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BIG DATA ANALYTICS

Inside Twitter's S-1



Robert Plant, Associate Professor, School of Business Administration, University of Miami
 10/23/2013
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Is Twitter a big data company? How Twitter defines itself and its IPO will perhaps be a benchmark. Just as AOL's IPO defined the internet era, Twitter's has the potential to do the same for the next generation of data-driven firms going public.

Twitter is self-defined in the opening pages of its **SEC S-1** filing as "Public. Real-Time. Conversational. Distributed. 200,000,000+ monthly active users. 500,000,000+ Tweets per day."

Is Twitter big data?

Yet, in the 231 pages (approximately 115,000 words or around 5,000 Tweets) there is not one reference to the term "big data." There is, however, 190 references to "data" of all types, including financial data. Interestingly, Twitter defines its value proposition to data partners, thus:

We offer data licenses that allow our data partners to access, search and analyze historical and real-time data on our platform. Since the first Tweet, our users have created over 300 billion Tweets spanning nearly every country. Our data partners use this data to generate and monetize data analytics, from which data partners can identify user sentiment, influence and other trends. For example, one of our data partners applies its algorithms to Twitter data to create and sell products to its customers that identify activity trends across Twitter which may be relevant to its customers' investment portfolios.

It is this data-partnering aspect that big data analysts find the most intriguing, yet it is an underplayed aspect of the S-1, in which Twitter notes:

We offer data licenses that allow our data partners to access search and analyze historical and real-time data on our platform, which data consists of public Tweets and their content. Our data partners generally purchase licenses to access all or a portion of our data for a fixed period, which is typically two years... In the six months ended June 30, 2013, our top five data partners accounted for approximately 75% of our data licensing revenue, and approximately 10% of total revenue in the period. We expect data licensing revenue to decrease as a percentage of our total revenue over time.

In fact, the company reported \$32,203,000 in data licensing revenues during 2013, making up 13 percent of total revenues. And while it's true they are declining as a percentage of the total revenue mix, they are, in fact, up 53 percent on the same six months last year.

Current, unfiltered, and public data

This aspect of Twitter's business is designed specifically for external "partners" (including, one would assume, nation states) to "access, search and analyze historical and real-time data" on its platform. Twitter cites the ability of partners to act upon data that is current, unfiltered, and public. It indicates that partners can use this "actionable data" to "derive signals that influence economic, political and public health and safety decisions" and offers subscription access to its data feed for data partners who wish to access data beyond the public API.

The risks in dealing with big data

However, investors are warned there are risks and downsides to executing a (big) data driven strategy. Primary of which is the ability to "process, store, protect and use personal data in compliance with governmental regulations, contractual obligations and other obligations related to privacy and security." Twitter identifies three types of risk: Infrastructural; legal; and data integrity risk.

Infrastructural risk comes from its exposure to the technologies associated with the external internetworld world required to maintain the performance characteristics necessary for its business model. A second source of infrastructural risk is Datacenter Risk, something Twitter has already experienced:

For example, in July 2012, due to the failure of two parallel systems



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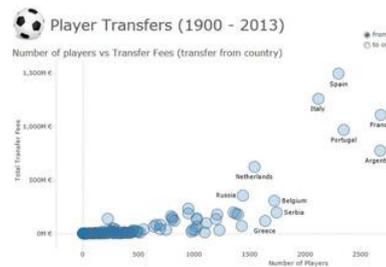
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at nearly the same time in one of our data centers, Twitter became inaccessible for approximately two hours. Any disruption or failure in our infrastructure could hinder our ability to handle existing or increased traffic on our platform, which could significantly harm our business.

A third source is associated with platform partners and exposure should these partners "cease to develop and maintain applications and content for our products and services." Which, in turn, will cause declining user engagement.

The second risk domain is legal, and as the company operates in a complex and evolving legal framework the concern is that these "laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement or ad engagement."

For example, in February 2013, the company disclosed that "sophisticated unknown third parties had attacked our systems and may have had access to limited information for approximately 250,000 users." Some analysts also cite legal risk based on the fact that Twitter, which is party to the Innovator's Patent Agreement policy, [only has seven patents against Facebook's 774.](#)

The third risk is that of data integrity. For example, Twitter states, "our data regarding user geographic location is based on the IP address associated with the account when a user initially registered the account on Twitter. The IP address may not always accurately reflect a user's actual location at the time of user engagement on our platform" and that it estimates spam accounts represent less than 5 percent of Monthly Active Users.

What is the value of Twitter's big data?

Given these value propositions and risk profiles, investors will be asked the age old question: What is the venture worth? In May 2013, GSV capital estimated **\$9.8B** or **\$18.50 a share**, but recent valuations vary. Ironfire LLC indicates **\$12.8B**, while GBL projects **\$15 to \$20B once it begins trading**. In the end, the market will decide, and, like AOL, its fate will unravel. Either way, one thing is certain: come the IPO, everyone will have an opinion, and luckily we can share it with the world through a small data point -- a Tweet.

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 AlphaEdge, User Rank: Exabyte Executive
10/29/2013 | 5:34:24 PM

Re: Don't bet the farm.
Apparently they did some type of targeted marketing research on you then. :)

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 Saul Sherry, User Rank: Blogger
10/29/2013 | 5:56:40 AM

Re: Don't bet the farm.
Ha - yes I would imagine the most money Twitter could make from certain authorities is to offer them a kill fee on their own service.

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I could certainly see data with a consultative edge being offered to individual government departments/parties to gain insight on popularity of certain policies or identifying need.

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 Pubudu, User Rank: Exabyte Executive
10/28/2013 | 2:07:35 PM

Re: Don't bet the farm.
True AlphaEdge, it can be clearly identified by the adds which I can see on my wall, most of them are interested by me.

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 AlphaEdge, User Rank: Exabyte Executive
10/28/2013 | 11:55:34 AM

Re: Don't bet the farm.
As far as I know, they have been actively looking ways to analyze the data to deliver more add on value for sure.

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 Saul Sherry, User Rank: Blogger
10/28/2013 | 5:06:20 AM

Re: Don't bet the farm.
@netcrawl - sure it's the biggest since Facebook (which doesn't feel all that long ago) but which social/mobile phenomena will be next to go IPO?

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 Saul Sherry, User Rank: Blogger
10/28/2013 | 5:04:05 AM

Re: Is Twitter Big Data ?
The metadata is, sure @Pubudu - but the very nature of what we tweet tends to be unstructured -

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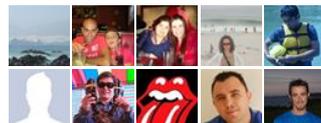
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-  Pubudu, User Rank: Exabyte Executive
 10/27/2013 | 3:13:44 AM

Re: Don't bet the farm.
 I do agree with you dcawrey, they are standing on a gold mind. Only thing is that they have to find a way to analyze those to get a proper info.
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-  Pubudu, User Rank: Exabyte Executive
 10/27/2013 | 3:10:02 AM

Re: Is Twitter Big Data ?
 Pradeepta, I believe that the opposite way, the data which is collect through the Twitter is more structured. Please correct me if I am wrong.
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-  Pubudu, User Rank: Exabyte Executive
 10/27/2013 | 3:06:16 AM

three types of risk
 Robert Thanks for the article
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 I believe that the three types of risk: Infrastructural; legal; and data integrity risk are comen for any kinf of big data not only for the Twitter.
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-
-  dcawrey, User Rank: Exabyte Executive
 10/25/2013 | 11:17:43 AM
Re: Don't bet the farm.
 I think that Twitter can offer numerous benefits to companies, but probably not for authoritative governments. They likely see this social network as a thorn in their side, although free and open governments likely appreciate.
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 I'm not sure how public policy will impact Twitter's IPO. It probably won't; but the news coverage of when an uprising is powered in part by Twitter is probably a good thing for the company overall.
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