Q&A: How Snap's AR ambitions are beginning to pay off
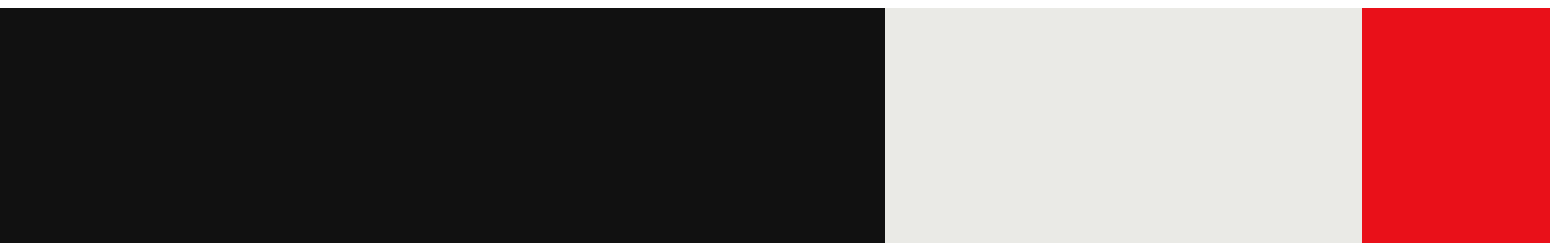
Article

Our principal analyst **Jasmine Enberg** sat down with **Carolina Arguelles Navas, Snap**'s global AR product strategy and product marketing lead, at the Cannes Lions International Festival of Creativity to talk about the social media company's **augmented reality (AR) fashion exhibit with Vogue** and more.

The following has been edited for brevity and clarity.

Insider Intelligence (II): First, why don't you tell me more about this [partnership]?

Carolina Arguelles Navas (CAN): We've been working with Vogue for a bit on this exhibition. The goal was how do we think about a way to not only make, especially, incredibly luxury brands feel more experiential, but how do we do it with this digital layer that can enhance the world around you? How do we think about the emergence of new technology, digital fashion, and real fashion, and bring that to life with some of the most recognizable brands in the world?

And so the goal of when you walk through it ... is to see how each of these brands' stories come to life.

If you go to someone's digital website, it's this white background tile view of just models wearing clothing. And I don't know about you, but I don't look like every model. And so I think this puts a little bit of a disconnection between what that brand really stood for and the end customer.

What we're really excited about is not just how AR can help that digital experience, but what AR can do in the physical world as well. And I think what comes to life here is that additional connection of the beauty of the context of the story that went along with these amazing pieces. And then for some of these collection pieces that you would normally not even get to purchase or see in person, how can you actually try them on? And so that's what you'll see.

II: This is clearly the next iteration of the AR try-on experiences that you have. What kind of results have you seen with brands like Puma in terms of uplift, for example?

CAN: For the last few years, we've been talking to businesses about some of the challenges they're facing and what technology can do to solve them. Some of the key challenges that we've heard are around how [to] increase purchase confidence online. I think a lot of consumers don't feel very confident when buying online. In fact, 70% of carts are actually abandoned, and 40% of people who abandon them say it's specifically because they're scared they might have to [make a] return.

And then return rates themselves are extremely high—30% to 50% online return rates—which is affecting businesses like Puma. With AR, we're seeing that 80% of consumers are more confident with their purchases after buying. And three in four are actually less likely to return [the item] because of their AR experience before purchasing. So it's having a meaningful impact on actual bottom lines in terms of not only purchases, but also returns. With Puma, we're not just allowing them to bring these experiences to reach a large audience on Snap, but

also to its own retail app and website. We're excited [about] how to take this technology and bring it to shoppers everywhere, not just on Snapchat.

II: So that's the brand's bottom line, but what about Snapchat's bottom line? Snap issued a profit warning not too long ago. So how do you see AR maybe helping drive revenue? It's still very experimental, and that's the kind of thing that tends to get cut when budgets get cut.

CAN: We've been building with AR with businesses for seven years. When we really look at what it's doing with businesses, where we see a transition from experimental to always on is specifically on the bottom line.

That's actually what helps to prove to a business why it should continue to invest in this. You have brands like Dior [that] are seeing a 6.2X return on ad spend. Dior is a brand that went from experimentation with AR with us a few years ago into being one of the most leaned-in businesses building AR experiences across many different SKUs in its catalog.

For us, it's one: how do you make sure that you're actually proving the value so that you're not in this innovation play, and that's been critical. We really believe that if we can deliver better value to our business partners, that will deepen our relationship with them and open up more opportunities for advertising.

And so we've really helped solve that creation and accessibility of [the] always-on creation problem by making sure that we're helping you meet your goals cross-platform. And then yes, our move into off-platform is really just the opening of the opportunity for how we can think about future business models for Snap in the long term.

II: How educated are you finding consumers when it comes to AR shopping on Snapchat?

This has been a 10-year journey. I think it's really important that we're not having an idea and automatically assuming that consumers will go and do that thing that is really far away from their day-to-day behavior. For us, we always believed this was the future, but we knew that we needed to get there by driving incremental behavior shifts so that it actually felt like a natural progression.

So when we look at our journey today and why AR shopping ... [is] being adopted on such a massive scale, it's because step one was, how do we get people using the camera ... as often as they're using the keyboard? Making intentional product decisions like opening straight to the camera drove mass daily camera behavior.

Step two was, how do we now transition [people] to think that the camera can do more than take a photo? We started with things like the silly vomiting rainbow and the dancing hot dog—not because the tech couldn't actually do an accurate makeup try-on for purchase then, but because we knew that felt too far away from the main use case for why they were using the camera at that time, which was creation. There are now 6 billion AR sessions every single day.

We started to introduce shopping as the new use case over the last few years. Over the past year, 250 million Snapchatters have virtually tried on a real product over 5 billion times. And a lot of, even that rate of consumption, is dependent on how many brands are actually building the content in AR. The behavior and the desire is there; it's really about how do we get more businesses and more apps to meet people where they are and where they're already interested.

II: What kind of advice would you give to marketers that would like to implement AR into their commerce strategies?

CAN: One, I think there's still a lot of misperceptions around the cost to enter for AR. A few years ago, it might have cost more money and taken a long time to develop a single AR experience on one platform. I think that how you validate that effort and time is in a different place now because of how accessible this [technology] is. Developing 3D assets or even being able to convert your existing images into assets is now something that even Snap offers in most cases as a free service.

So one powerful thing is how do you go to partners and look at what it means to even get your assets ready to build AR. A second thing is we've built self-tooling for businesses that allows them to then take those assets that they have AR ready, have them write in their catalog that they're already using for things like performance media, and put them through our AR tools to auto-generate a try-on experience.