

Twitter Has Captain Kirk, Dell Tweeting for Revenue

by Joseph Galante and Ian King

Twitter Inc., the online messaging service derided by comedian Jon Stewart as “inane chatter,” is being taken seriously by big business.

Dell Inc. is using Twitter to sell personal computers and solve customer problems. International Business Machines Corp. uses it to get research scientists talking. Intel Corp. is there looking for engineers and Microsoft Corp. is sponsoring a Twitter site that carries “Tweets” from executives.

Corporate fascination with Twitter, a blend of instant messaging and blogging known as “micro-blogging,” is intensifying as companies seek new ways to reach consumers in the recession. Twitter users post 140-character “Tweets” about whatever’s on their mind, giving companies a unique opportunity to pounce on consumers right as they express an interest in buying something, said analyst Charlene Li.

“It’s the ability to tap into somebody’s interest at the moment it’s expressed,” said Li, founder of Altimeter Group, a San Mateo, California-based research firm that specializes in social technology.

Twitter users in the U.S. increased 15-fold to 7 million in February from a year ago, according to Nielsen Online. Facebook Inc. and News Corp.’s MySpace each had more than 50 million. Still, companies can use Tweets to get an instantaneous snapshot of what people are saying about their products, or reach consumers who are just about to buy, say, a Dell computer.

Twitter may also be a solution for reaching users that are increasingly immune to traditional advertising. About 24 percent of 123 businesses surveyed by Forrester Research Inc. are planning to cut traditional ad budgets to boost social-media spending this year.

Social-Media Spending

“More and more, people are becoming aware of the different ways companies can use Twitter,” Chief Executive Officer Evan Williams, 37, said in an e-mail. “And as the user base has grown, the value to doing so has grown.”

Twitter’s popularity hasn’t gone unnoticed by larger Internet companies. Google Inc., the most popular search engine, is in talks to buy the company, the TechCrunch blog reported today, citing people close to the discussions. Facebook held talks to buy Twitter for about \$500 million, the Financial Times reported in November, citing people familiar with the matter.

“Our goal is to build a profitable, independent company and we’re just getting started,” Twitter co-founder Biz Stone said today in response in a posting on the Web site.

In October, Williams said in an interview that Twitter expected to start making revenue in 2009, probably through advertising. Last month, Microsoft started sponsoring a site that publishes Tweets from executives at companies such as Procter & Gamble Co. and Amazon.com Inc. Twitter doesn’t disclose its sales.

Small Fluffy Creatures

Twitter has also spawned a cottage industry of third-party companies that plumb the “Twittersphere.” Companies such as Boulder, Colorado-based Collective Intellect Inc. and San Francisco-based Salesforce.com Inc. have applications that let clients track customer comments on Twitter. In July, Twitter bought a search engine to help users navigate the site.

Twitter users post messages about music, brands of coffee, the sex lives of their pets, anything and everything. Twitterers direct their musings at groups of users that decide to “follow” them on the site. Much of the content takes the form of “life streams,” or short descriptions throughout the day of what a particular user is doing or thinking. It’s those random, often frivolous postings that have attracted ridicule from comedians such as Stewart, host of Comedy Central’s The Daily Show.

“Thank jesums for coffee, music, small fluffy creatures, sharks, aliens, spandex, big sunglasses, NARS turkish delight, lipgloss, and perez Hilton,” a user called DanaLaurenJazz Tweeted last week.

Not Just Random Chatter

Twitter is more than a forum for random thoughts, said Todd Chaffee, a partner at Institutional Venture Partners, which invested \$14 million in Twitter in February. In total, Twitter has received more than \$50 million in venture funding since it was started in 2006 by Williams and Stone. Facebook, by contrast, has raised about \$500 million from debt and equity, including a \$240 million investment from Microsoft that valued the company at \$15 billion.

“The conventional wisdom is that it’s just a conversation place,” Chaffee said. “The real story is it’s a utility to be used in different ways.”

Priceline.com Inc., Southwest Airlines Co. and JetBlue Airways Corp. all post deals on Twitter to entice users who are thinking of traveling. Actor William Shatner, the frontman for Priceline’s “Negotiator” TV-advertising campaign, appears as a pitchman on Twitter touting airfare deals. Shatner, who played Captain Kirk in “Star Trek,” also uses Twitter to drive visitors to his own site.

‘Flickering Fire’

“Even the youngsters are having problems explaining why Twitter exists,” Shatner, 78, said in phone interview. “It’s like watching a flickering fire, learning about the minutia of someone’s life by peripherally involving yourself in it and hearing about their cat.”

While micro-blogging sites are growing in popularity, Twitter faces the challenge that its technology could be reproduced. Facebook and sites such as LinkedIn Corp. offer similar micro-blogging features.

“I don’t know how persistent Twitter will be,” said Sharon Wienbar, a partner at Foster City, California-based Scale Venture Partners, which invests in Internet companies. “What’s achieved in Twitter can be achieved in a lot of other form factors.”

Dell Outlet

Dell, the world's second-largest personal-computer maker, started using Twitter after an employee attended the South by Southwest technology festival in Austin, Texas. Dell's outlet unit, which sells reconditioned, returned and slightly damaged machines, Tweets to reach new customers.

"Dell Outlet doesn't have a lot of marketing dollars," spokesman Richard Binhammer said. "It occurred to them that they might be able to move their inventory quicker by offering deals on Twitter."

Dell has landed \$1 million of sales using Twitter. Even though that's a fraction of Dell's \$61 billion in annual sales, it costs almost nothing, Binhammer said. Twitter also allows Dell to promote new products and help customers with technical problems, he said.

Advertisers are courting social-networking users because their opinions matter. More than 65 percent of 112,000 people surveyed said they were more likely to purchase products or services that they learned about in social-networking services, according to Powered Inc., an Austin-based company that helps Sony Corp. and Hewlett-Packard Co. with their social-media strategies.

'Absolutely Critical'

IBM uses Twitter as more than just a sales tool, said Adam Christensen, manager of social-media communication at the world's largest provider of computer services.

"It's not so much about selling widgets and gadgets as helping IBM employees engage with each other and the outside world," he said. "This is the next generation of instant messaging."

IBM has more than 1,000 employees using Twitter to share ideas and communicate on research projects. IBM also has its own internal version of the service and uses Tweets to do informal surveys, figuring that Twitter users are a good focus group for technology usage.

Intel, the world's largest semiconductor maker, has used Twitter to advertise engineering positions and publicize events including the company's developer forums.

For companies just getting a start, such as Yield Software Inc., Twitter also offers a cheap and direct marketing path.

"It's just absolutely critical to our business strategy," said Derek Gordon, vice president at San Mateo, California-based Yield. "When I started out in PR, it was all about mass communication. Now it's very much one-to-one. It's this intimate connection with people you seek to serve."