


The Daily: Can Snapchat be "less social media", how it turned revenue around, and what Snapchat+ is doing for the company

Audio



On today's podcast episode, we discuss whether Snapchat's “Less social media. More Snapchat” is working, how concerned folks should be about its slowing user growth, and what to make of its revenue turnaround. Tune in to the discussion with our analyst Minda Smiley.

Subscribe to the “Behind the Numbers” podcast on [Apple Podcasts](#), [Spotify](#), [Pandora](#), [Stitcher](#), [YouTube](#), Podbean or wherever you listen to podcasts. [Follow us on Instagram](#)



Episode Transcript:

Marcus Johnson (00:00):

This episode is made possible by Awin. Unlock the full potential of the creator economy with a win's influencer management solutions and partnerships. Leverage the platform's best in class technology and award-winning expertise in end-to-end influencer program and campaign

management to your brand's advantage and drive impressive results. Go to awin.com/slash/eMarketer and hit the get started button today.

Minda Smiley (00:28):

There's Slack, there's Discord, there's text messaging, there's all these different messaging platforms, and so it makes the space more competitive and it's going to make users want to spend more time messaging across a lot of platforms or in other platforms. So that could also be hurting Snap, even though it kind of was their bread and butter at one point.

Marcus Johnson (00:49):

Hey gang, it's Monday, May 13th, Minda and listeners, welcome to the Behind the Numbers Daily, an eMarketer podcast made possible by Awin. I'm Marcus. Today I'm joined by one of our senior analysts who covers everything social media based in New York, Minda Smiley.

Minda Smiley (01:05):

Hey Marcus.

Marcus Johnson (01:06):

Hello there. How are you?

Minda Smiley (01:08):

I'm doing well. How are you?

Marcus Johnson (01:09):

Terrific. Very good. I'm medium, medium, medium to medium. Well,

Minda Smiley (01:14):

Alright, that's not bad for, yeah, that's not bad

Marcus Johnson (01:16):

For a Brit. You were going to say for a Brit, weren't you? And you'd be right.

Minda Smiley (01:20):

I stopped by myself.

Marcus Johnson (01:21):

Our ceiling. Today's fact, Minda, how many people do you think live above the equator in the top half of the planet and the bottom half? What do you think the ratio is there?

Minda Smiley (01:32):

Wait, so like a percentage wise, like 60 40 or something? Oh geez, I'm so bad at that. This kind of stuff. Well, I'll just go with 60 40 then. 60 in the north, 40 in the bottom.

Marcus Johnson (01:44):

90 10.

Minda Smiley (01:46):

Whoa,

Marcus Johnson (01:46):

That's crazy. I would've guessed exactly what you said. Wow. Yes, it's almost 60 40 in terms of Earth's landmass. So it's 68%, the top half of the world, 68% of the landmass isn't the top half of the world. And then the rest, the 32%, is that right? Yeah, in the bottom half landmass in the bottom

Minda Smiley (02:06):

Half. So I was kind of onto something. Yes,

Marcus Johnson (02:08):

With my big It was good logic. It was good logic. Yeah. But 90% of everyone in the world live above the equator, the top half of the planet. And if you can't picture where the equator runs, which I couldn't until I looked it up, it runs through the very top of South America, right through the top of Brazil and then across through the middle of Africa pretty much. And then through Indonesia. And you've got Australia obviously below it. But what I also found fascinating is that India, which obviously is in Southeast Asia, is in the top half.

Minda Smiley (02:36):

Oh, that is surprising.

Marcus Johnson (02:38):

Is in the northern hemisphere, the bottom of India. The very bottom of the country is actually 500 miles above the equator.

Minda Smiley (02:47):

Wow. Yeah. Wow. My geography skills are not great. I would never think that.

Marcus Johnson (02:53):

Yeah, same and 500 miles for folks. What does that mean? You could fit one Florida between the bottom of India and the start of the equator in between the two. So it's really in the northern hemisphere. Yeah. Wow. Yeah. This is how I spend my life looking at maps. That's

Minda Smiley (03:09):

A good one. That's a fun fact.

Marcus Johnson (03:10):

Thank you. Finally. It took a while, but we got there. We did it after five years. Anyway, today's real topic, snap in today's episode, first in the league, we'll cover Snap how they're getting on knowing other news today. So Minda, let's start with a bit of news ish. The new fronts presentation, which was on May 1st. You attended what jumped out to you?

Minda Smiley (03:40):

Yeah, I mean I think the biggest thing that jumped out to me, there were two things I guess I should say. The first being that you could kind of tell they were coming off a good quarter and really feeling a lot of momentum right now just by the event itself. It took place at night, it was a nighttime event, which I feel like those always feel a bit more a soiree.

Minda Smiley (03:56):

Yeah, it felt a little swanky. It was at this downtown Manhattan venue when you walked in, they were handing out mini champagne bottles and popcorn to everyone, all the guests. So they clearly were trying to make it very entertaining and their branding was everywhere. And then after the presentation, the wine and cocktails were flowing. They were past apps. They really pulled out all the stops in my opinion. And I think they really are trying to position themselves as a serious player within the social landscape. Although that's a whole nother thing, which

leads me into my second point is that they're really trying to also not position themselves as social media. Last probably a few months ago, they rolled out a campaign called Less Social Media, more Snapchat and really trying to differentiate themselves away from a lot of the big social media players right now, what'd you

Marcus Johnson (04:42):

Make of that?

Minda Smiley (04:43):

I mean, I think it might be too early to tell honestly, and I can get into that, but I will say that was a big part of their new friends presentation. That's what they led with. They had their Colleen Dei came out and she was the one that she started the presentation off talking more about the campaign and why they're doing that. So my personal opinion on it is, I think on the one hand I see why they're doing it. A lot of these social platforms are dealing with a lot of criticism right now, largely from the teen safety perspective and whatnot. And I think they're trying to position themselves as a place that's a bit more safe for that demographic and more fun, more lighthearted. But I do think trying to position yourself is not social media. I'm not sure that's a great strategy because I think for a lot of marketers, they're a social platform. I think it kind of risks further alienating marketers that are already confused about Snapchat and now Snapchat's saying they're not social media. So I'm not sure. I think time will tell, but I don't know if that messaging is really going to resonate from a marketer perspective.

Marcus Johnson (05:42):

Yeah, it's hard because consumers have a different opinion of social media versus advertisers. Advertisers look at social media and say a lot of people using it, a lot of time spent on the platform. We have an hour and 50 minutes spent this year and the same next year, so close to two hours per day on the social media platform. And so they want to try to distance themselves from that very negative narrative of harming folks, especially young people, whether it's alleged addicted qualities, but also still appealing to those social media ad budgets.

Minda Smiley (06:11):

Yeah,

Marcus Johnson (06:12):

Exactly. Of folks. Tough balance. Absolutely. So they had the new fronts presented there on May 1st and they also a few days before that had their earnings. So basically explain to folks how they did at the start of this year, January, February, and March. So Q1, let's look at how many folks are using Snapchat. 8 million new daily active users for Snapchat in Q1. This now brings their total to 422 million worldwide after they crossed the 400 million mark back in Q3. That's now additions in the single digits though, single digit millions. That is for four of the last five quarters. So they were in the double digit millions for a good part of basically all of 20 22, 20 21, et cetera. But they hit 2023 and then four of the last five. So every quarter last year and the first quarter of this four of the five were in single digits. And so Minda, the question is why is Snapchat only able to record eight to 9 million new users in four of the last five quarters? We're playing slice of pie. So Minda is going to give me up to three reasons. Doesn't have to be three, but up to three reasons and attribute shares to each adds up to a hundred percent.

Minda Smiley (07:28):

Yes, I do have lots of thoughts on this and my first being, I mean I do know that a lot of their user growth at this point is coming from international expansion. So I think that's partly why we're still seeing growth even though as you said, it's more in the single digits now when we talk about users. But I think from a US perspective, which I can speak to a little more specifically, I think we are seeing user growth slow and we're seeing it slow among Gen Z, which is its biggest user base growth is slowing dramatically among Gen Z according to our forecasts. These users are only expected to grow 0.4% next year. And then it really only gets worse among older demographics. Millennials are expected to get a slight bump next year, but then the user declines set in after that. And I think the bigger point here is that Snapchat is really still seen as a young person's app in many ways. They kind of sort of have the opposite problem than a lot of the other social platforms do in that they just have trouble getting older people to stick around. People kind of age out it, but they do have this consistent Gen Z user base coming in. They do struggle to kind of grow because of that.

Marcus Johnson (08:27):

And Gen Z growth slowing down, is that just kind of the law of large numbers? They've basically got most people using the platform and so you can only grow so much. Yeah,

Minda Smiley (08:33):

Exactly. It makes sense. They actually are trying, I think it was a few years ago, they even came out and said, we're trying to get more 30 to 40 year olds on the app. And that was even evident in their new friends presentation. They had a whole musical number dedicated to why millennials should be using the app and talking about their kids and their doggos and all this millennial jargon they're throwing around. So it is interesting, but I would say that's a big thing. I would give that 40% in terms of just why we're seeing that slow growth is they really, it's just because they're struggling beyond Gen Z to really get people to stick around. And then my second reason for why I think we're seeing this, I'm giving 30% to this one, so a little bit less, but I think the fact of the matter is that a spotlight, which is their kind of TikTok copycat products, it hasn't been as successful as reels and or Instagram reels and YouTube shorts obviously a big part of that is a scale issue.

Minda Smiley (09:26):

YouTube and Instagram are just bigger platforms, so of course their TikTok competitor is going to have more users. But I think obviously short form video is huge right now. It's a big area that platforms are investing in. It's a big area that users, I mean users are spending a ton of time watching short form video. So I think Spotlight, they saw some momentum with it in this past quarter. They did call that out in their earnings with time spent going up a little bit and whatnot. But I don't think Spotlight can compete with TikTok reels and shorts. And so that's another reason why they're just going to struggle to get users because of that when they have so many other options.

Marcus Johnson (10:02):

If TikTok gets banned, might get a bit of a bump, but you can see a majority of people going to shorts. Exactly. Or to reels.

Minda Smiley (10:10):

Yeah, totally. And my last reason is just like, this is an interesting one. I'm giving this one 30% as well. Messaging is growing a lot, which on the one hand can benefit Snap. I mean they're known as the messaging app, so I think that bigger trend towards especially younger users are getting more into DMing and group chats. That's been covered quite a bit, but I think the downside for SNAP there is that now messaging has become a bigger part of all these other platforms. We're seeing Instagram invest heavily in dms. We're seeing TikTok to a lesser extent. There's Slack, there's Discord, there's text messaging, there's all these different

messaging platforms, and so it makes the space more competitive and it's going to make users want to spend more time messaging across a lot of platforms or on other platforms. So that could also be hurting Snap even though it kind of was their bread and butter at one point. Now the people have a lot more options now

Marcus Johnson (10:59):

On the young folks thing. Quickly just looking up some numbers. So Gen Z account for over half, according to our numbers, half of Snapchat users in the US 53% and then millennials basically account for the rest 34%. So you've only got 10% of folks who are in the Gen X or boomer category. So that's how the shares shake out for Snapchat users in America. One thing I wanted to mention by region, you kind of touched on this already, but just to hammer the point home, you talked about rest of world and how much that's been driving growth. North America, their daily active users for Snapchat have been stuck at a hundred million for a year and a half. And so over that time, over that year and a half, the rest of world on the other hand has added over 50 million, five zero million DAUs.

Marcus Johnson (11:45):

Oh wow. Now accounting for just over half of all Snapchat users coming from rest of world. North America has a quarter, Europe has a quarter, and then the second point on the region is Europe didn't add any users last quarter now stuck at 96 million. So like I said, north America stuck at a hundred for the last year and a half and then Europe seemed to hit its ceiling of 96 last quarter and it's not been able to grow from there. So rely much more heavily on that rest of world portion. Speaking of users, Minda, they've been trying to attract people to their Snapchat plus offering, which is their paid offering just crossed the 9 million user mark up from seven, just four months ago. What'd you make of Snapchat plus at this point?

Minda Smiley (12:29):

Yeah, it's a good question. I mean, I think on the one hand it's a smart investment for them for a few reasons. I mean, it's diversifying their revenue streams. I think their subscription offering is one of the bigger ones in the market right now, and I think they are clearly seeing success with it, even though it does still represent a small portion of their revenue. It's still a worthwhile, I don't even know if I would call it an experiment at this point. I mean it's clearly out in the market, but it is still small, but it's something they're growing and I think they test a lot of their features with Snapchat plus among that group of subscribers. And I think that's

also smart. It kind of gives them a chance to maybe work through issues and whatnot with the smaller, more user base. So that I think is good.

Minda Smiley (13:10):

I will say it has been controversial. I don't know if you saw, but a few weeks ago actually they had to change one of their, it was like a friend ranking feature that was pretty controversial among parents and some users. Essentially it was giving these teenage users, but all users a lot of access by paying for the service. You can see how you rank among your friends and it was just allegedly leading to more teenage anxiety and heartbreak if they can see that maybe they're not ranking as high with a certain friend or a crush or something. And so they actually ended up having to change it. It was a default for all users and then they ended up making it optional because people were pushing back. And so I think it's a popular feature among those who are subscribing to it, but it is coming with its own fair share of controversy and people just kind of saying that we shouldn't be giving users this much access to how they're being ranked and

Marcus Johnson (14:06):

Create that feature for, and especially they're younger, especially considering the fact that their audience does skew incredibly young. That does sound like a bit of a miss on their part.

Minda Smiley (14:17):

Yeah, it reminded me of MySpace, the top eight friend, remember that?

Marcus Johnson (14:21):

Oh yes. Yeah,

Minda Smiley (14:24):

Great point. That would lead to some drama as well. And now it's coming back full circle.

Marcus Johnson (14:30):

Let's move to how Snap did in Q1 revenue wise. So moving away from users to money made, we'll play Slice of Pie again and Minda, how was SNAP able to record revenue growth? This was the good part of their earnings or one of the good parts of their earnings revenue growth

of 21% in q1. And for context, that was up from negative seven the same period last year. So from negative seven Q1 last year to plus 21 in Q1 this year, slice of pie, how did they do it?

Minda Smiley (15:01):

So I think a big part of this 50% actually is in my opinion, just has to do with the market itself. Not really Snapchat. I think we're just in a better place. The industry's in a better place than it was a year ago. We saw SNAP was not unique with its revenue growth. I think meta, YouTube, Pinterest, they all saw double digit revenue growth that was similar to Snapchat's. And so I mean that's the biggest thing. It's just a better time for these companies. So I think that played a large part of it. That being said, I mean Snapchat certainly investments they've been making into their advertising platform are certainly paying off, especially on the direct response side of things. So I'm going to give that 30%. I think it was probably about two years ago they came out saying we're going to invest more in direct response and measurement capabilities.

Minda Smiley (15:48):

And so I think a big part of why we saw that success or that growth is just because we're finally seeing some of that play out. So that's good for them. And then the last bit is that they just have a lot in the market right now in terms of offerings for advertisers. I'm only going to give this one 20% because I will say I think a lot of these offerings are newer or maybe not even in the market yet. So I don't think they have maybe had a huge impact on the bottom line quite yet, especially this past quarter, but wasn't another thing that was really evident at their new fronts presentation. It almost felt like a little bit spaghetti being thrown at the wall. They have just so much coming out, whether it's stuff you can sponsor or ad formats or AI investments, they're clearly just investing a ton in advertising right now. And so that of course is going to lead to revenue growth if advertisers are interested.

Marcus Johnson (16:34):

Yeah. Yeah. Daniel Constant, Mitch pointing out Snapchat attracted significant attention from the smaller brands, smaller mid-size advertisers on the platform growing 85% year on year in Q1. It's been a minute though since they were able to achieve over 20% or anything close to 20% in terms of quarterly year on year revenue growth. It's been two years since they were anything close to 20%. So that's an impressive figure. That's 21% in Q1 and then average revenue per user. I thought it was important to point out because we said they struggled to add as many users as perhaps they wanted to in that single digit millions 8 million, but they did

increase revenue by a lot. And so that led to increased average revenue per user up 17% in the highly lucrative North American region. As because revenue growth in North America, huge turnaround from negative 16% to plus 16% Q1 2023 to 2024. She also mentioned Jasmine who covers social media for us as well, did say they would turn their revenue picture around when a lot of other folks were more skeptical. So shout out to her, let's end the episode.

Minda with A grade for Snapchat's Q1.

Minda Smiley (17:40):

Yeah, I'm going to give them a solid b plus. I mean, I think it's clearly had momentum right now and that these investments that they've been making are clearly paying, so I feel like they're doing well and it was a big quarter for them, but I do think they still have some real challenges ahead, which is why I'm not giving them that A, I mean, I think as you mentioned earlier, time spent on social media is kind of plateauing from what we're seeing. And I think that they're going to have to be fighting for that time, even though they don't consider themselves social media, a lot of advertisers do. So that's going to be tricky. And as I mentioned earlier as well, I think some of these, they have been catching some flack lately for some of the Snapchat plus stuff in terms of maybe it not being great for teenage mental health and whatnot. So they're going to have to grapple with that. I think because they're a lot smaller, they don't get as much of attention as meta mite, but still, they still are facing their own issues. And so I think we're going to see a lot of momentum from them moving forward in the short term at least. But yeah, I'm going to say B plus.

Marcus Johnson (18:35):

Yeah, that's fair. Yeah. To your point about 'em being a lot smaller, they're less than a percentage of the US digital ad pie compared to Facebook with about 11% Instagram with about 10%. Even Amazon with 14% TikTok with three and a half, so they're definitely a smaller player. You mentioned time spent on the platform. Yeah, our number is specifically for, at the time Snapchat users spend on Snapchat. We have that actually, that's plateaued and it's actually going to tick down by a minute next year. So that's a really good point as well. And then also they're just still not making money. It lost slightly less money in Q1 of this year than for the same period last year, but still lost 300 million, so not great. That's all we've got time for this episode. Thank you so much to mind for hanging out with me today.

Minda Smiley (19:16):

Yeah, thank

Marcus Johnson (19:16):

You. And thank you to you, Victoria, who edits the show, Stuart, who runs the team, and Sophie who does our social media. Thanks to everyone for listening in to the Behind the Numbers Daily and e-Marketer podcast made possible by Awin. Tune tomorrow to hang out with host Rob Rubin on the Banking and Payment Show, where he'll be talking all about the future of physical banking and ATMs as a business model.