

Snap reaches 750 million monthly active users, will lean into direct response to weather tough ad market

Article

The news: At Snap's Investor Day event on Thursday, the company behind **Snapchat** reinforced its commitment to augmented reality (AR), said it was working to improve its direct-response ad business, and announced significant user growth.

- CEO and co-founder **Evan Spiegel** said **Snapchat now has 750 million monthly active users —up from 600 million in April 2022—**with more than 150 million, or 20%, in North America.

The big picture: Snap is coming off a **tough Q4**, and its business outlook is still grim. The company repeatedly mentioned the difficult economic environment, challenges from **Apple's** privacy-related changes, and increased competition.

Going direct: Snap is pulling lots more levers to support direct-response advertisers, which account for about two-thirds of its revenues. These include:

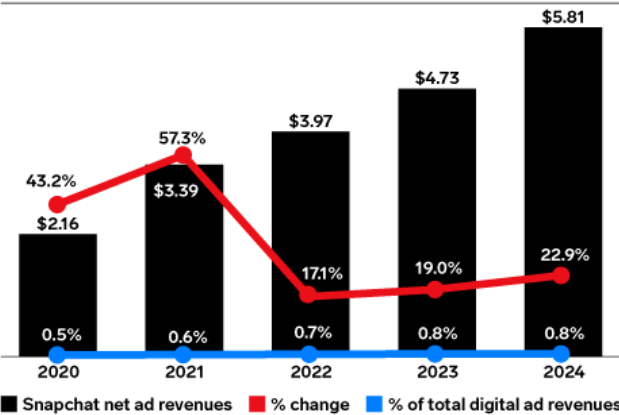
- Improving the information advertisers get back from their advertising by using tools like its Conversions API and data clean rooms
- Investing in Estimated Conversions to better model ad performance
- Improving the quality of results by focusing more on click-through conversions.

The AR future: Investors had questions about Snap's reliance on AR, which many advertisers still consider experimental. Spiegel reaffirmed that AR is vital to the company's future, adding that one goal is to move advertisers toward using it on an ongoing basis, rather than one-off activations.

Why it matters: Snap generates **just \$13 in annual average revenue per user (ARPU) globally, versus \$59 for Facebook**, COO **Jerry Hunter** said. The disparity is even more stark in North America, where Facebook's ARPU of \$277 is more than eight times larger than Snap's \$33. Meta's strong direct-response ad products are a key factor, demonstrating the weighty task ahead of Snap.

Our take: If Snap is successful at deploying its direct-response solutions, it will help advertisers achieve a lower cost per conversion and higher ROI. AR is the company's X factor, but just as Meta had to pull back on metaverse initiatives to focus on its near-term challenges, Snap may find itself in a similar position if the ad recovery doesn't happen as fast as it wants it to.

Snapchat Net Ad Revenues Worldwide, 2020-2024
billions, % change, % of total digital ad revenues



Note: excludes spending by marketers that goes toward developing or maintaining a Snapchat presence; paid advertising only
Source: eMarketer, Nov 2022
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