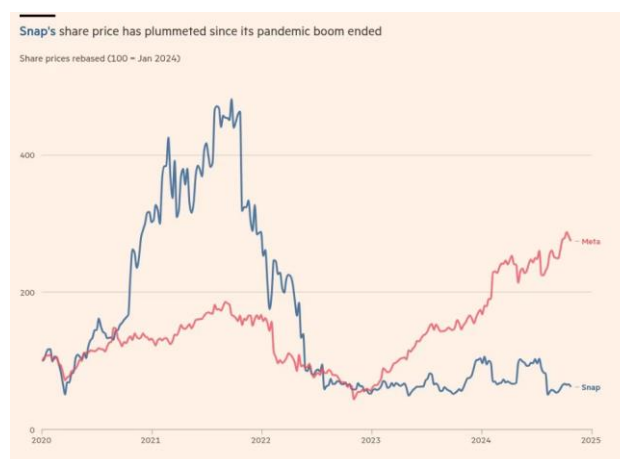


# Is Snapchat's streak over: Can a turnaround be achieved after Spiegel's strategic errors?

Once the go-to app for sending disappearing photos, Snapchat's stock is now facing a vanishing act of its own. Coined as the underdog of social media giants, with approx. 400 million daily users, 'Snap' is recognised for its colourful interactive filters and sharing real-time location features. Being popular with teenagers and young adults, Snapchat's user base has grown consistently over the years, but its growth rate has slowed compared to its peak in earlier years. It faces challenges in maintaining engagement as competition from other platforms, like Instagram and TikTok, intensifies and threatens the company's ability to maintain its position as one of the world's leading social media innovators. Due to increased online communication during Covid, revenue growth through the pandemic led to Snap posting its first quarterly net profit in 2021, yet since has made continuous losses.



(Photo caption): Snap's share price has plummeted almost 90 per cent since its pandemic peak in late 2021, wiping more than \$110bn from its market capitalisation

Along with strategic mistakes, Snap has struggled considerably in the rise of TikTok and Instagram; Meta has since adopted many of snap's features transferring the once 'unique-selling point' across other apps. Zuckerberg, through Facebook (now Meta), attempted to buy Snapchat in 2013. Back then Snapchat was growing rapidly, and Zuckerberg saw potential, offering the company \$3 Billion but

Spiegel (Snapchat's CEO) rejected. Since then, apps under Meta like Facebook and Instagram later adopted several features that were initially popularised by Snapchat, such as Stories, are currently a central feature on Instagram. Now Snapchat's value dwindles in comparison with Meta's empire, Snapchat is now valued at \$17.7bn, just over 1 per cent of Meta's \$1.5tn market capitalisation.

As if a lack of advertisers and the boom of its rival's commercial success wasn't enough, the stock price is now 2/3 of what it was back in March 2017 when Snapchat released its initial public offering information. Via an IPO, Snapchat went public with a stock price of \$17, hitting a peak of \$83 in 2021. Since then, the stock has been fluctuating heavily with local peaks but with a large overall downwards trend. Currently the stock price stands at \$11.3, having reduced by over 85% from its ATH, lower than its launch price on its IPO. This is quite a shocking fall which heavily discourages investors from seeing a future in Snapchat.

Meanwhile investors are anticipating the next move from Spiegel, as he strives to persevere through all the challenges to push Snap to the forefront of augmented reality (AR). The focus on AR has cost Snapchat a lot of money and divide internally, where many employees questioned whether the expenses were justifiable given the struggles of Snap's core ad business. Spiegel's first mistake was how late the company's focus shifted to monetisation after prioritising user engagement for so long. Yet, the major blow to the stock price was the downturn in advertising. Snapchat's ad products have struggled to offer the same level of targeting precision and ROI that platforms like Facebook and Instagram can provide. Spiegel failed to fix Snapchat's measurement tools and ad performance, which made it harder to justify ad spend on the platform. Consequently, Snapchat has faced difficulty in attracting major advertisers, especially brands that prioritise data-driven ad strategies, which would in turn boost revenue.

Is the turnaround possible? While Meta has become a dominant player in the AR space, Snapchat still has a strong chance to compete by doubling down on AR, albeit with a differentiated strategy that plays to its unique strengths. Snapchat's AR technology is already well-established and is inherently social, encouraging user engagement by allowing people to interact with their environment, rather than just viewing content in isolation. This is what separates Snapchat from the Meta empire. Snapchat can expand its AR capabilities in ways that Meta hasn't fully explored, particularly in social commerce. For instance, Snapchat has already introduced shoppable AR Lenses, allowing users to try on makeup, shoes, and other products virtually before purchasing. This AR-driven shopping experience could be a huge growth area which is much-needed for the company right-now.

Last Christmas Snapchat created a new avenue of growth by partnering with Amazon to launch Snapchat+ membership gift cards. This boosted Snapchat+ subscriptions, a paid package that provides the user with more features that enhance the social aspect of the app. Last year with just one retail partner, Snapchat+ memberships rose from 5 million in September, to 7 million by end of Q4. Due to the fruitful result, Snapchat is issuing more gift cards this year across more stores e.g. Walmart and Target. Although this isn't a major stream of income, it demonstrates that the company is beginning to acknowledge the monetisation issue and is keen to encourage more partnerships. Strategies which can capitalise on Snap's unique features like these are proving to be successful and a more long-term solution to falling share price.

It is imperative Snapchat continue to uphold safety regulations to avoid cutting engagement and legal penalties which can deter advertising partnerships. A positive shift is achievable if Snap realigns its focus on making its features safer and more attractive. The company needs to use AR in ways to accentuate its social communications edge and regain its profitable position with advertisements. As a company that generates 90% of revenue from ads, Snapchat needs to invest in more robust data

analytics and AI-powered targeting tools to help advertisers reach specific audiences. If Snapchat continues to focus on personalised AR experiences and capitalises on the intersection of AR and commerce, it can still carve out a valuable space in the growing AR market, even in the face of Meta's massive resources.