

# The Daily: Can Snapchat innovate its way back to health, TikTok brings viewers to TVs, and what people do on social media

Audio



On today's episode, we discuss Snapchat's first quarterly revenue decline since going public in 2017, what to make of the social platform's My AI chatbot, and how concerned we should be by Snapchat's inability to innovate (without being copied). "In Other News," we talk about TikTok ads bringing viewers back to bigger screens and what people are doing on different social media platforms. Tune in to the discussion with our analyst Jasmine Enberg.

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## Episode Transcript:

Marcus Johnson:

Hey, gang. It's Monday, May 15th. Jasmine and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by InMobi. I'm Marcus. Today, I'm joined by one of

our principal analysts who covers everything social media. Based out of California, it's Jasmine Enberg.

Jasmine Enberg:

Hey, Marcus. Hey, everyone.

Marcus Johnson:

Today's fact, Jasmine, is of course about...

Jasmine Enberg:

Finland.

Marcus Johnson:

About Finland, because Jasmine's from Finland and I promised her a fact. Every time she comes on the show, I promised her a fact about Finland. So Finland is nicknamed the land of?

Jasmine Enberg:

There's a few, but I think you're going to say-

Marcus Johnson:

Oh.

Jasmine Enberg:

Is it a hundred thousand Lakes?

Marcus Johnson:

A thousand lakes. Yes.

Jasmine Enberg:

It's a thousand lakes?

Marcus Johnson:

But, well, you're right because it's nicknamed the land of a thousand lakes, but it should be the land of a hundred thousand lakes because there are 187,888 lakes in Finland. So you're right. It

should have a different name.

You would think that would make it the country with the most lakes, or at least in the top 10. However, the only ranking I could find included lakes, a hundred thousand square meters, which is about 18 football fields, and bigger. So it's not counting the small ones. So when you count countries with lakes a hundred thousand square meters or larger, Canada comes in first. Nearly 900,000 lakes. Russia, four times fewer. Close to 200,000. The US, 100,000. Then China, little old Sweden, Brazil and much smaller Norway have about 20,000 each.

Jasmine Enberg:

Hmm.

Marcus Johnson:

Finland has one lake for every 24 people. So if you're in a-

Jasmine Enberg:

Oh, wow.

Marcus Johnson:

If you're near a lake in Finland and there are 25 folks around, you could say, "Hey, get the hell out of here. There are enough people here already. Find another."

Jasmine Enberg:

And there's probably another lake just around the corner.

Marcus Johnson:

Yeah, exactly. You take 10 steps over there, sir. Get your own lake. Anyway, today's real topic. Can Snapchat innovate its way back to health?

So in today's episode, first in the lead we'll cover Snapchat's latest ups and downs. Then for In Other News, we'll discuss TikTok bringing viewers to bigger screens, and what folks are doing on different social media platforms. Jasmine, we start with the lead. We're talking about Snapchat. Let's start with the top line number of Snap's revenues falling 7% year on year in Q1, -7 year on year Q1. It's the first decline since going public in 2017. Last Q1, they had grown

nearly 40%. So from 40 to -7 last Q1 to this Q1. How alarmed are you by this -7% total revenue growth for Snap?

Jasmine Enberg:

Mm. I'm concerned, especially in light of the fact that we saw other digital social platforms somewhat start to rebound in Q1. Meta came in with-

Marcus Johnson:

Good point.

Jasmine Enberg:

... 3% ad revenue growth, or revenue, growth last quarter and Snap registered its first ever revenue decline.

Marcus Johnson:

Mm-hmm.

Jasmine Enberg:

And Snap spent a lot of time talking about some of the short-term issues that caused the decline, and there is some truth to that. There was a difficult comparison to Q1 of 2022, which you mentioned. There was a disruption in demand, which they were talking about. They are revamping their ad platform, and advertising of course makes up the majority of its revenues. But for me, it's a signal that there really are these much deeper-rooted issues within Snapchat. You and I have talked about them previously on this podcast, but one of them, of course, is that it's a much smaller player than Facebook or Instagram.

Marcus Johnson:

Yes.

Jasmine Enberg:

And it's still a tough economic environment, and advertisers are still turning to tried and true platforms over smaller or experimental ones. Snapchat has also positioned itself as a Gen Z messaging app, and it continues to at least push the messaging portion of that. And

messaging apps are really difficult to monetize. So there's a lot of different factors at play here, but it is definitely reason to be concerned about the health of Snap's business right now.

Marcus Johnson:

Definitely more of a Gen Z app. Off the top of my head, I think share of users under the age of 35, it's like over 80%. 80, 85%, somewhere in that region.

Jasmine Enberg:

Mm-hmm.

Marcus Johnson:

You mentioned them as being a smaller player. Snapchat share of social network ad dollars, share of that bucket of social network ad dollars is smaller than Pinterest's, half the size of LinkedIn. They're just 3%. So Snapchat's 3%. That's smaller than Pinterest, half the size of LinkedIn. And Meta, for context, 75%. That 3% for Snapchat is also going to tick down in the next few years from 3 to 2.9. So that's even going in the wrong direction, its share of social network ad dollars.

Yeah, Jasmine, when you zoom in you can really see what's going on here. North America revenue fell for the second straight quarter: -14 in Q4, -16% in Q1. The difference being that in Q4, Europe and rest of world were able to carry the team a little bit better, so they only posted a 0% growth overall because of those regions doing okay. This quarter, revenue from Europe was down -2. Rest of world was up 35%, but it wasn't enough to keep Snap out of the red.

Other worrying signs. Average revenue per user in North America dropped from nearly eight bucks to six and a half Q1 last year to Q1 2023. That dragged down global average revenue per user. The one bright spot, Jasmine, in terms of dollars seemed to be that the net losses narrowed very slightly, so not enough to really be that big of a deal.

Looking at the users though, Snapchat added 8 million daily active users in Q1. They count dailies. Other folks count monthlies or, in the case of Facebook, they count monthly and daily. But looking at daily active user, Snapchat added 8 million in Q1, half as many as last Q1. They now have 383 million total. 383. What did you make of this 8 million DAU increase?

Jasmine Enberg:

Well, it's the same story almost every quarter, or pretty much every quarter for Snap, right?

Marcus Johnson:

Yeah.

Jasmine Enberg:

I mean, it's somehow always able to squeeze daily user growth, and I think that's a testament to its staying power among Gen Z. I think where it's struggled, and partially because it has pitched itself as a Gen Z app, is expanding to other audiences, especially older generations. And eventually, it's going to come to a point where it's going to need to start looking at how... And I mean, it has done this in the past, but to not very much success, but how to expand into those older audiences as well.

Marcus Johnson:

Yeah. Speaking of same old story, by region it's really relying on outside of North America to grow users. Rest of world added seven of the 8 million that we talked about. It grew 8 million DAUs in Q1. Seven out of those eight were from rest of world. Europe added the other one. North America has been stuck at a hundred million since Q3 of last year. So North America posting a hundred million, a hundred million and a hundred million again this quarter. So that's hit a complete ceiling.

Another interesting note, Jasmine, is where most Snapchat users are. The growth has been coming from outside of North America. But when you look at where they are, not just in terms of growth but in terms of total users, today 50%, half of all Snapchat users, come from rest of world. In 2019, it was close to a quarter coming from rest of world.

Jasmine Enberg:

Wow.

Marcus Johnson:

The quarter before the pandemic, 40% of Snapchat users came from the more lucrative North America. Now, it's down to 26%. So big change there. In terms of overall zooming out, looking at our estimates, we think 27% of Americans use Snapchat. That is monthly, but that's more or less flat.



Same as time spent on the platform. Stuck at 30 minutes, nearly 30 minutes behind TikTok, 15 minutes behind YouTube and four minutes behind Twitter as well. It's not ideal.

Jasmine Enberg:

No, but there's another interesting stat from our forecast on time spent though. If you look at Gen Z users of Snapchat, their time spent is actually still growing. It's growing slowly, but it's-

Marcus Johnson:

Huh. Interesting.

Jasmine Enberg:

...picking up this year. So I think again, that is a testament, really, to how engaged its users continue to be.

Marcus Johnson:

Yeah, that's a great point. Digging a little bit deeper, that's fascinating.

Speaking of users, so Snapchat just said they have reached 3 million users for its paid plan, Snapchat+. Jasmine, how much is this running for? Is it five bucks a month?

Jasmine Enberg:

I believe it's 3.99. Yes, it's 3.99.

Marcus Johnson:

Okay, so four bucks a month for Snapchat+. Your thoughts on this 3 million users milestone for Snapchat+.

Jasmine Enberg:

Well, I think Snapchat has been able to succeed where other platforms, mainly Twitter, haven't in terms of subscriptions.

Marcus Johnson:

Mm-hmm.

Jasmine Enberg:

And 3 million, it's a big number. And what's really interesting is if you actually look at when many of those signups took place, about 1 million of them have signed up since January 31st, which means there was a boon in subscriptions over the past couple of months. And what I think led to that boon is the launch of My AI, Snap's generative AI chatbot, that during that time was only available to Snapchat+ subscribers. So I think that led a lot of people to start signing up. And I say that because Snapchat has been able to find services that really appeal to its users to encourage them to sign up for this service.

Marcus Johnson:

Mm-hmm.

Jasmine Enberg:

That said, 3 million is still a tiny fraction of **Snapchat's user base**, right? In February, it said that it had-

Marcus Johnson:

Yes.

Jasmine Enberg:

... 750 million monthly active users worldwide. So just compare that to the 3 million figure. And you brought up the cost of Snapchat+. At \$4 a month, Snap would generate under \$150 million in annual revenues. So that's still not a very significant sum.

Marcus Johnson:

Right. 3 million is not nothing but yeah, to your point, if you're looking at... You were talking about monthly. If you look at daily users, 383 million is less than 1% of its total user base. As you pointed out, not enough for it to be able to generate... Well, it's hoping to generate, right? I think they're looking for \$350 million this year in Snapchat+ subscription revenues, according to a leaked memo. And Mr. Spiegel, Evan Spiegel is the CEO of Snap, was saying their medium-term goal was to reach 10 million subscribers. This was in a leaked memo from September, so he didn't put this out there. But hoping for 10 million, they're at three. It's not nothing, but it's nowhere near what they need it to be.

You mentioned Snapchat's My AI chatbot. So a BBC article by Tom Gerken notes that Snapchat's new My AI chatbot, pinned to the top of users' chat feeds, has launched to mixed

reviews. Powered by OpenAI's GPT, Snap's calling it an experimental friendly chatbot which can perform tasks such as answering questions, telling stories or planning trips. What's your take so far on Snapchat's? My AI chatbot which as you mentioned, was initially available for just Snapchat+ folks and now is available for everyone?

Jasmine Enberg:

Mm-hmm. Well, I think my take on that article is people love, especially social media users, they love to hate change, right? Everybody complains in the beginning and then they either get used to it or the platforms listen to them and make some changes. And Snapchat has done that in the past. Do you remember when they made those UX changes that aggravated some users? And they switched back. And this seems like a pretty easy fix if it's something that is going to be more long-lasting.

I personally think that a lot of the angst around it is going to die down. And that's not to say that My AI isn't problematic. Snap has also admitted that it is. It's supposed to be a conversational, friendly chatbot, right, and there are tons of issues with generative AI chatbots outside of Snap as well. But yeah, I mean overall Snap introduced My AI really as an engagement play. But what I think is really interesting about it now is that it is an advertising play as well.

So at NewFronts, it launched search ads. And even before that announcement, I had written in a report that I wrote about Snapchat Partner Summit, which was a few weeks ago, about how Snap had to be thinking about ways that it can use the information and the search behaviors on My AI to be able to serve better first-party, targeted advertising across its platform. And so it's really moved from just being a fun tool to encourage engagement to really being an advertising play for them as well.

Marcus Johnson:

Yeah, yeah. As Jasmine mentioned, at NewFronts they said that the chatbot's going to start surfacing paid links that are relevant to a conversation. There's also been concerns and criticism about the ambiguity surrounding whether the chatbot can access private information like location data. So that didn't help either.

Final question here, Jasmine, for the lead. How concerning is Snapchat's inability to innovate and have that innovation? Because even if they do come up with something, it either A, gets copied into ubiquity or B, hasn't worked. And so what I mean by it hasn't worked, some

examples. Casey Newton at The Verge pointing out its inability to find an audience for Snap Spectacles, winding down of its original video series, the cancellation of its drone Pixy, Snap mini apps not really becoming a thing. I'm the biggest advocate in the world for ideas and trying new things, but it doesn't seem like anything stuck in quite a while.

Jasmine Enberg:

Well, I'll start by saying that I disagree with the premise of the first part of your question. I think innovation is the one thing that Snap does not lack, right?

Marcus Johnson:

Mm-hmm.

Jasmine Enberg:

It has innovation in spades, especially when compared to many of its competitors. It is one of the most copied apps out there. Thinking all the way back to stories, it invented that.

Marcus Johnson:

Fair point.

Jasmine Enberg:

Instagram, Facebook popularized it. And my one takeaway from Snapchat Partner... or one of my takeaways from Snapchat Partner Summit is that that innovative spirit is certainly still there. Right?

Marcus Johnson:

Mm-hmm.

Jasmine Enberg:

I think out of the innovations that might prove the most fruitful for Snap is its AR technology. And as it's been pitching Snapchat as a messaging platform, it has been pitching Snap overall as a technology company. And those off-platform augmented reality ambitions are a really big part of that.

All of that said, these are things that are in the future, down the line. And right now, they're not making an impact on Snap's bottom line. And that's where the problem is because they need

to be able to turn things around in the short term to be able to see this future vision to light. But innovation, for me, is not at all Snap's problem.

Marcus Johnson:

Mm-hmm. That's it for the lead time for the halftime report. Jasmine, one takeaway from the first half and Snap's Q1 performance.

Jasmine Enberg:

Yeah, I guess my one big takeaway is pretty much what I just answered to your last question, but that is that Snap doesn't lack when it comes to innovation. But there are serious questions about the health of its core business, and it really needs to focus on turning those things around.

Marcus Johnson:

So Insider Intelligence's senior director of briefings Jeremy Goldman noting that Snap didn't provide official guidance, but mentioned in its shareholder letter that its internal forecast for Q2 revenue is 1.04 billion. That's a 6% year on year decline. Analysts had Q2 sales projections of a slightly higher 1.1.

That's all we've got time for the lead. Time for the second half of the show today, In Other News. TikTok ads are bringing viewers back to bigger screens, and what are folks doing on different social media platforms?

Story one. TikTok ads are bringing viewers back to bigger screens, writes Emma Liederman of Adweek. She notes that a recent Samba TV study identified TikTok as a more effective tool for streaming platforms than traditional TV in engaging new audiences. Miss Emmy Liederman explains that viewers who tuned in after exposure to a streaming platform's ad on TikTok logged an average watch time of 86 minutes. That's a 26% increase from the brand's control group, cutting against TikTok's reputation of shortening consumer attention spans. So this story basically saying that if you're a streaming platform and you're advertising on TikTok, that's going to encourage folks to come and watch your shows. The most interesting sentence, though, in this article, Jasmine, is what and why?

Jasmine Enberg:

You just said it. It is that viewers who-

Marcus Johnson:

Oh. Sorry.

Jasmine Enberg:

... tuned in after exposure... No, it's great. I will repeat it. Viewers who tuned in after exposure-

Marcus Johnson:

Story two.

Jasmine Enberg:

... to a streaming platform's ad logged on an average watch time of 86 minutes, which is almost an hour and a half, right?

Marcus Johnson:

Yeah.

Jasmine Enberg:

This great piece I had just read in the Wall Street Journal, which I highly recommend you read, and it was about one of the big conundrums facing streaming platforms which is whether to release all episodes at once or one episode per week. And so then that got me thinking about my own TV and streaming habits, and I realized that I barely ever binge watch anymore. Most of my favorite shows are now released once per week. Thinking about Succession, Ted Lasso, The White Lotus. And then that got me thinking about a meme that I saw about how kids today will never understand what it feels like to have to go grab a glass of water, for example, during a commercial break and hope that you get back in time to watch your show because it's only coming on once a week, right?

Marcus Johnson:

Mm-hmm. Yeah.

Jasmine Enberg:

And that's still true, but maybe this shift will get them to understand the feeling of having to wait a week for your next episode. And if you look at some of the top streaming shows, back in that Wall Street Journal article you'll see that a lot of them are Gen Z-focused and premiere

once a week. And so I'm thinking, is this a trend we're going to start seeing more of? Is this coming back in some way?

Marcus Johnson:

The one thing that jumped out to me was TikTok is Gen Z's primary platform for discovering new shows, according to a Harris poll. So yeah, good piece.

Story two. A recent HubSpot piece by Maxwell Iskiev estimates that consumers spend over three hours a day on social media, but what are they doing on each social media platform? The results are terribly unsurprising, but good to see some numbers support conventional wisdom. So people mainly use Facebook to keep up with friends and family, YouTube and TikTok to find entertaining content, Instagram to share pictures and videos and LinkedIn to learn new things. So they were the top responses. Folks said that they did other things on the different platforms, but that was the number one response for each of the different platforms. Jasmine, the most interesting sentence in this article was what and why?

Jasmine Enberg:

So I'm going to give you a data point instead of a sentence, but I promise I won't go on a tangent.

Marcus Johnson:

Okay.

Jasmine Enberg:

And the data point is that-

Marcus Johnson:

We'll see.

Jasmine Enberg:

You never know. 41% of social users use social media to learn new things. And I found this really interesting because social search, or the use of social platforms to search for things we might ordinarily go to Google for, is really top of mind for me and I think probably for a lot of marketers right now.

Marcus Johnson:

Yeah.

Jasmine Enberg:

It's a trend that has been emerging among Gen Z for some time. And going back to this idea of generative AI chatbots, I think those types of tools on social media could accelerate it because one of the reasons that Gen Z is gravitating towards social media to search for things or to learn new things is because it's more engaging, it's more interactive, it's more visual than traditional search. And that's exactly what generative AI chatbots are providing as well, right?

Marcus Johnson:

Yeah.

Jasmine Enberg:

On the flip side, it's also having a transformative impact on traditional search like Google, which is incorporating generative AI into its own search functions as well, or search platform as well. It's a really interesting and emerging trend, and Debbie Williams and I are actually writing a report on it.

Marcus Johnson:

Oh, interesting. Stay tuned for that, folks.

Two points from me. One, the main reason for using social media, according to this research, social media in general was keeping up with friends and family, 67%, and then finding entertaining content was a distant second with 51%. And then two, by platform, Facebook seemed to have the clearest primary purpose. So its number one use case was keeping up with friends and family. There was a 23-point gap to its secondary use case, which was sharing pics and videos. TikTok had the second clearest primary use case. There was a 20-point gap between finding entertainments in first and learning new things on the platform in second. That's all we've got time for, for this episode. Thank you, Jasmine, for hanging out today.

Jasmine Enberg:

Thanks for having me.

Marcus Johnson:



Been talking to a little travel before we hit record. Thanks to Victoria who edits the show, James who copyedits it and Stuart who runs the team. Thanks to everyone for listening, and we'll see you tomorrow, hopefully, for the Behind the Numbers Daily. It's an eMarketer podcast made possible by InMobi.