

The Obsession With Twitter's Business Model

by Claire Cain Miller

Twitter's venture capitalists say they are not worried about when the microblogging start-up will start making money. And why should they be? The techies in the blogosphere are taking care of that for them.

Twitter watchers are so obsessed with how the company will make a buck that they jump on every hint of a business plan and spread it across the Web.

The latest is Federated Media's venture to start Web sites that pull together tweets about a certain topic or by a select group of people. The online ad network is getting companies to sponsor the sites and will share the advertising revenue with Twitter. The first site was ExecTweets, a collection of tweets from executives sponsored by Microsoft. The second, which went live Thursday morning, is MarchTweetness, with tweets about the March Madness basketball tournament and sponsored by AT&T.

The first site heralded blog headlines like "Twitters Sells an Ad!" and "The Business Model Begins." Well, not exactly.

When I asked Biz Stone, a co-founder of Twitter, if this marked Twitter's first influx of revenue, he said no. Between the cut Twitter gets from Federated Media and the interest it earns off the money in the bank, he said, "Twitter does not have meaningful revenue." (Still, the interest off the unspent millions of the \$55 million Twitter has raised from venture capitalists could certainly pay for a few drinks.)

Twitter provides developers with free access to its platform and data. There are several thousand Twitter applications, some of which make money from advertising, none of which give Twitter a cut. Federated Media had no obligation to share, either. "They want to give us some of their money, which is nice of them," Mr. Stone said.

"We wanted to work in an open, collaborative way," said Matthew DiPietro, Federated Media's marketing manager. (Disclosure: The New York Times Company was a seed investor in Federated Media.) Twitter's executives gave input on the project and "it was only right that we share revenue with them," he said. Universal McCann, Microsoft's ad agency, is also working on the project.

For a couple days, Twitter promoted ExecTweets in a small box near the top of Twitter's homepage. That was not tied to the money Twitter is receiving from the site, Mr. Stone said. He plans to feature different Twitter applications there each day as a way to promote the twitterverse.

As for a more official business plan and meaningful revenue, "We are not trying to be vague — we are still trying to figure that out," Mr. Stone said. This month, Twitter hired its first staffer to focus on revenue. Anamitra Banerji, former director of ad product marketing and management at Yahoo, is researching how businesses use Twitter to figure out which new features they would find most valuable.

The team does not yet know what the paid service will include, but Mr. Stone said it will likely offer things like analysis of the traffic to businesses' Twitter profiles and verified accounts so customers know they are talking to the actual business. (That would help businesses avoid the Keith Olbermann mishap earlier this week. Mr. Olbermann named Twitter "the worst person in the world" for allowing a fake account under his name, but it turned out that MSNBC was running the account, unbeknownst to Mr. Olbermann, says Mr. Stone.)

Twitter's investors are patient. "We are not worried about growing users, we're not worried about monetization, we're just worried about making a fantastic product," said Todd Chaffee of Institutional Venture Partners, which participated in a \$35 million investment round in February.

Evan Williams, Twitter's chief executive and co-founder, prefers not to comment on business model plans at all because Twitter watchers get too carried away. "If I say any particular idea, it gets made too much of," he said. "We think Twitter will make money. I think it will take some time to figure it out."

Still, it seems that techies will not stop watching every move he makes for the faintest sign of revenue. Silicon Alley Insider is running a contest for readers to come up with a Twitter business plan. Earlier this month, the tech humor site BBspot published a story announcing premium Twitter accounts for businesses. The Eagle account, for \$250 a month, got the business things like "1000 extra random followers," "Twitter Concierge for Tweeting while user is asleep" and a fail whale tuxedo (the fail whale is the graphic that appears when Twitter isn't working.)

Mr. Williams took the joke in stride. "I'm pretty sure it's the Fail Whale tuxedo that will bring home the Benjamins," he twittered.