI intensification
- Industry life-cycle recession



# Porter's 5 - Supplier Power

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- Moderate Power
- Content creators drive engagement (\$)
  - Growing in number
- Cloud providers supply infrastructure
  - Greater control
  - Higher switching costs from data transfer challenges



# Porter's 5 - Buyer Power

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- Moderate / High Power
- Advertiser Power
  - Platform options
- Platform Power
  - Digital world accounts for 67% of total ad spending (2023)

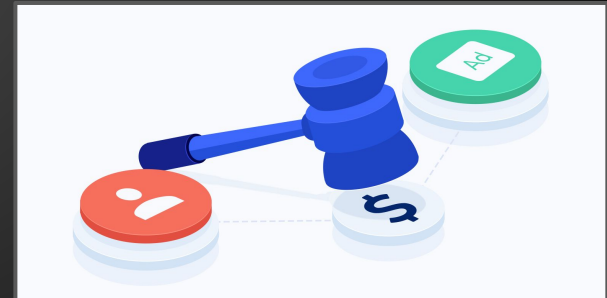
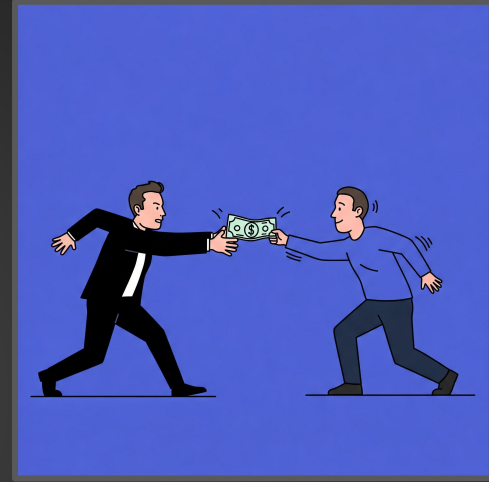




## Porter's 5 - Competitive Rivalry

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- High rivalry
- Increasingly saturated social media market
- Ads bid for target audience on platforms
- X down 24% in ad space demand (2024)

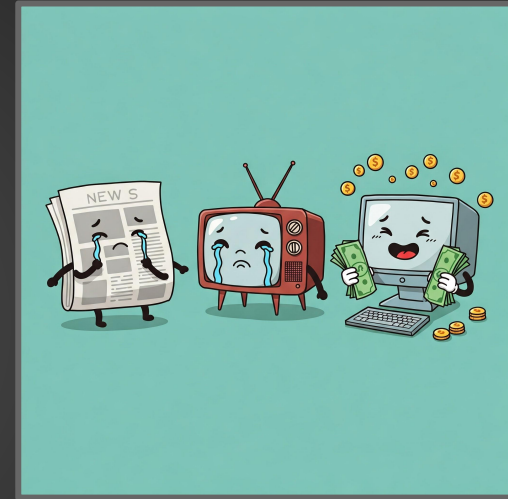




# Porter's 5 - Threat of Substitutes

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- Low to moderate
- Social media dominance with precise targeting and real-time analytics
- Limited alternatives as TV, print, and automated ads offer lower engagement
- Brand concerns cause some advertisers to shift budgets
- High ROI keeps advertisers dependent on social media



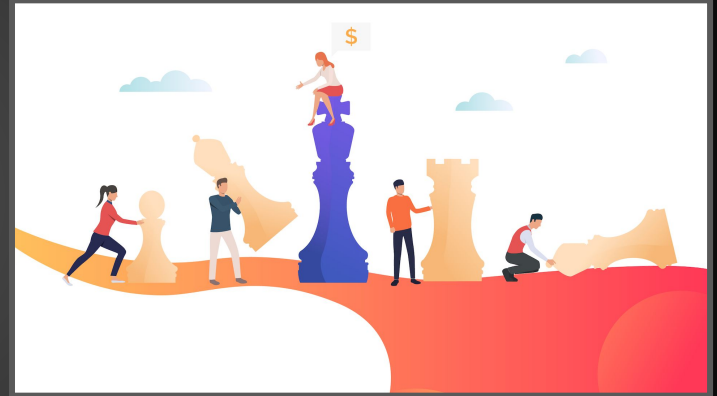
Top-ranking media channels by preference, brackets denote change in ranking

Consumers	Marketers
1. Point of sale ads (+3)	1. Digital out of home ads (+2)
2. Cinema ads (-)	2. Sponsored events (-)
3. Sponsored events (-2)	3. Online video ads (-2)
4. Newspaper ads (+3)	4. Out of home ads (+7)
5. Out of home ads (-2)	5. Ecommerce ads (+1)

# Porter's 5 - Threat of New Entrants

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- Low
- High barriers from infrastructure costs, user bases, and regulations
- Strong brand loyalty limits new platform adoption
- Data advantage with AI-driven targeting and years of user insights
- Advertiser relationships give incumbents a long-term edge
- Steep entry costs make competition nearly impossible



# Twitter to X

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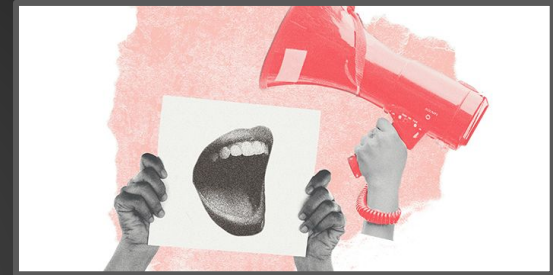
- Transition to X after Elon Musk's acquisition
- Originally a real-time news and ad-driven platform
- Shifted to free speech focus, deprioritizing profitability
- Advertiser withdrawals led to financial instability
- Success relies on balancing free speech and revenue

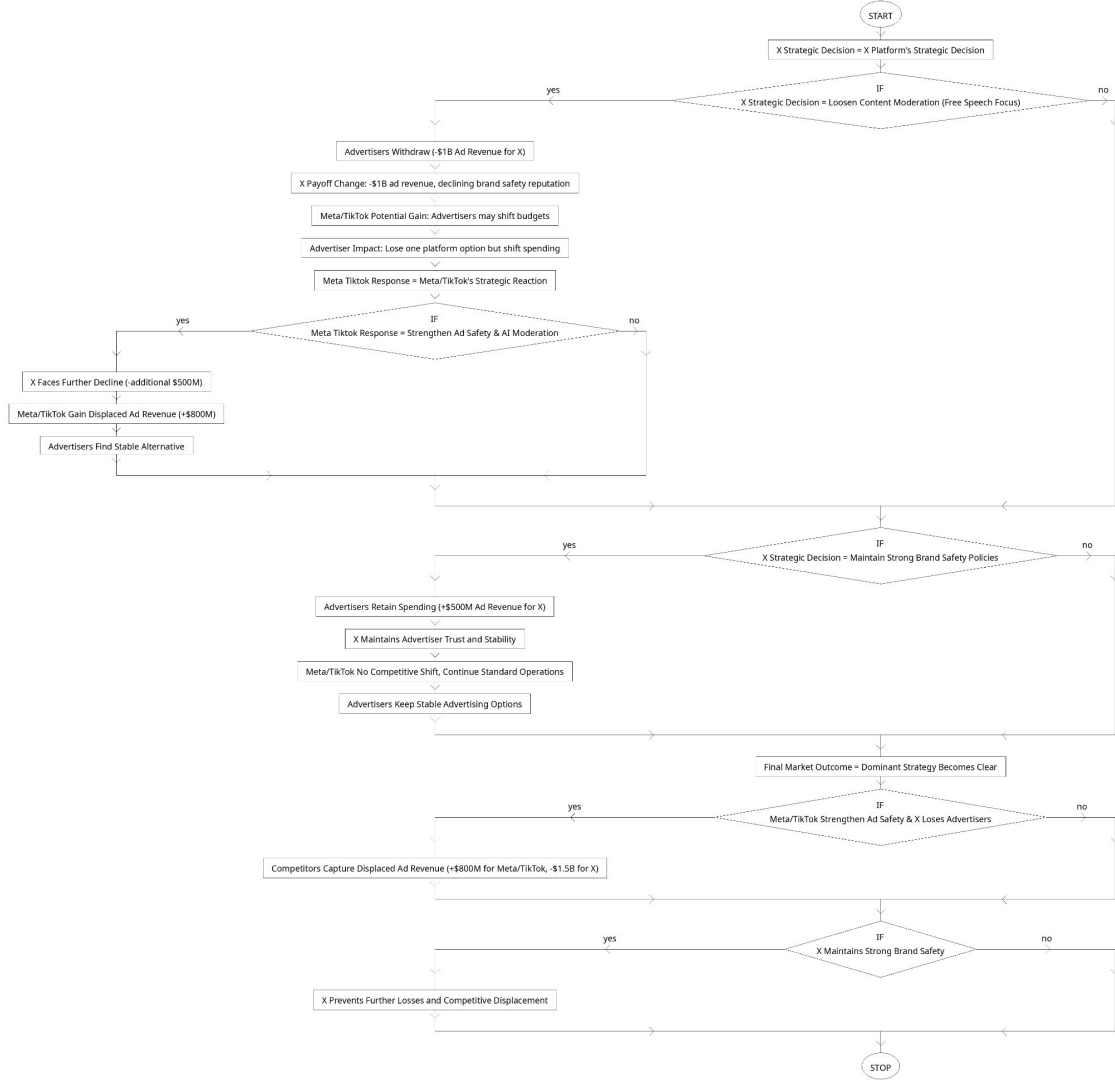


# Unit Positioning Within Industry & Success/Failure

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- Ad-supported model with strong moderation
- Free speech shift hurt advertiser trust and stability
- Advertiser backlash forced reactive decisions
- Competitors strengthened moderation, attracting advertisers
- Conflicting strategy damaged reputation and revenue





## Analysis of the Business Unit's Competitive Position Sustainability

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- VRIO and value chain assess X's sustainability
- Ad withdrawals cut revenue by 52% in 2023
- Rarity weakened by Bluesky and Truth Social
- Easily imitable by Threads and Reddit
- Inefficiencies in moderation and advertiser relations
- Leadership instability hurts long-term stability

# Value Chain Analysis Pt 1

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1. Real-time discourse dominance – X remains the top platform for live conversations and breaking news, distinguishing itself from algorithm-driven competitors
2. Exclusive content partnerships – Deals with journalists, independent creators, and news organizations provide unique content and strengthen credibility
3. AI-driven content filtering – Advanced moderation tools balance brand safety with open discourse, mitigating advertiser concerns
4. Dynamic content delivery system – Ensures seamless real-time interactions, enhancing both user experience and advertiser integration
5. Ad-supported revenue model – Digital advertising remains the primary driver, accounting for over 90% of revenue
6. Auction-based ad system – Enables real-time bidding, increasing flexibility and efficiency in ad placements for advertisers
7. AI-driven content recommendations – Optimizes engagement and retention through algorithmic curation, improving personalization and targeting
8. Evolving content moderation policies – Adaptations to moderation practices aim to balance free speech and advertiser confidence
9. Restructured advertising strategies – Enhancements focus on long-term financial sustainability and revenue diversification
10. Subscription-based Twitter Blue – Expands revenue streams beyond advertising, with future monetization potential
11. Brand safety measures – Ongoing refinements help improve advertiser confidence while maintaining user engagement
12. User engagement strategies – Continuous adaptations help X stay competitive amid shifting social media trends
13. Legal positioning and regulatory compliance – Adjustments to align with global content and privacy regulations ensure long-term viability
14. Verification system updates – Strengthened verification processes aim to rebuild trust and enhance platform credibility
15. Strategic leadership decisions – Executive-level strategy shifts impact overall platform evolution and market position
16. Workforce optimization – Streamlining operations while focusing on key engineering and AI investments
17. Consistent platform presence – Maintaining accessibility across mobile and web platforms for strong user retention
18. Short-form video expansion – X Spaces and video features increase content variety and appeal to younger demographics
19. API monetization strategy – Enhances third-party integration opportunities for businesses and developers
20. Strategic executive hires – New leadership brings expertise to drive platform innovation and market repositioning
21. Global advertising framework – Standardized policies aim to create a more consistent advertiser experience across markets
22. Improved search and discovery features – Refinements ensure users can easily navigate and find relevant content
23. Strong relationships with media organizations – Reinforces X's role as a top source for breaking news and political discourse
24. Expansion into financial services – X Payments creates an alternative revenue stream beyond traditional advertising
25. Ad targeting refinements – Enhancements improve ad performance while balancing user experience with monetization
26. Influencer marketing initiatives – Expanding creator partnerships to drive organic platform engagement
27. E-commerce integrations – Developing in-app shopping capabilities to compete with TikTok Shop and Instagram Shopping
28. Third-party integration improvements – Strengthening compatibility with external tools for business and content creators
29. Brand partnerships in diverse industries – Extending X's influence beyond tech into lifestyle and entertainment
30. Expanded brand safety controls – Strengthening options for advertisers concerned with content adjacency
31. Competitive adaptability – Refining positioning within the market to remain agile against industry disruptions
32. Revenue-sharing programs for creators – Attracting top-tier influencers by improving monetization incentives
33. Enterprise advertising solutions – Targeted offerings for high-budget brands seeking premium ad placements
34. Investments in video and live-streaming – Enhancing capabilities to compete with YouTube, Twitch, and TikTok
35. AI-powered analytics tools – Providing deeper performance insights for advertisers optimizing campaigns
36. Collaborations with lifestyle and consumer brands – Expanding partnerships to integrate X with non-tech markets
37. Engagement-focused platform innovations – Refining gamification and interaction-driven content discovery
38. Adaptive algorithmic updates – Continuously improving user experience and ad placement performance
39. Strengthened market positioning in digital advertising – Maintaining competitiveness despite shifts in advertiser trust
40. Scalability of platform operations – Ensuring infrastructure can support long-term expansion while improving cost efficiency



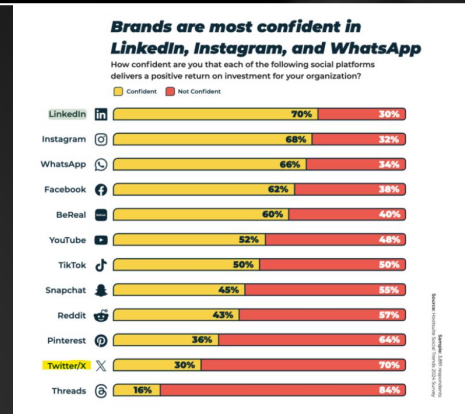
# Value Chain Analysis Pt 2

INFRASTRUCTURE		9, 13, 15, 20, 21, 40		
HR MANAGEMENT		16, 20		
TECH DEVELOPMENT		3, 19, 35		
PROCUREMENT				
INB. LOGISTICS	OPERATIONS	OUT. LOGISTICS	MRKTNG & SALES	AFTER SALE SERVICE
16, 28	4, 7, 17, 38	22, 35	1, 2, 5, 6, 8, 9, 10, 11, 12, 18, 23, 25, 26, 27, 29, 30, 31, 32, 33, 34, 36, 37, 39	3,14,24

<https://drive.google.com/file/d/13-mplXmzFEU9u0xNBgJdazJPv1d-QNK6/view?pli=1>

# Issues

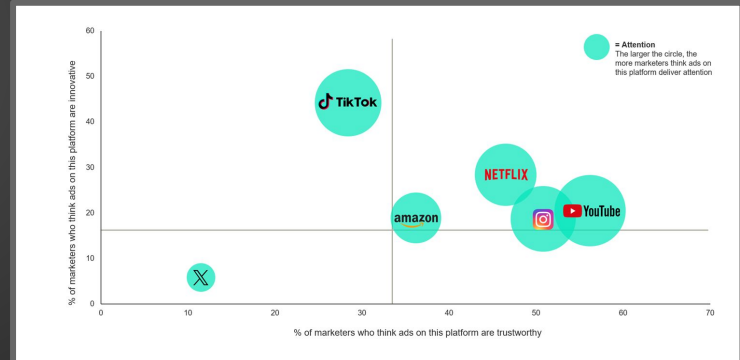
- Significant advertiser exodus due to brand safety concerns
- Content moderation deficiency compared to competitors
- Musk's ideological-driven decisions alienating advertisers
- Lack of tiered/segmented advertising options when competitors offer sophisticated targeting
- Regulatory challenges with increasing scrutiny over misinformation and content
- Reputational risk from leadership controversies impacting advertiser confidence
- Competitive disadvantage in AI-driven ad targeting capabilities
- Financial instability from declining ad revenue (52% decline in 2023)



# Situation Defense

- Declining ad revenue amid intensifying industry competition
- Competitors leveraging advanced AI-driven targeting for better advertiser ROI
- Lack of tiered advertising system limits optimization of ad reach and revenue
- Insufficient brand safety protocols compared to platforms like Meta and TikTok
- Advertiser hesitancy due to leadership instability and reputational concerns
- Content moderation policies alienating major brands and accelerating departures
- Competitive disadvantage in audience segmentation and premium ad services
- Need for structural changes to restore advertiser trust and financial stability

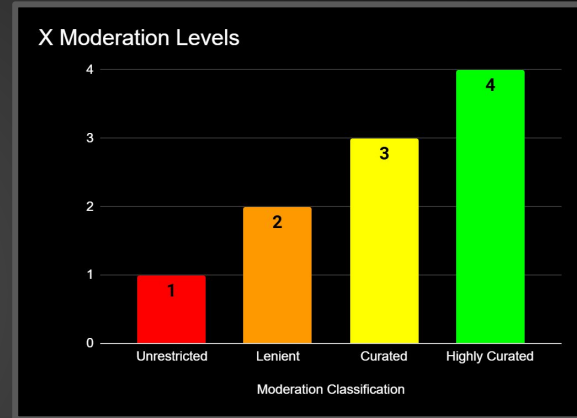
<https://www.kantar.com/company-news/more-marketers-to-pull-back-on-x-ad-spend-than-ever-before>



# Recommendation - Tiered Advertising

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- Implement 3-5 distinct advertising tiers with varying levels of content moderation
- Create premium tier with maximum brand safety guarantees and sector customization
- Develop standard and basic tiers with progressively less restriction at lower price points
- Allow advertisers precise control over their ad placement environment
- Balance brand safety needs with X's content philosophy

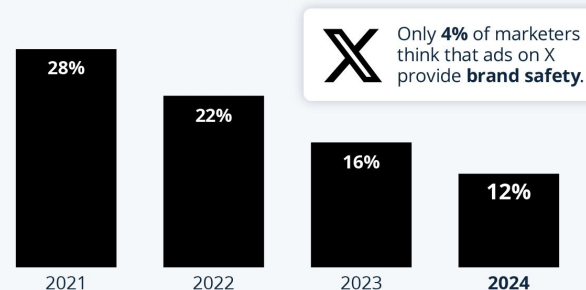


# Defense

- Only 4% of marketers believe X provides adequate brand safety vs. 39% for Google (Kantar)
- 26% of marketers plan to decrease X spending in 2025
- Advertiser trust has fallen from 22% to 12% since 2022
- Consumer ad preference for X has increased as ad volume decreased
- Addresses Porter's Five Forces analysis: counteracts advertisers' bargaining power

## Advertiser Trust in X Deteriorates

Share of marketers who think ads on X (formerly Twitter) are trustworthy



Based on surveys of around 1,000 marketing professionals from advertisers, agencies and media companies around the world  
Source: Kantar Media Reactions



# Recommendation - Management

- Elon Musk is a issue in advertiser's eyes
- He changes the business model on a whim
- We would propose separating him from upper management
- Allow X to become its own entity, with its own managers and with Musk taking a backseat
- Immediate application





# Defense

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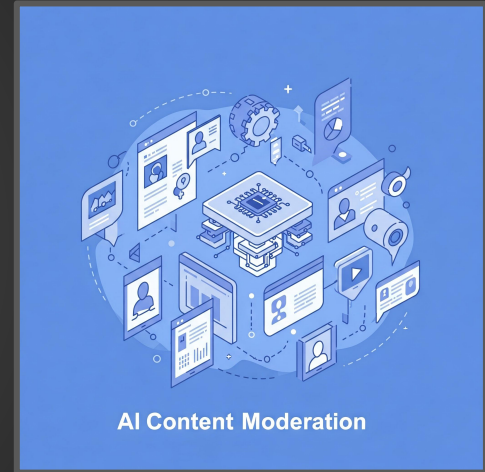
- “Clients are cautious about exposing their most valuable asset — their brand — to unnecessary risks.”
  - Brenda Imeson (Brave Bison)
- Advertisers are put off by *Elon-induced risk*
- “I like being direct and I like people knowing what I’m thinking about where the company is going”
  - Bob Iger



# Recommendation - AI content Moderation

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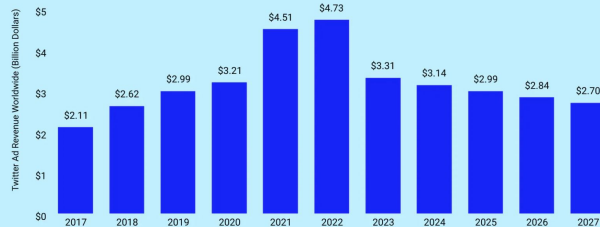
- Invest a large amount of capital into developing and honing AI moderation tools
- *Controversy Buffers* and *Parallel Universe* modes for example
- Make X a little bit less of a wild west of content
- Begin R&D ASAP, but rollout can be done slower
- X already applies AI, but there is massive room for improvement (Forbes)



# Defense

- Find the balance between freedom of speech and ad friendly space
- Instagram makes far more money on ads
- Advertisers clearly prefer platforms with strict moderation
- AI application will help X stay modern, and will bolster shareholder sentiment towards the company

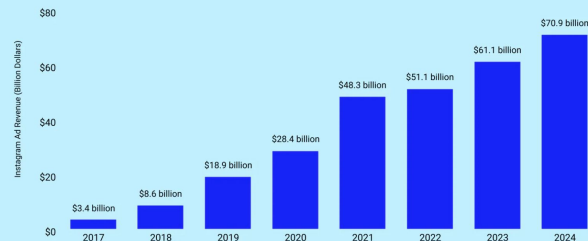
Twitter (X) Ad Revenue (2017–2027)



Source: Statista

**OBERLO**

Instagram Ad Revenue (2017–2024)



Source: WARC

**OBERLO**

# Conclusion

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The Social  
Media  
Advertising  
industry has  
massive  
profitability  
potential

X is having  
profitability  
issues due to  
its  
non-advertiser  
friendly  
environment

X must apply  
our recs to  
help bring  
advertisers  
back, and  
increase  
profit