

MARKETING

## Despite stock valuation problems, luxury marketers should not forego Snapchat

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*Snapchat's Spectacles were another underwhelming addition to its stock problems*

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When Snapchat, or Snap Inc., as it is now known, went public, predictions were split over how it would turn out, but the company's stock has been performing poorly so far.

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Currently, the stock is down to around .25 cents per share, a startlingly low number for the company. But luxury brands should not be hasty in jumping off the Snapchat wagon that was so full a few months ago depending on what kind of engagement they are trying to get out of the service.

"One of the biggest struggles for Snapchat right now is a slowdown in daily active user growth," said Nicole Larrauri, president of **EGC Group**, Melville, New York. "Their initial forecasts depended on a much higher daily active user base and their Q1 report shared an actual growth of only 5 percent of its 166 million daily active users.

"More than that, Snapchat is not very advertiser friendly. And definitely not medium-smaller advertiser friendly."

### Snapchat troubles

Snapchat overall growth in the last year has been positive, but the last few quarters have been terribly slow. The platform added just 8 million people last quarter.

Additionally, other goals and metrics have shown Snap coming up short. The company missed its first revenue mark by a full \$10 million and the problems have only grown since then.

While these numbers are not terrible, it is certainly not the kind of growth Snap was looking for in its first months under the scrutiny of investors. In the future, these consistent misses of important benchmarks could have a serious impact on Snap's future.



*Fendi is one luxury brand that has embraced Snapchat*

One of the problems for marketers using Snapchat is that it is much harder to gauge ROI than on something similar to Facebook. Because of that, only certain brands are able to reliably use Snapchat in a marketing capacity.

"The immersive ads and experiences seen from the big companies takes resources and budgets to produce, and the analytics and ROI tracking are not as strong as you see on other channels," Ms. Larrauri said.

"So while large advertisers such as Toyota can afford to make large brand awareness commitments without a real idea of ROI, there are only so many of those brands who can commit to that. In contrast, Facebook's advertising revenue is dependent on a mix of small and large advertisers and makes ROI analysis much easier."

#### Targeted marketing

Snap has been making some changes to its platform to specifically appeal to brands, such as a recent change that would allow advertisers to better understand how their Snapchat marketing is actually affecting returns.

"Snap to Store" is the new ad product from the app that allows ad partners to better track how well their campaigns are doing. Through data mining, Snapchat breaks down visitors based on demographics and how they interacted with the brand ([see story](#)).

Luxury brands have been mostly lukewarm on Snapchat, with many not even having a presence at all.

According to L2's "Omnichannel report on luxury shopping," most luxury brands are lacking the ability to translate concierge services into the digital age. Many are also missing a huge opportunity to connect to an active audience as only 47 percent of brands posted in Snapchat last October ([see story](#)).



*Snap is counting on increased traffic to please investors*

But smaller luxury brands, especially those that target a younger audience, may find uses for Snapchat.

"Brands should not use Snapchat's current stock problems as a gauge of whether it is a right marketing vehicle or not," Ms. Larrauri said. "Much of Snapchat's stock woes can be attributed to disproportionate operating expenses and cost per revenue."

"Snapchat does have an engaged younger audience that is hard to reach through other social media channels. Moreover, Snapchat's users spend over 30 minutes per day in the app and overall there are 3 billion snaps generated

every single day.

"That is a lot of engagement. So if luxury brands have an interesting story to tell, immersive content, a younger target demo and the desire to go deep, high engagement, and not wide, smaller more target audience, Snapchat is still very viable."

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