

As Snap plans layoffs, it looks to restructure as a more diversified company

Article

The news: Snapchat parent **Snap** is planning layoffs, as reported by The Verge. CEO **Evan Spiegel** had said in May that the business would drastically cut back on recruiting and "find significant cost reductions."

- The company recently announced [weak Q2 earnings](#) and did not project profitability for the current quarter, news that sent its stock price down to March 2020 levels.

- It's unknown how deep the cuts to the team will go; Snap has approximately 6,440 employees.
- These would be the first layoffs at Snap since 2018, when it let go of 220 individuals after a poorly executed platform makeover.

Ads under attack: Snap has suffered on two key fronts:

- **Apple:** The iPhone maker's privacy restrictions have made it more difficult for Snapchat and competitive platforms like **Facebook, Instagram, Twitter, and Pinterest** to target their ads as successfully.
- **Inflation and uncertainty:** The general economic slump has particularly hurt Snap and other firms with high capital burn rates. Since going public in 2017, Snap has only seen one quarter of profitability.

Since then, its user base has surpassed Twitter with 347 million daily users—but Snap hasn't been able to increase its ad revenue as much as many analysts expected. It has turned to other initiatives to drive revenue, including its nascent **Snapchat+ subscription model**, which has **fared better than Twitter Blue**, its rival's subscription offering. **But those moves** won't be enough to offset slowing ad sales anytime soon.

ARmbitions: A big portion of Snap's future lies in its augmented reality (AR) roadmap.

- In May, the platform released [a suite of AR creation and shopping tools](#) for sellers to simplify asset creation.
- There are now 6 billion AR sessions every single day, according to Snap's global AR product strategy and product marketing lead, Carolina Arguelles Navas, who we [interviewed at Cannes](#).
- The company's prowess with AR is a significant competitive advantage when it comes to facilitating social commerce transactions, though it lags behind more widely adopted platforms like Facebook, Instagram, and **YouTube**.

Have US Digital Buyers Made a Purchase via Select Social Media Platforms in the Past Month?

% of respondents, by demographic, June 2022

	Female	Male	18-34	35-54	55-65	Total
Facebook	19%	19%	29%	17%	12%	19%
Instagram	11%	14%	27%	9%	2%	12%
YouTube	6%	12%	20%	5%	2%	9%
TikTok	7%	8%	19%	4%	1%	8%
Snapchat	4%	8%	17%	1%	0%	6%
Pinterest	5%	6%	12%	3%	2%	6%
Twitter	2%	8%	12%	2%	1%	5%
Reddit	1%	5%	6%	2%	1%	3%
LinkedIn	0%	3%	3%	1%	1%	2%
Other	1%	1%	0%	3%	1%	1%
No, I have not purchased from any of these sites in the past month	72%	67%	49%	74%	85%	70%

Note: n=883 who made a digital purchase in the past month/30 days

Source: "The Insider Intelligence Ecommerce Survey" conducted in June 2022 by Bizrate Insights, June 22, 2022

276570

eMarketer | InsiderIntelligence.com

The big takeaway: Given the uncertainty in the market, platforms like Snap are in a bind. They can't support a bloated headcount—Snap's employees as of June 30 were up 38% year over year, while the company's net loss this past quarter was nearly three times greater than 2021's Q2. That's just not sustainable right now.

At the same time, the company *needs* to innovate to stay relevant to attract new users.