THE W REPORT

# Twitter, Facebook & Tesla

## 2023-Q1

COMPANIES COVERED IN THIS REPORT

twitter
facebook
TESLA

GO FOR THE W™

# About This Report





## Our Report Series

Basic economic theory shows that in a highly competitive market, returns will be driven down to essentially no economic profit as rivals imitate any known advantage. To achieve a durable advantage, executives must find ways to defy this very powerful force of competition.

**The W Reports™** provide a proven, unique way to see what contributes to a company's revenue growth today, and predictive power of where company executives can focus efforts to drive future revenue.

Through our W-30 companies and consumer panel, we continually monitor how well each company meets their customer expectations. Our subscribers access this proprietary data to build durable competitive advantages as we monitor their customers using our SaaS.

For more about wRatings, see our appendix or contact us at wRatings.com.

## Report Coverage

| Business Framework | VALUE | PREMIUM | CHALLENGER |
|---|---|---|---|
| **Media/ Technology** | Google<br>facebook<br>intel<br>Microsoft | Disney | NETFLIX<br>Roku<br>twitter<br>zoom |
| **Food/ Retail** | Domino's<br>amazon<br>Costco Wholesale | Starbucks Coffee<br>lululemon | Beyond Meat<br>Chick-fil-A<br>crocs<br>Tractor Supply Co |
| **Industrial/ Transport** | ExxonMobil<br>Boeing<br>Ford<br>Southwest | John Deere<br>ups<br>DELTA | WM Waste Management<br>TESLA<br>Uber |
| **Home/ Finance** | Johnson & Johnson<br>charles SCHWAB | Toll Brothers<br>American Express | Zillow<br>Square |

See wRatings.com/w-30-companies for our most current coverage

# Key Findings Summary

**Three companies. Two in the same industry. Two with the same CEO. All seek growth in highly visible arenas under much public scrutiny.**

In this report, we look at the performance of Twitter, Facebook (which is owned by Meta), and Tesla (TSLA) against their current stated strategies for revenue growth.

We map each company's stated strategies to customer expectations, and then measure the gap between expectations and performance using our wRatings panel.

By using customer/user perception to measure performance, we get a forward-looking view into possible future profits without bias or drama influence.

**Overall, Twitter and Facebook are struggling to meet user expectations, although some of this is likely due to social media industry issues. Tesla is crossing the chasm from early adopters to main-street customers, and appears well on its way to doing so.**

This aligns with their Net Promoter Scores® in 2023-Q1 of -28.6 (Twitter), -12.1 (Facebook) and 14.6 (Tesla).

**At the end of this report, we use our Moat Profile to visually see what might happen if Elon Musk can improve Twitter's performance with users to the same levels as he has done with Tesla's customers.**

| | twitter | facebook | TESLA |
|---|---|---|---|
| *No. of Growth Strategies | 5 | 5 | 5 |
| Mapped to No. of Customer Expectations | 12 | 11 | 12 |
| Assessment as of 2023-Q1 | 1 ↑ Meeting Expectations | 0 ↑ Meeting Expectations | 6 ↑ Meeting Expectations |
| | 2 ↔ Somewhat Meeting | 3 ↔ Somewhat Meeting | 3 ↔ Somewhat Meeting |
| | 9 ↓ Not Meeting | 8 ↓ Not Meeting | 3 ↓ Not Meeting |

* Most companies typically state 3 to 8 growth strategies, which we map to needs from our customer interviews.

Our benchmark database contains customer perception on 12 functional needs and 5 emotional needs, with typical averages of n=200 responses per company on a TTM basis. Customer data in this report collected during March 2023. Threshold gaps for meeting, somewhat meeting and not meeting customers expectations come from our historical database collected since 1999.

# In Search of Growth

Twitter, Facebook/Meta, and Tesla are all in search of growth, although each is at a different stage in their progression toward greater scale. How their CEOs and executive teams make decisions today will impact the trajectory of each company.

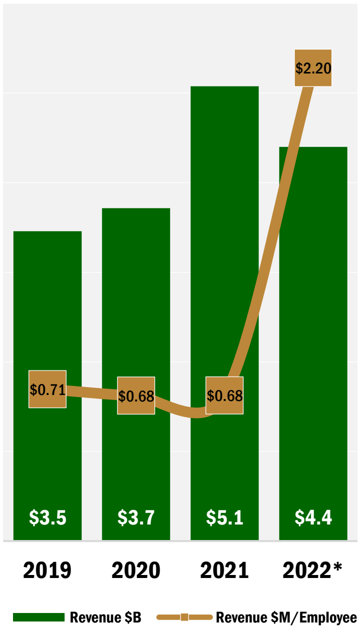
- **Twitter** primarily generates revenue from advertising services and data licenses to partners. Current Twitter plans are to add more ways to generate revenue, including user subscriptions.
- **Facebook/Meta** generates over 98% of its revenue from its Family of Apps (FB, Instagram, Messenger, WhatsApp, etc.) and the remaining from Reality Labs (VR hardware/software).
- **Tesla** generates over 95% of its revenue from automotive sales, leasing and services with the remainder coming from energy generation and storage.

Tesla is hitting its stride as the premier electric vehicle (EV) automaker. Revenue growth exceeds 50% in each of the last two years, with revenue/employee accelerating as well.

While Twitter and Facebook/Meta are arguably equally well-known, they are drastically different in size. Facebook/Meta generated ~26.5X the revenue of Twitter last year, and has ~43X the number of employees. Both companies brought in less revenues than the previous year.

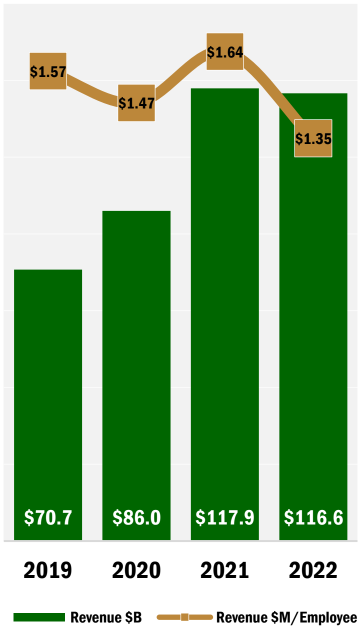
Twitter downsized considerably in 2022, which drastically increased its revenue/employee from $680K to $2.2M. Facebook/Meta generated $1.35M revenue/employee in 2022 and has also downsized in 2023.

## twitter



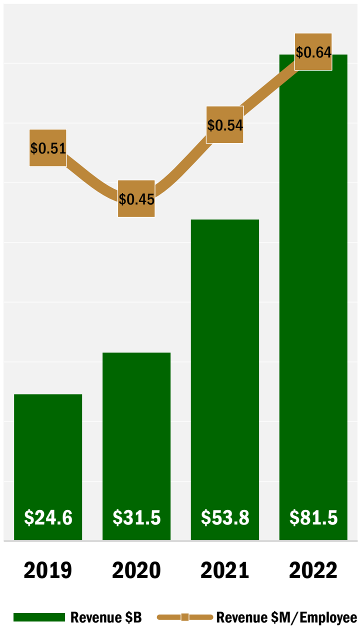

| | Revenue Growth | No. of Employees |
|---|---|---|
| 2019 | 13.7% | 4,900 |
| 2020 | 7.4% | 5,500 |
| 2021 | 36.6% | 7,500 |
| 2022 | -13.3% | 2,000 |

## facebook




| | Revenue Growth | No. of Employees |
|---|---|---|
| 2019 | 26.6% | 44,942 |
| 2020 | 21.6% | 58,604 |
| 2021 | 37.2% | 71,970 |
| 2022 | -1.1% | 86,482 |

## TESLA




| | Revenue Growth | No. of Employees |
|---|---|---|
| 2019 | 14.5% | 48,016 |
| 2020 | 28.3% | 70,757 |
| 2021 | 70.6% | 99,290 |
| 2022 | 51.4% | 127,855 |

Sources: The companies
* Twitter Revenue for 2022 from Business of Apps

# Twitter’s User Growth Strategy

At its core, Twitter is a social media tool that combines microblogging with news, with more focus on news breaking headlines. The company has been in turnaround mode at least twice, in 2015 and 2023.

**At the start of a 2015 earnings call, Jack Dorsey stated his strategy to build an ecosystem focused on news, discussion and helping people get paid**. His “three core jobs” concept was straight out of an HBR article about knowing your customers’ “jobs to be done.” The novel approach defines a company based on what really matters to its customers. Essentially, whatever creates value for its customers.

Since October 2022, new owner and CEO Elon Musk has been executing a turnaround playbook to put Twitter back on track financially. In a recent BBC interview, he said Twitter was tracking to lose three billion/year with only one billion in the bank, leaving “four months to death” in his words.

Being a turnaround, Twitter users can expect numerous and rapid changes to how the platform works. Rather than describing the feature by feature changes for customers, we centralize the themes the company uses as the foundation of the turnaround effort underway.

**A central theme of Elon Musk before buying Twitter and still today is his desire to create an Everything App.** This super app concept, similar to WeChat in China, is an all encompassing service under one app umbrella. In April, Bloomberg reported that Twitter was absorbed into X, something that Musk has previously stated to be his vision for an Everything App.


The Verge, 2015
Jack Dorsey

Daily Headlines Live, 2023
Elon Musk


## Key Areas for Winning Customers

### Jack Dorsey Turnaround 2015

**Ecosystem of connected features and services focusing on three core jobs:**

- **News, which is what’s happening**
- **Discussion, Conversation**
- **Helping people get paid**

### Elon Musk Turnaround 2023

**Connection of multiple themes**

- **Everything App, e.g. Banking, Delivery, Shopping**
- **Authentication, e.g. Twitter Blue/Gold/Silver**
- **Integrity, by enforcing API rules and how free speech is handled**
- **Exclusivity, e.g. Paid Access to Content**
- **Privacy, e.g. Message Encryption**

# Twitter Turnaround: Former vs. Current Users

To gauge the effort size for Twitter's current turnaround strategy, we matched up the current customer profile with the former customer profile.

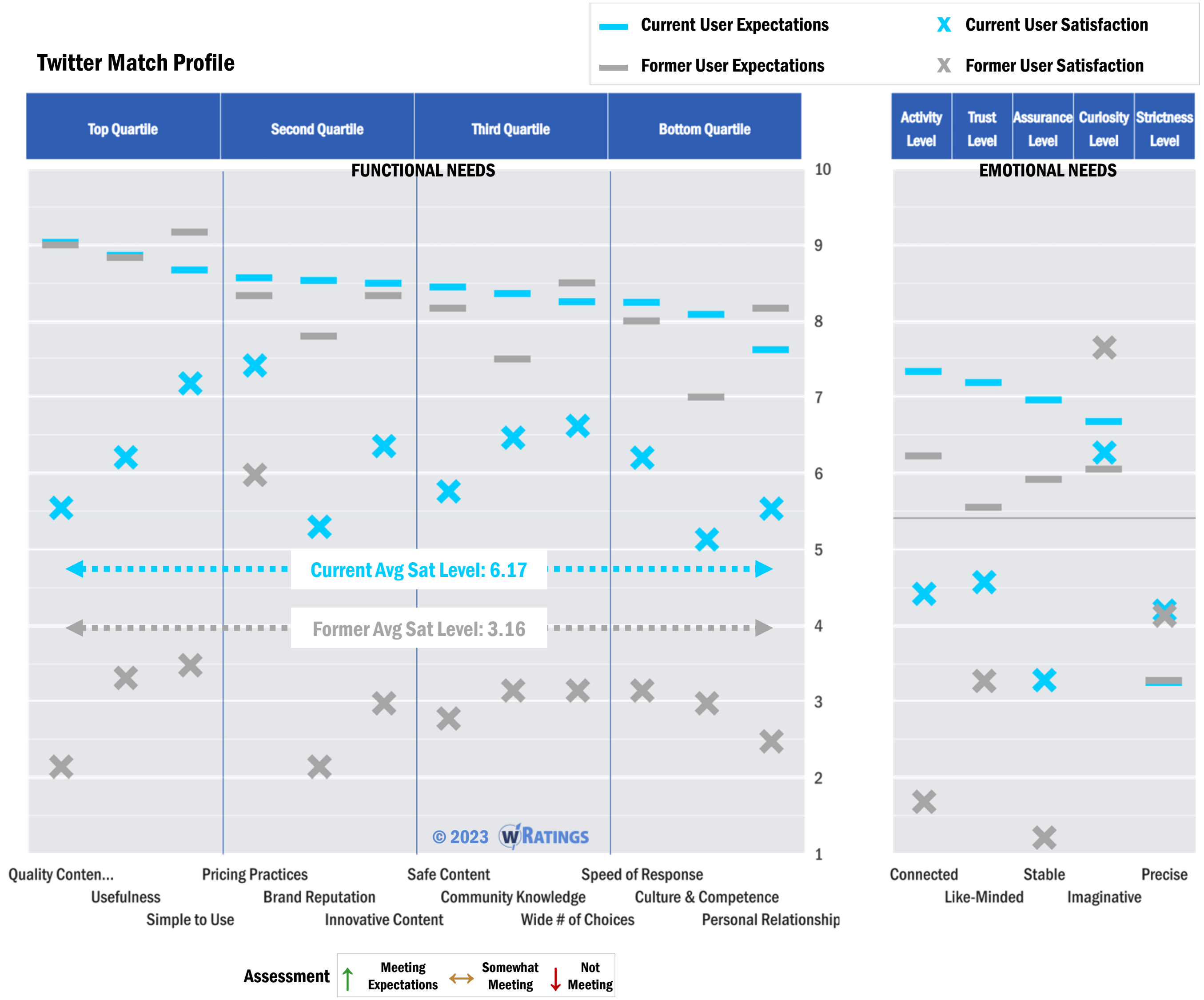
Current customer expectations use aqua lines and their assessment of Twitter's performance use aqua X's. Similarly, we use Twitter's former customers using gray lines and gray X's.

By far, customers that have left Twitter simply do not like the application. The average satisfaction level is 3 points lower for former customers, with all except one functional need scoring below 4. Similarly, customer performance is far above or below the customer ideal on all emotional needs except one.

**When companies are in turnaround mode, this is not only common but often necessary to bring the company back to profitability.**

During this period, executives may say "we got rid of all the undesirable customers" to explain their process. This appears to be accurate for Twitter. To measure how different former Twitter customers were, their expectation levels (horizontal lines) on 8 of 17 needs show a mild to strong variance from the current customer base.

**What former customers desired of Twitter is not the same as the customers using the app currently.**

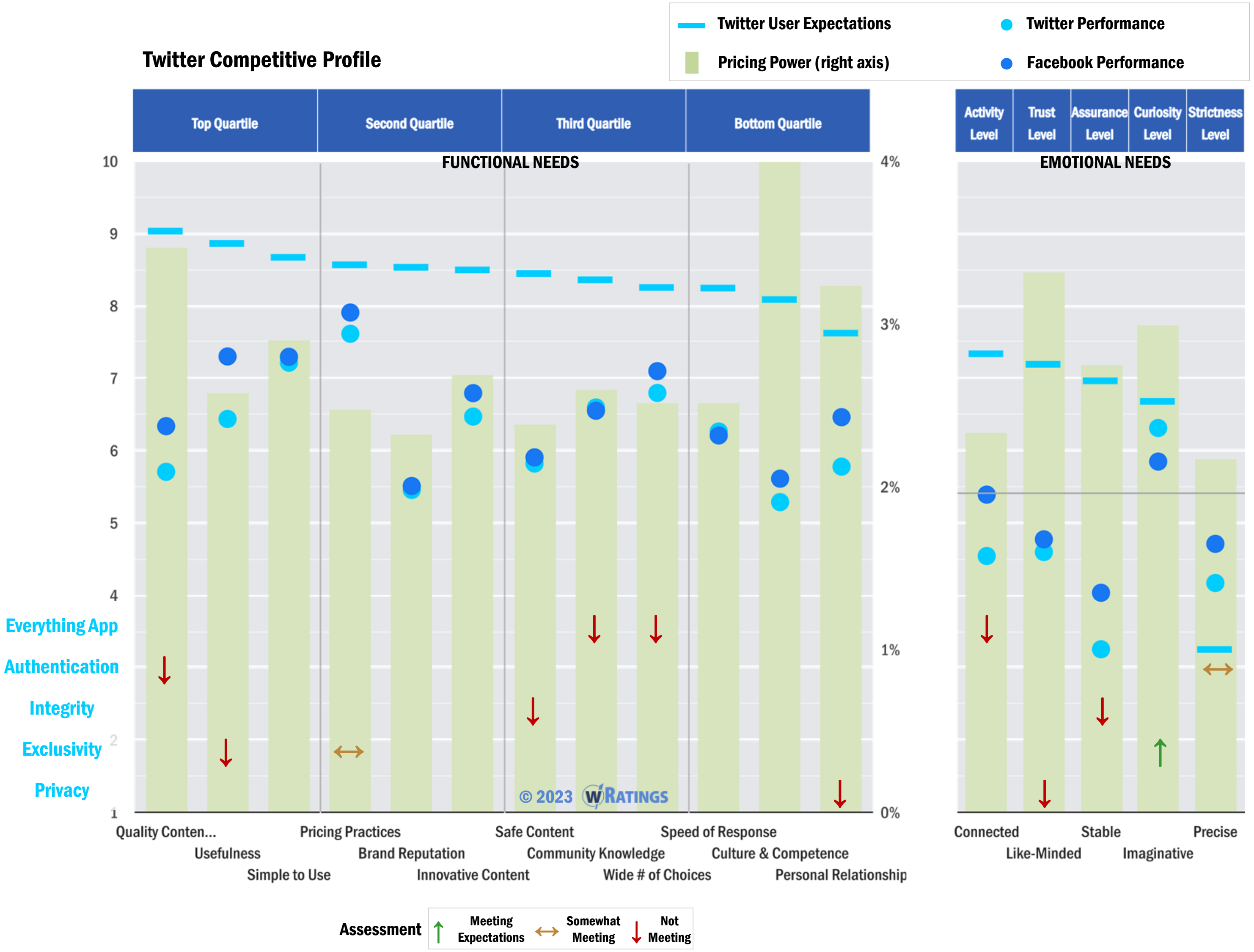


# How Twitter Users View Their Strategy

To assess Twitter's performance on their strategy, we map each key area to user expectations (aqua lines) and then measure how closely users say Twitter meets them (aqua circles). We also show how users of Facebook (blue circles) rate FB performance.

- **Everything App** maps to customer desires for a community with lots of choices and activity (connection). Both apps are struggling to keep users, and their user ratings reflect that.
- **Authentication** (e.g. Twitter Blue) ensures quality and reliable content appears, provided the right strictness level is applied. On an emotional level, Twitter users feel good about these changes but prefer even more flexibility. This hasn't changed users expression/support that content is of higher quality.
- **Integrity** issues such as free speech and API blocking ensures safer content for users and makes them feel stable. Both FB and Twitter struggle to make their users feel safe, and should prioritize efforts of transparency to improve their integrity.
- **Exclusivity** to drive revenues via paid access to content maps to the app's usefulness, pricing and curiosity levels. Twitter's new strategy is working well here, with a green for creativity.
- **Privacy** refers to the app's ability to build a trusted, personal relationship with users. Neither app is performing well here, but message encryption on Twitter could be a game changer.

Twitter users are willing to pay the most for Culture & Competence (4% Pricing Power), which is likely an untapped area for Twitter to exploit. Second highest pricing power is quality content, which has been a top priority for the new Twitter.



# Facebook (Meta) User Growth Strategy

While Meta Platforms (META), formerly known as Facebook, is in the same industry and product categories as Twitter, people use Facebook to accomplish different goals.

**Meta's mission is "to give people the power to build community and bring the world closer together"** according to their recent 10-K filing.

Meta splits their financials into two segments: Family of Apps (FoA) and Reality Labs (RL). FoA includes Facebook, Instagram, Messenger and WhatsApp whereas RL builds mostly future products not on the market today for the metaverse. The FoA generates 98%+ of Meta revenue, with Facebook responsible for about half.

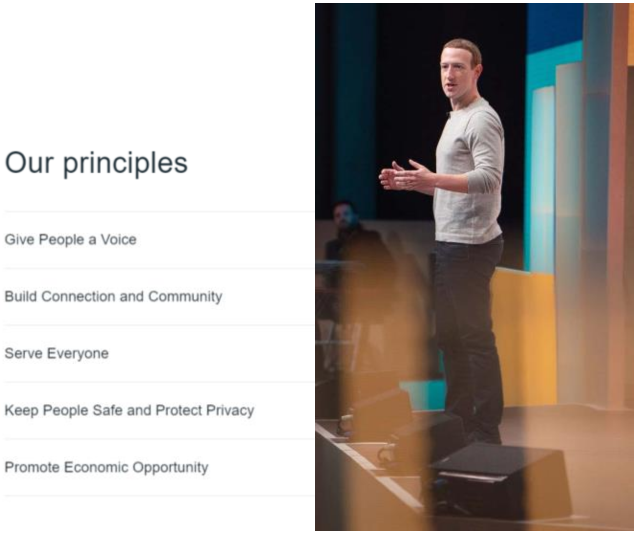
**Similar to the Twitter, Meta generates substantially all of its revenue from selling ad placements on its Family of Apps to marketers.** This strategy is at risk currently, as the apps have been adversely affected by Apple's privacy changes as well as the emergence of TikTok as a competitor.

The company may consider alternative ways to generate revenue, including some current Twitter-like strategies such as a subscription model or a Meta Verified feature (primarily on Instagram). Their most promising development has been Reels, a short video format similar to TikTok, although its monetization is still in its early stages.

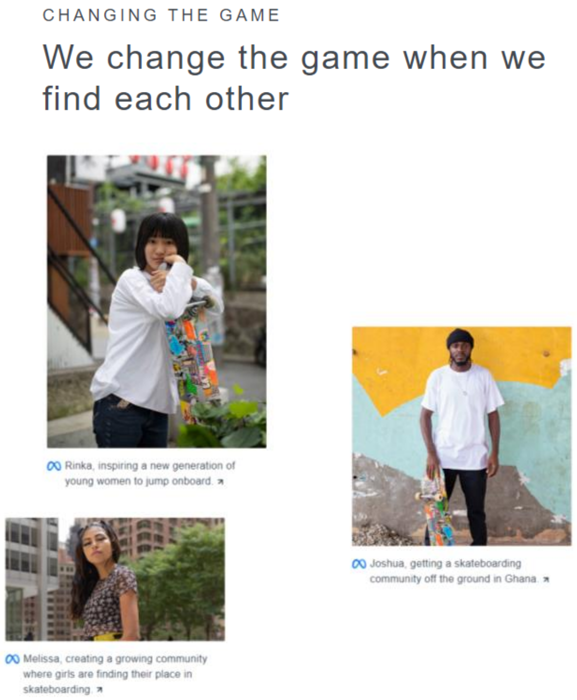
Similar to Elon Musk, Meta CEO Mark Zuckerberg has faced scrutiny around Meta's profit-taking, user safety and data privacy. The social media industry overall has been impacted, and will likely need to modernize its strategies to continue growth.

## Key Areas for Winning

- **Give People a Voice**
- **Find Each Other & Connect**
- **Serve Everyone**
- **Keep Safe & Protect Privacy**
- **Useful & Engaging**




Source:
facebook.com

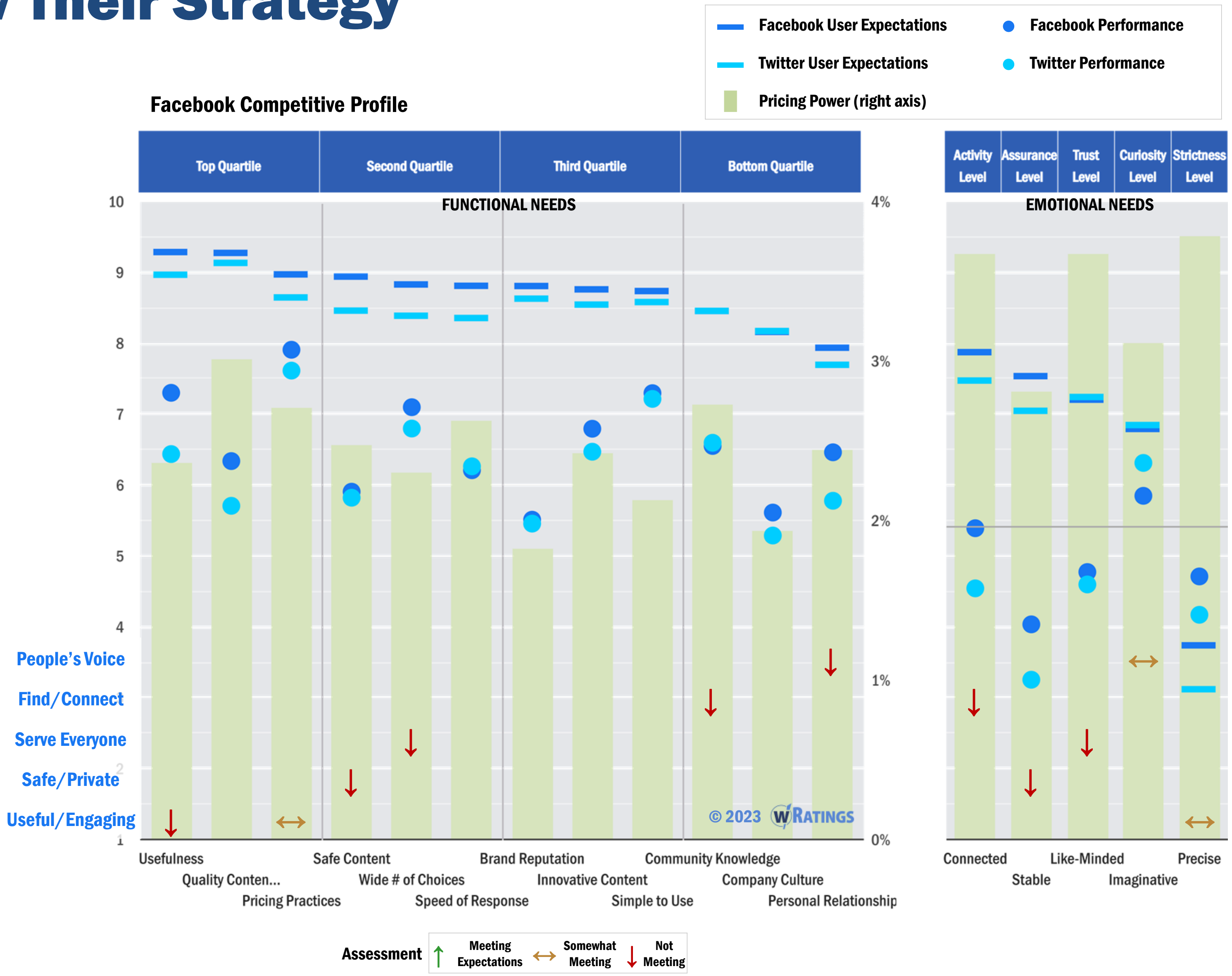


# How Facebook Users View Their Strategy

This Competitive Profile is for Facebook only. To assess Facebook's performance against their User strategy, we map each key area to user expectations (blue lines) and then measure how closely Facebook meets them (blue circles).

- **Give People a Voice** maps to FB's ability to establish a personal relationship with appropriate curiosity levels. FB is struggling to provide people with their voice, although users do still believe somewhat in their ability to tap into the imaginative.
- **Find Each Other & Connect** maps to building community and increasing connection. As more users quit FB, these areas no longer resonate as an advantage for FB.
- **Serve Everyone** maps to being trusted while providing wide choices and availability, of which FB is not meeting user expectations on either one. FB is struggling to be trusted by its users, and questions remain about its authenticity.
- **Keep Safe & Protect Privacy** maps to user expectations for safe content and stability while using the app. FB is performing the worst with users on both these needs, missing by 3+ points.
- **Useful & Engaging** maps to how much users expect the app to be useful without too much strictness (flexibility) at a reasonable price. Although FB remains free, users still struggle with its overall value and usefulness. Users want the app to have more flexibility and see it as too controlling.

FB's largest opportunities for pricing power/preference rest in their ability to improve their emotional bond with users in areas of activity, trust and strictness.



# Tesla Customer Growth Strategy

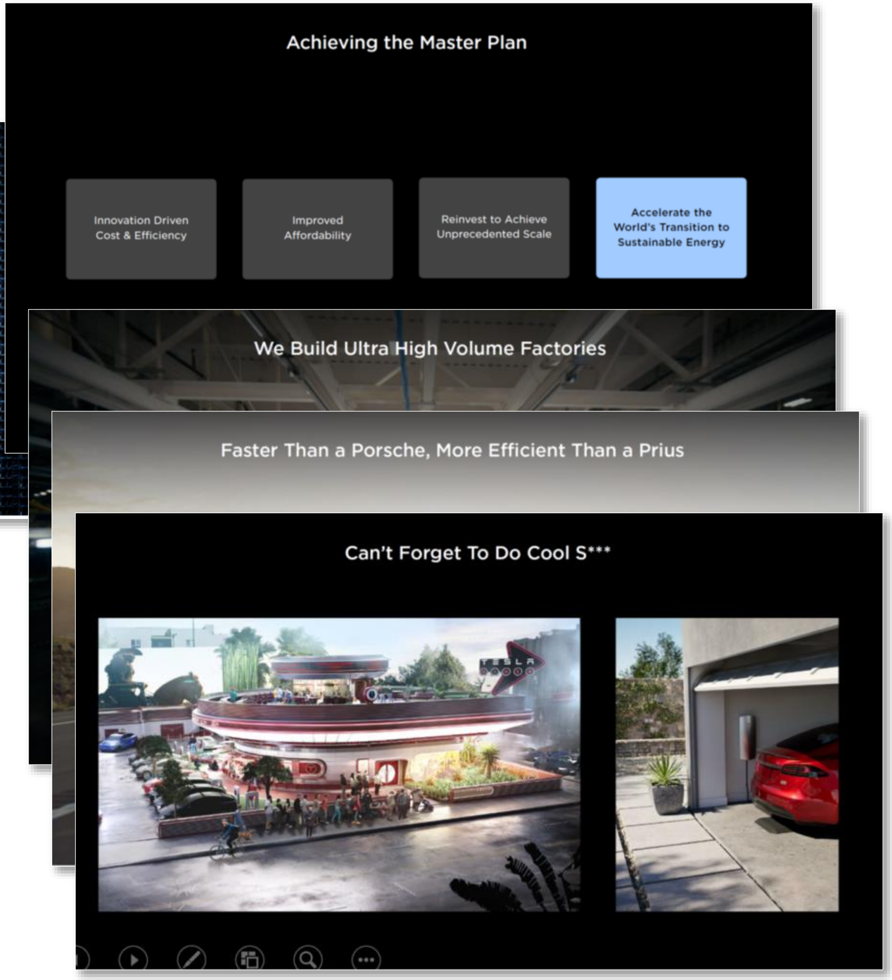
Tesla is one of the largest electric vehicle (EV) automakers in the world. According to Motor Intelligence, they own a 62.6% US market share as of 2023-Q1, with the next largest share at 7.9% for GM.

Tesla believes their differentiation from other automakers comes from their vertically integrated business model and focus on user experience. Their recent March Investor Day provided a deep dive into how the company views their technology, engineering, industry and overall world.

In the last ten years, Tesla has grown into a well-known brand that offers luxury cars as well entry-level midsize cars and crossover SUVs. Future models include trucks, sports cars, SUVs and affordable sedans.

Tesla's current focus is to lower the cost of ownership for customers as the company has dropped prices multiple times in the last months. As manufacturing scale improves, this will drive increased sales volume and further extend any cost advantages the company currently maintains.


Investor Day, March 1, 2023




**Key Areas for Winning**

- **Innovation**
- **Scale & Volume**
- **Cost/Affordability**
- **Design: Fast, Efficient, Safe**
- **Cool S*****

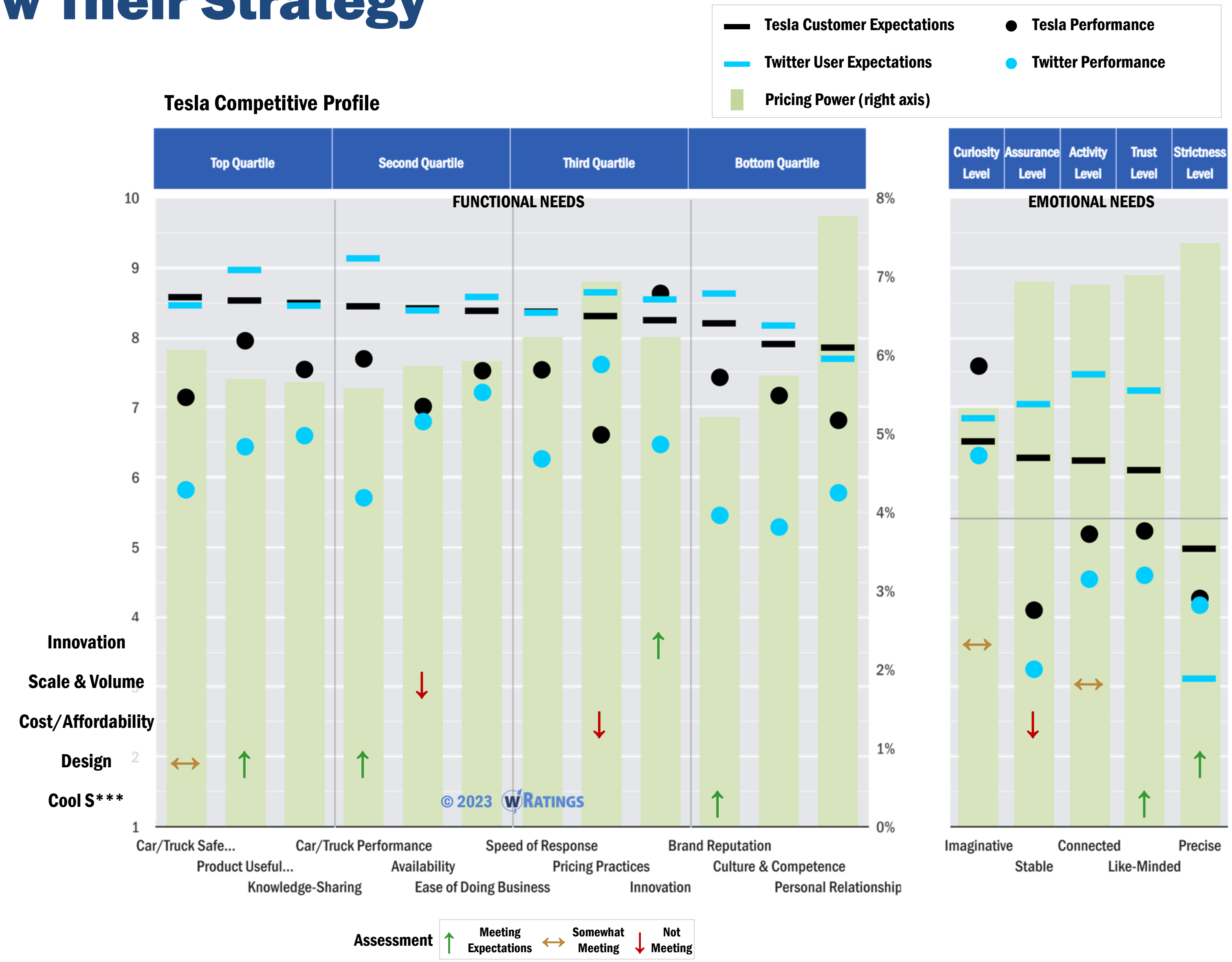
# How Tesla Customers View Their Strategy

To assess Tesla's performance, we map each key area to customer expectations (**black lines**) and then measure how closely customers say Tesla meets them (**black circles**).

- **Innovation** as a strategic area maps directly to customer expectations for imagination and innovation in our data. Tesla over-performs for customers on innovation. While Tesla also overshoots imagination, they are trying to attract a main-street type customer who doesn't desire as much creativity.
- **Scale & Volume** maps to availability and activity levels. As Tesla ramps up more manufacturing, availability has historically been an issue. On the positive side, Tesla does a good job connecting with customers to keep them informed.
- **Cost/Affordability** maps directly to pricing and risk (assurance levels). Tesla has been cutting prices as volume becomes more available, although customers remain skeptical.
- **Design** covers a broad range of customer needs for safety, performance, usefulness and precision. Tesla is performing extremely well in all design areas, although does need to reinforce the safety features of its vehicles.
- **Cool S***** is a core way to celebrate the Tesla brand and trust levels, of which the company remains strong even as their customer base diversifies and grows.

**As a company crossing the chasm from early adopters to main street customers, Tesla is in a strong position to continue its growth.**

Pricing power is over 7.7% with customers for more of a personal relationship, indicating a Tesla Loyalty Program could very well be a winner.



# Moat Framework & Revenue Growth

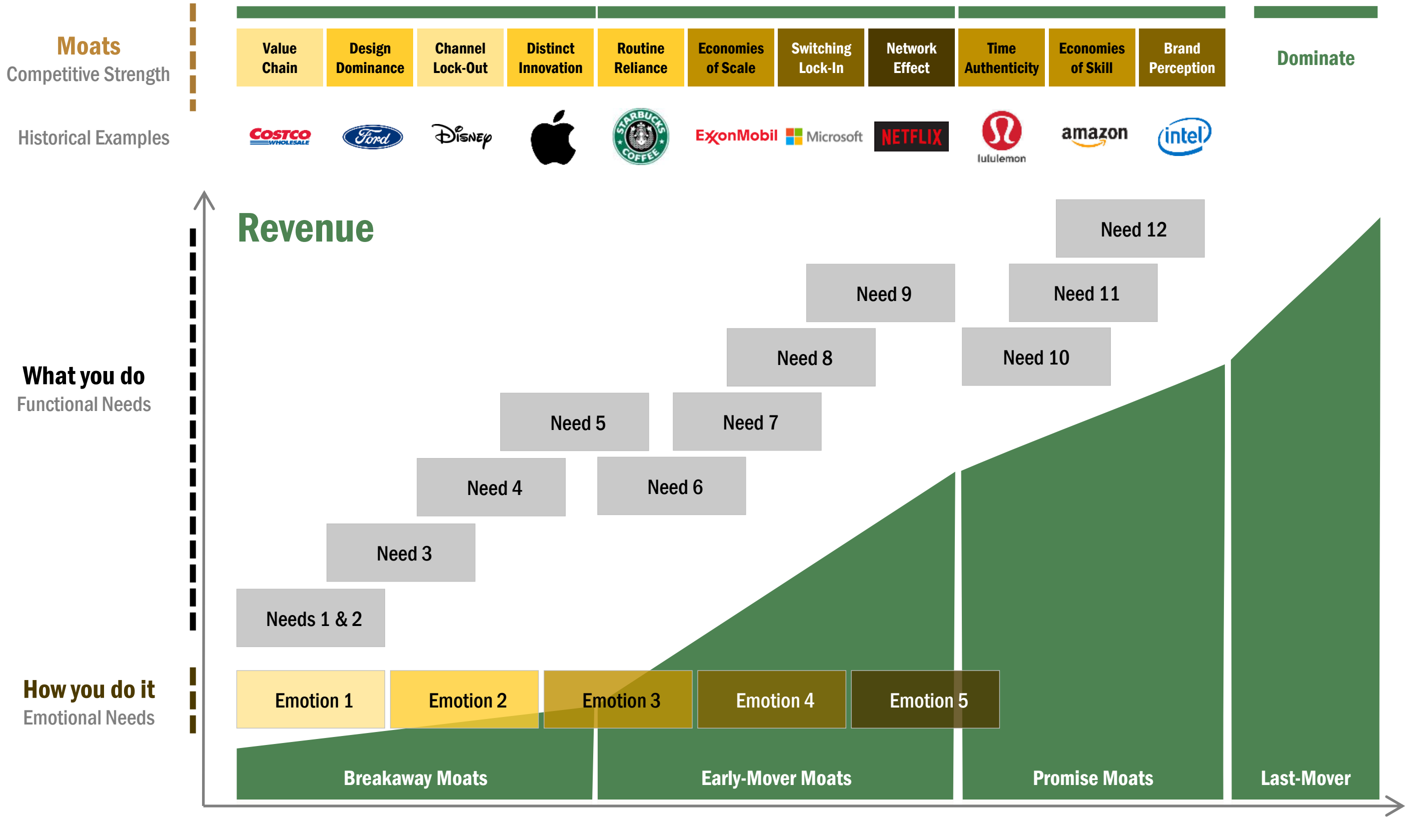
Similar to castles of the past, companies must build moats around their customers to keep rivals from taking them away. Most discussion about moats in business refer to economic moats, where a company's advantages are seen (or not) in their financials. Our moats refer to customer moats, which are the precursors to and continuation of economic moats.

In two different studies (2001-2005 and 2005-2015), we examined 135,000+ customer interviews to determine what the most financially successful companies did to meet expectations better than their industry rivals. **We found 11 patterns – moats – in the data that show how companies progress through stages to meet specific customer needs and build momentum**.

Executives can borrow ideas that meet those needs from other companies outside their industry and adapt them to build moats to out-smart and out-execute rivals.

Progression to revenue growth typically occurs over four stages:

- **Breakaway:** Up to 85% of all companies get stuck in the first two moats as they fluctuate between performance and price promises. Don't think outside the box, create a new one.
- **Early-Mover:** Out-think and out-execute rivals by setting up new rules that rivals struggle to follow.
- **Promise:** Using the power of consistency over time, generate barriers for customers to use in their buying decision factors.
- **Last-Mover:** Never let rivals say they are "the same"; Constantly defend and repeat growth moats to avoid reversion to the mean on your financials.




Progression to Revenue Growth

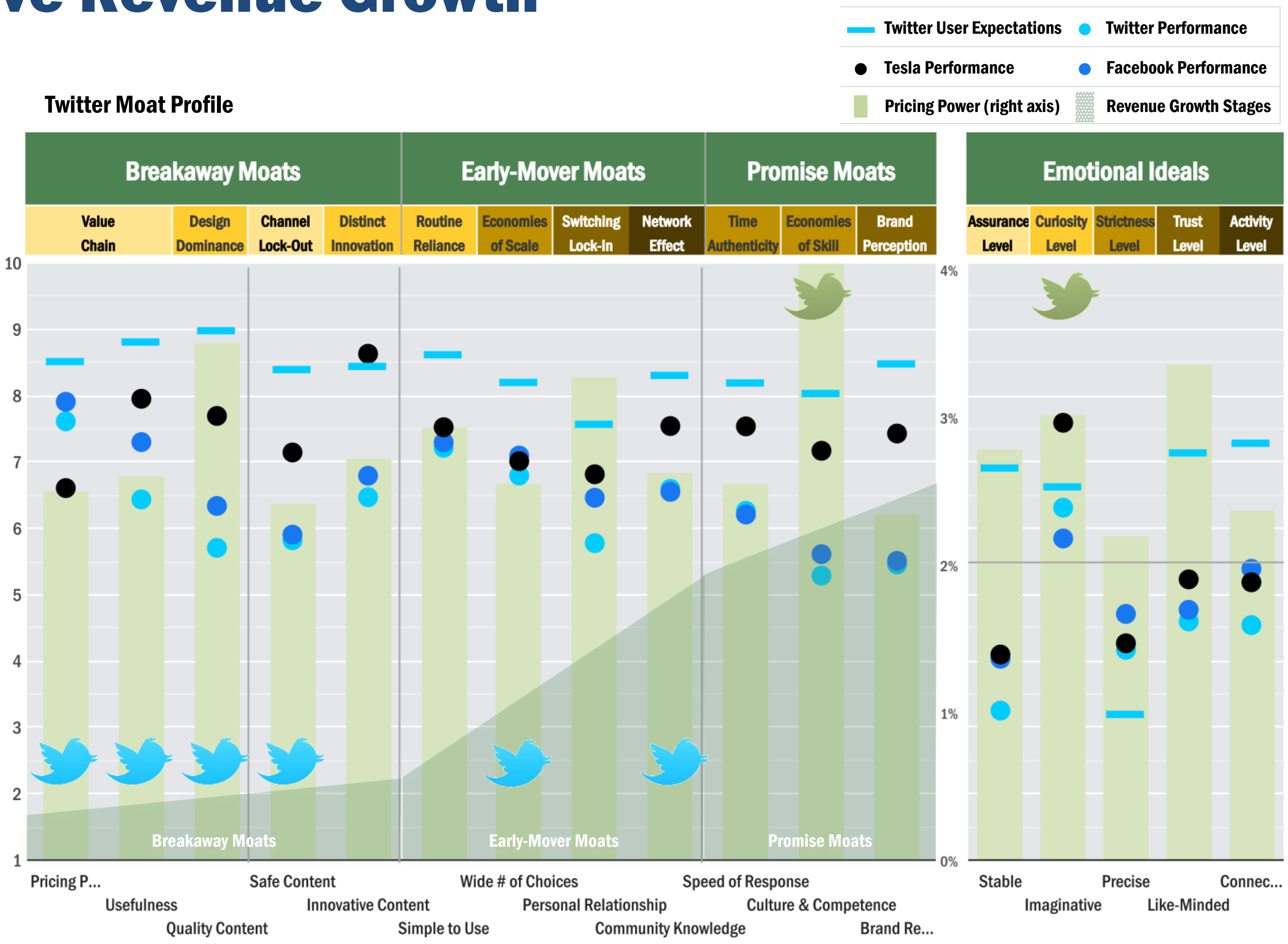
# How Twitter Moats Can Drive Revenue Growth

Since Twitter needs to generate revenue asap, we've mapped their strategy in a moat profile to analyze its chances to succeed:

- **Breakaway Moats.** Turnarounds require executives to go back to the start again as they redefine the customer value proposition. Companies cannot breakaway into early-mover opportunities unless customers see basic value. Twitter's current strategy is spot on to try to accomplish this. Their efforts to establish a subscription model, pay for exclusive content, authentication (Twitter Blue) and integrity (free speech) must all be solidified first. **Twitter's creativity is currently meeting user expectations, something the company could exploit.**
- **Early-Mover Moats.** The Everything App strategy will require a larger community of users who want more choices. These are better left until later once Twitter's core value is re-built.
- **Promise Moats.** These moats require 5+ years of consistent performance (on their promises) before they become a strength. Current Twitter users are willing to pay the most for a company's culture & competence. **Similar to how Amazon built a moat around its culture of delivery competency, Twitter could build a moat around its non-judgmental culture to deliver news.**

When looking at the Twitter strategy through our progression to revenue growth lens, Twitter is working on the right things in the right order. Users don't view the performance of Facebook as much different from Twitter, but the Twitter turnaround strategy is already underway to shift user perception of the app.

**And if Elon Musk can improve Twitter's performance with customers to the same levels as his Tesla customers, success is likely.**




For more information about our moat framework, contact us at wRatings.com

Appendix

# The Power of wRatings

# Our Business Framework: We Help Executives Win

Using our customer perception research with artificial intelligence algorithms, **we make revenue growth visible so executives can set the new rules of competition in their markets.**

To drive financial improvement for our clients, we make a series of fixed investments in tools, benchmark databases and predictive analytics. Using our patented, proprietary research methods, we build forward-looking views of where companies can create compelling value for their customers.

In May 2002, our research was highlighted as the cover article in *Harvard Business Review*. We are a partner to the Drucker Institute that scores the best managed companies, which is published in the *Wall Street Journal* every December.

CEOs/Executive Teams and PE Firms/Hedge Funds gain real-time access to our research & analytics through our fully automated SaaS (Software-as-a-Service) system.

## FIXED INVESTMENTS


SaaS Tool (Software-as-a-Service)

Patents, Analytics & Predictive Power

Benchmark Database

## LEVERAGED BY

Online Panels & Business Members

Articles & Books

THE W REPORT
WSJ

Reports, Indexes & Events

## SUBSCRIBED BY

CEOs & Executive Teams

PE Firms & Hedge Funds

**Companies scoring the highest in our ratings out-perform the S&P 500, Russell 1000 and Russell 2500**

| Our Top Companies | S&P 500 (Total Return) | Russell 1000 (Total Return) | Russell 2500 (Total Return) |
|---|---|---|---|
| 154.1% | 133.2% | 128.9% | 83.5% |


Source: Concentus Wealth Advisors, April 1st, 2023

# Our Portfolio of Winners (sample from 450+ companies)

While we work with organizations from all sectors of the global economy and have conducted research in 40+ countries and 15+ languages, we are not industry experts in anything but one area: revenue growth.

Since the late 1990's, we've been measuring customer expectations and how well companies and their rivals meet them. We also measure how much pricing power each company possesses, and which customer areas each company can improve to capture the most pricing power.

We especially value our executive relationships, where many have worked with us at multiple stops during their careers. This is a clear sign that our system not only works, but is an integral part of an executive's playbook to success.

**Consumer Goods**

Brown-Forman
Coca-Cola
Coors
Estee Lauder
Johnson & Johnson
Kellogg
Lexmark
Nike

**Finance/Insurance**

Aflac
Equifax
GE Healthcare
GEICO
MasterCard
Northwestern Mutual

**Home & Travel**

AirTran Airlines
Allied Waste/Republic
Builders FirstSource
Carnival Cruises
FedEx
Sikorsky Aircraft
The UPS Store

**Media & Advertising**

Anthony Robbins Co.
BBDO
ESPN

**Telecom**

AT&T / Cingular
Verizon

**Retail/Food**

Aramark
Burger King
Chili's
Dollar Tree
Men's Wearhouse
OfficeMax
Performance Food
PetSmart
Rite-Aid
Walmart

**PE & Hedge Funds**

Concinnity Group
CVC Capital
Diamondback
Mantle Ridge

**Tech/Consulting**

Cymer
Drucker Institute
Google
i2 Technologies
IBM
Oracle
SAP

**Industrial/Materials**

ADAMA
DLF Seeds
Finning/Caterpillar
Shrieve Chemical
Syngenta
Univar
Vixxo/FM Facility

# Breaking Away: It's A New Way of Thinking

We help companies leapfrog their rivals by infusing a completely new way of attacking customer value.

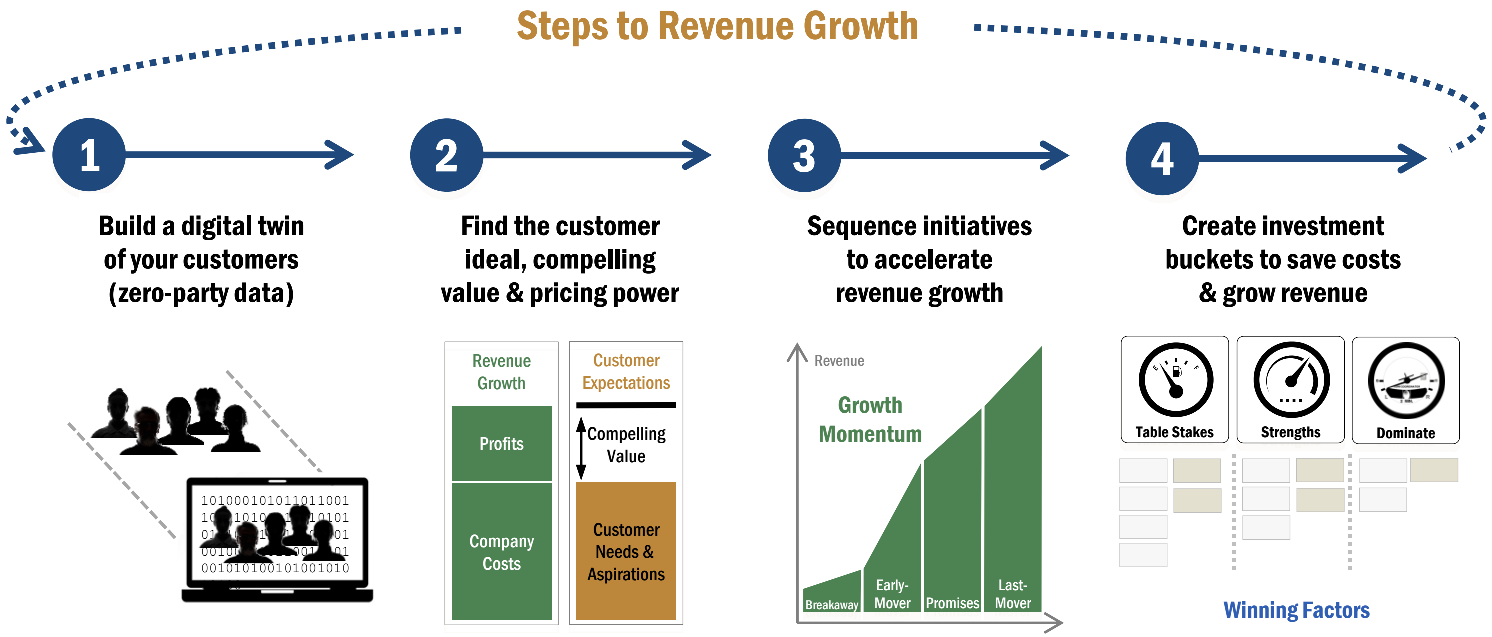
**Rather than copying what your competitors are doing (or trying to do), we introduce a superior way to grow your revenue by introducing the only true competitor you have: What customers expect.**

We measure customer expectations based on not only what they want you to do, but how they want to feel when you do it. Emotions drive customers off their status quo and create pricing power, two of the most critical aspects to revenue growth.

By setting the new rules of competition, you force rivals to continually play catch-up to your market position.

**Your only true competitor is what customers expect.**

**Be the one to set expectations by making the rules.**



THE W REPORT