

It will be difficult to renew Snapchat's fortunes—but Snap has a plan

Article

The news: Snap outlined plans to **expand revenue to \$6 billion in 2023** and to boost **Snapchat's user base** by 30% to 450 million in a memo by co-founder and CEO **Evan Spiegel** distributed to staff on September 6.

- To put things in perspective, that 2023 revenue goal would be **over 45% higher** than the company netted just last year.
- This move follows a disappointing Q2 and the company's subsequent layoff of 20% of all employees, not to mention the loss of several key executives.

Some highlights: It won't be easy, but credit Spiegel for outlining a vision for how the company could emerge from its current doldrums.

- **Snapchat+**, the platform's paid subscription that offers users access to extra features, is on target to reach 4 million subscribers by the end of this year, and is expected to contribute **\$350 million in revenues next year**, according to Spiegel—which would necessitate the company **roughly doubling** the service's subscriber count.
- In 2023, the company plans to increase users' time spent on content by 10%.

Planning is great, but there are some issues Snap will have to contend with here.

Gen Z isn't everything: The memo outlines plans to **onboard more users in their 30s and 40s** to meet the platform's growth objectives. But what impact could the strategy have on the Gen Z users that have made the app so popular?

- As **Facebook** became more popular with older users, it began to lose the sheen that made it appeal to younger demographics. Spiegel's move to appeal to older users could be a turnoff for Gen Z.
- If Gen Zers become disenchanted with Snapchat, there's this up-and-coming platform called **TikTok** we've written about once or twice they could flock to.

Snapchat Users, by Generation

US, 2022

% of Total

Gen Z

49.5%

Millennial

34.9%

Gen X

10.3%

Baby boomer

3.2%

Source: eMarketer, April 2022

eMarketer | InsiderIntelligence.com

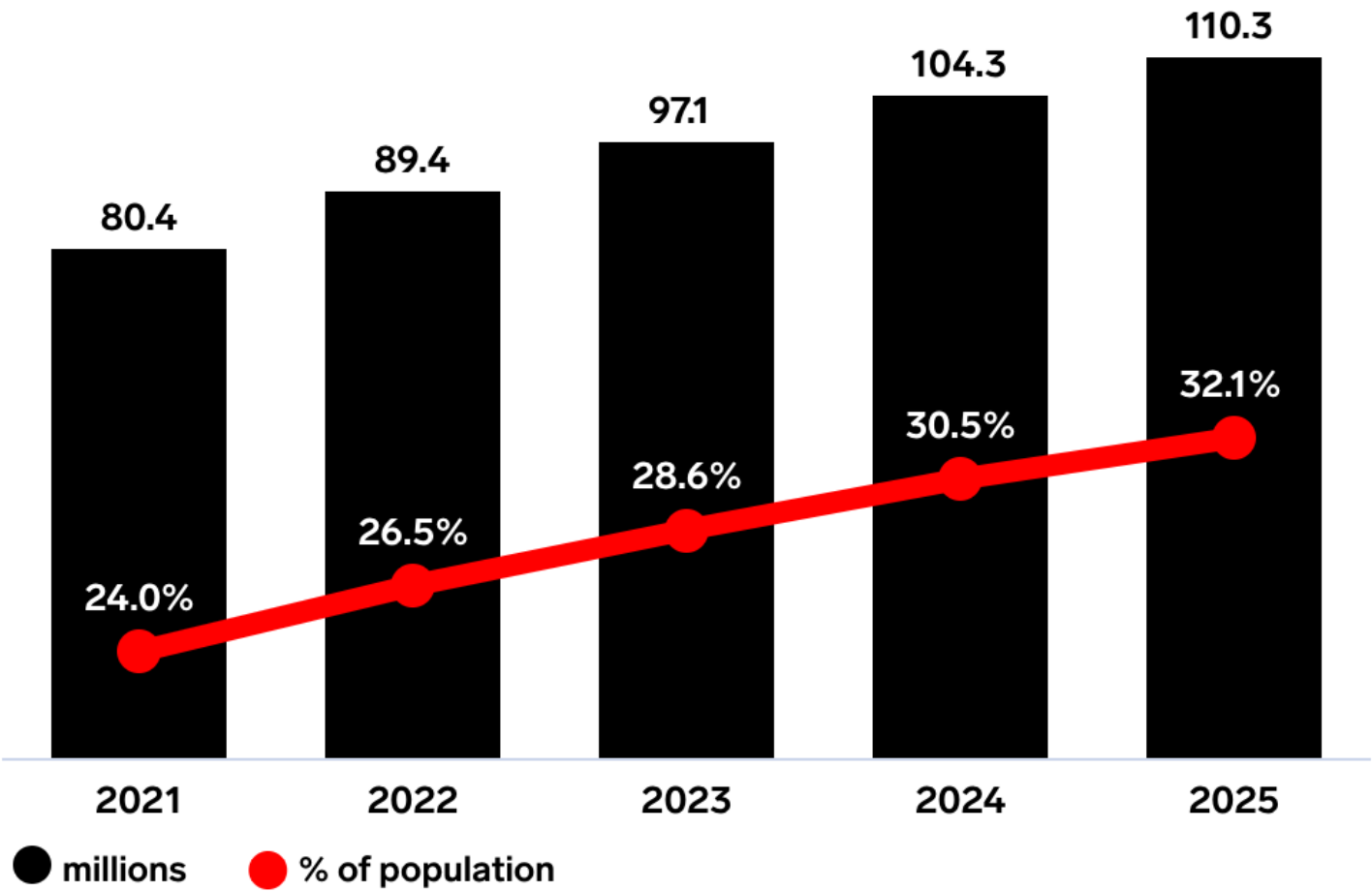
ARppportunity? Next year, Snap hopes that augmented reality (AR)-based advertising will account for 10% of its overall ad income; the company is already working on the next iteration of its Spectacles AR glasses.

- The company is also launching a team to create a lucrative new revenue stream by monetizing Snap's AR capabilities through enterprise sales.
- The business is aiming to leverage **Camera Kit**, its turnkey software development kit (SDK) which allows other apps to use Snap's AR technology, to "eventually" reach 1 billion *outside* of Snapchat.
- But it's hard to say AR is the future (in the memo, Spiegel maintains it is "the next major evolution in computing" days after cutting back on key AR investments and personnel).

- “AR is still niche in advertising and commerce, but it holds long-term potential, especially in the latter,” said Insider Intelligence principal analyst **Jasmine Enberg**. “By inserting its AR tools into brands’ and retailers’ apps, Snap can position its technology as the go-to for brands if and when they expand into AR.”

Augmented Reality Users

US, 2021-2025



Source: eMarketer, February 2022

eMarketer | InsiderIntelligence.com

Why it matters: Advertisers—not to mention those new enterprise AR clients Snap is going after—like certainty. The company’s clear strategy will give buyers a degree of that. But they

also like execution—and that’s something the company hasn’t been able to do reliably.

The big takeaway: Spiegel’s memo notes that prior to this year, fiscal stimulus and central bank monetary policy incentivized revenue growth at all costs. Now, the situation has changed significantly in a short period, with profits heavily prioritized.

- Snap was caught off-guard, and doesn’t have pockets as deep as one of its key competitors, **Meta**, to weather the economic storm.
- With cash more expensive, and with a leaner structure, Snap has very little margin for error—but with a robust and growing subscriber base and passionate users, it’s hard to count the company out.