

# Elon Musk's Blue Tick revolution, brand safety implications, and impersonation

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Elon Musk's \$44 billion takeover of Twitter has kicked up a storm. Part of the maverick billionaire's post-takeover announcements stem from his alacrity to diversify the micro-blogging site's income. He said Twitter was losing more than \$4 million per day, and he promptly culled almost half the 7,500-strong workers.

Another decision was to make the Twitter Blue option a payable (\$7.99 per month) service. The blue tick appears next to the names of influential people and celebrities to show that they are someone who is of public interest. The highly sought-after blue tick, considered a premium service, was hitherto available to influential people and high-profile establishments. According to the micro-blogging site, the changes, to begin with, would be applicable only to a handful of countries such as the US, the UK, New Zealand, Canada, and Australia.

"Adding the blue tick to the subscription could well boost subscription-based revenues because it is a coveted feature; however, an online class system could emerge, as it may become a question of which accounts can pay for the blue tick — rather than which accounts deserve it on merit," says **Rachel Foster Jones, Thematic Analyst at GlobalData**, a data and analytics company.

According to her, determining which accounts are authentic will become a significant challenge for Twitter when genuine users are unwilling to pay, which may increase the risk of impersonation and misinformation. "Subscribers will also get their tweets prioritized, amplifying their voices on the platform; so those that pay for Twitter Blue may have a significant influence in shaping the content seen on the app."

### Advertising revenue

It is a fact that Twitter has been dealing with a tough macroeconomic environment which has led to a weak advertising market. Will Musk's revamp of Twitter's existing subscription model end the company's reliance on advertising revenue?

Ironically, says Rachel Foster Jones, this announcement could adversely affect Twitter's ad-generated revenues. "The platform has faced many controversies, and if the quality of the information found on the platform is diluted, it could concern or even deter some advertisers. This makes it a bold move in an already-tough advertising climate and if the blue tick does not boost subscriptions and the cost increase impacts them, then the move may simultaneously impact both of Twitter's revenue streams."

**Callum Sillars, Senior Analyst, Ampere Analysis**, feels that the Blue Tick may throw new opportunities for Twitter. Advertising represented \$4.5 billion of Twitter's revenue in 2021; if Twitter had been purely in the subscription market, this would put them on a scale comparable to Disney+, says Callum Sillars. Although this is an unrealistic comparison it demonstrates the scale of the challenge Twitter has in moving into the subscription space.

"Assuming all 420,000 previous verified users convert to this paid tier at \$8 per month, Twitter would stand to bolster their revenues by ~\$40 million in 2022. This is a drop in the ocean compared to both Twitter's current advertising revenues and interest payments on debts from Elon Musk's leveraged takeover. But this assumption is overly simplistic and likely under-represents the opportunity for Twitter Blue as it ignores the potential influx of new verified subscribers."

**Lloyd Mathias, Business Strategist and Angel investor**, feels that the Musk's move will reduce the micro-blogging site's dependence on advertising.

Currently, adds Mathias, more than 90% of Twitter's revenues come from advertising. "The platform made a loss of \$270 million in the April-June 2022 quarter. Elon Musk has been very vocal about his desire to monetize Twitter better. The \$44 billion he's paid will make him even more anxious to do so. Musk's decision to announce a \$8 fee for a blue tick is clearly a step in that direction. This will clearly lessen Twitter's dependence on advertising, helping content creators make money and enable payments and make the platform more answerable to users. However, its impact on how people perceive the platform and its credibility will have to be seen as this rolls-out," he says.

"The last couple of weeks have been buzzing with, or shall we say, tweeting with Twitter all around. After much drama in the usual Elon Musk style, Twitter finally has a new leader in Elon Musk. With Elon Musk now at the helm of things, one can expect many changes and revamp on Twitter," opines **Chandan Bagwe, Founder Director, C Com Digitalm**.

Elon Musk, according to Bagwe, has presented a pitch deck to the investors in which he has given a robust plan for revamping Twitter under his leadership.

According to him, Musk is looking for the following revenue channels:

- To increase Twitter's annual revenue from \$ 5 billion to \$26.4 billion by 2028.
- To cut Twitter's reliance on advertising from 50% to less than 45% of revenue. In 2028, according to his estimates, advertising would generate \$12 billion in revenue, and nearly \$10 billion in subscriptions and data licensing will contribute to additional revenue.
- He is looking to produce \$15 million in revenue from a payments business in 2023 to grow it to about \$1.3 billion by 2028.
- Increase average revenue per user to \$30.22 in 2028 from \$24.83 in 2021."

Bagwe asserts that Elon Musk outlines a plan to reach 931 million users by 2026, that is, to grow from the current user base of 217 million users. Clearly, it shows that he has bigger plans for Twitter, and his recent actions are required for revamping Twitter's operations.

### Brand safety at risk

How will Elon Musk's sweeping actions affect Twitter in particular and the social media ecosystem in general? Is it a prudent move for Twitter to charge for the verification of a user account? How it will have an impact on content on Twitter?

Originally intended as a way of simply verifying account ownership and preventing impersonation and misrepresentation, overtime the blue check mark became bogged down in the quagmire of becoming a status symbol, says Callum Sillars.

"In a move to distance itself from being an arbiter of importance, Twitter is taking the verification decision process out of their hands. Now a verified check mark is open to all, creating an even playing field for all Twitter users – so long as they are willing to pay \$8 per month. Charging for verification whilst simultaneously making verification accessible to all fundamentally changes what the blue check mark represents. No longer will verification be protection from impersonation but merely a mark to denote those subscribing to Twitter Blue."

However, some experts feel sound alarm bells. They feel that genuine users may be unwilling to pay, which may increase the risk of impersonation and misinformation. There will be a spike in fake or impersonated accounts.

Lloyd Mathias points out the likely ramifications of Musk's abrupt decisions. "Musk has been a serial disruptor across sectors most notable EVs and space travel. He clearly sees Twitter as his opportunity to change the dynamics of social media forever. However, given that the impact of Twitter has ramifications far beyond social media and politicians and governments across the world have often crossed swords with the platform may pose a problem for him. Also, if users see their platform altered beyond their comfort, they could migrate to other similar platforms and the network effect may kick in. Musk has to be mindful of this. For example, his personal claim of being a 'free speech absolutist' while seeming noble may enable considerable hate speech on the platform, and advertisers that look for a safe and secure 'moderated' platform may opt out. Clearly interesting times ahead," says Mathias.

According to him, making verified accounts chargeable is a double-edged sword. Many users may opt out and newer accounts using their name – but with a paid-for blue tick – may emerge. This could result in an increase in fake/impersonated accounts and spike disinformation. If this grows to scale it can impact the platform negatively both in terms of genuine users and be a red flag for advertisers.

Bagwe believes that the entire exercise of charging for verifying user accounts is to have genuine users, increase security, and reduce the risk of impersonation and misinformation. "In the immediate future, it will impact reducing the number of users, but it will increase its reputation of having genuine users. In the long run, it will have a positive impact. Elon Musk is well known for changing plans at any given time, if it has a business impact on his plans, he may change his action of charging for verification of a user account in the future," he adds.

For brands the changes to verification represent an increased risk to their brand's safety on the platform, maintains Callum Sillars. "Though these changes are yet to go live, the sudden uncertainty has caused a number of major advertisers to pull their budgets from Twitter. Tentpole brands that have taken a break from twitter include General Motors, General Mills, and the Volkswagen Group – which together accounted for over \$6bn in global ad spend in 2021. Ultimately, it is too early to say whether Elon Musk's sweeping actions will prove to benefit Twitter in the long term, but for now advertisers are content to play it safe until they see where the dust settles," says Sillars.

**Shradha Agarwal, Co-Founder & CEO, Grapes**, also points out the ramifications for brands and advertisers. At present, she adds, advertising brands are highly sceptical about the changes happening on Twitter. There is a rising fear among them that their ads might be placed alongside hate speech or misinformation.

"Looking at the current situation, it is very difficult to perceive how the slew of changes in the form of subscription-based Blue Tick purchases and free speech shape the advertising landscape. Owing to this lack of comprehension at present, many big companies and brands are halting their ad spending on the platform. Where Musk claims that the changes are meant to make Twitter the most respected advertising platform in the world," it is only with time that the impact of the changes will unveil before the masses. Till then brands can only wait and observe the changes to take steps better suited to comply with the platform and at the same time benefit them as well," says Shradha Agarwal.

The stakeholders are very concerned about this new subscription-based verification model, says Shradha. "Anyone with a better buying capacity will be able to replace the genuine user base. This can put the relevance of the platform at stake as the new users will have the power to exercise unrestrained criticism of a brand or product which can malign the reputation of the company. This will immensely compromise the brand's storytelling, innovative narration, and thought-provoking ideas as brands will try to keep their content conventional that cater to the prevalent notion popular amongst the masses."

"I have never seen content creators being charged to generate content. It's like getting penalized for doing your job. The blue tick will have no relevance if you can pay and earn that. And moreover, why would anyone pay for it, if there is no tangible benefit to this, other than just an ego boost of verifying your identity on a social media platform (Twitter)," asserts **Himanshu Arora, Co-Founder of Social Panga**.

According to him, the basic business model for any social media is to have a platform, where the content creators are supported/promoted to generate content and the platform monetises (like YouTube) or verifies that identity (Blue Tick). The other side is followers/subscribers etc., who consume this content, and in this whole process, brands get an opportunity to advertise their products and the social media platform generates some revenue out of this.

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