

Snap's Q3 earnings fell short of goals due to changes to iOS app tracking

Article

The news: A perfect storm of supply chain issues and changes to iOS app tracking led Snap to miss its Q3 revenue goals by \$3 million, per The Verge.

How we got here: Apple's new AppTrackingTransparency (ATT) framework, which started rolling out in April in iOS 14.5, lets users opt out of allowing an app to track their actions and has forced mobile apps like **Snapchat** to rush to find alternative solutions to measure the impact of ads.

Analyst take: "This is the first full quarter where a majority of iOS users globally have adopted the update on their device, so marketers have been seeing a fuller impact to their ad performance," said Audrey Schomer, eMarketer senior analyst at Insider Intelligence.

More on this: Users must also opt in to tracking on a number of different apps for Snap to get a complete picture of what drove an action. But that goal may be hard to accomplish—analytics firm Branch found in July that only 25% of iOS users opted in to app tracking.

- Snap's response to the iOS changes was to launch its own measurement tool, called **Advanced Conversions**, but ad partners have been slow to catch on.
- Reporting via Advanced Conversions comes with a significant 36-hour delay to protect user privacy—something Snap has been working to speed up by releasing a small portion of data immediately.

Supply chain woes: Even without the changes to ATT, shortages caused by supply chain issues may deter some brands from spending money on advertising that it lacks the product to back up.

- **Adobe's** online shopping forecast found that out-of-stock messages when buying products online have risen 172% year over year.
- We expect **holiday retail sales** to increase 9.0% this year, and ad spend is likely to match consumer interest. But industries more heavily affected by supply shortages may pull back on advertising.
- Apple, for example, had to **pull back** on production of the iPhone 13 due to the ongoing chip shortage.

Why it's worth watching: Snap is unlikely to be the only platform that sees its bottom line impacted by iOS privacy changes.

- **Facebook** and **Twitter** are both set to post Q3 earnings this week, and both have run into speed bumps adapting to Apple's privacy changes.

- Facebook's new tracking alternative ran into trouble earlier this year when the company revealed that faulty data had been sent to advertisers as far back as February due to a bug.
- Twitter has recently sold off ad platform MoPub and has diversified with creator economy features like Ticketed Spaces, Super Follows, and more to move away from an ad-centric revenue model.