

SOFTWARE AND TECHNOLOGY

Snapchat struggles to keep users despite revenue growth

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A surprise ecommerce partnership with Nike could signal a new direction for Snapchat. Image credit: Snap

By SARAH RAMIREZ

Social media platform Snapchat saw a decline in daily active users for the second straight quarter, although sales grew 43 percent to \$298 million.

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While Snapchat continues to partner with leading brands and media organizations, others such as *Vogue* are starting to distance themselves as the platform continues to lose users in its most lucrative markets. With its emphasis on Stories and IGTV, Facebook's Instagram continues to outmaneuver Snapchat.

"Snapchat has not invested as much time and resources [as other platforms] in building and nurturing the creator community," said Krishna Subramanian, cofounder of **Captiv8**, San Francisco. "It still doesn't compare to the monetization opportunities offered by YouTube and Instagram."

Snap shortcomings

For an application such as Snapchat, daily active users are the lifeblood of the whole operation and what the platform uses to entice brand and advertising partners to work with it.

Just two years ago, Snapchat was a success story and adding more than 20 million daily active users in a quarter ([see story](#)).

"Snapchat is still huge in regards to daily active users — losing 2 million is kind of a drop in the bucket when you have 100 million plus," said Jordan Jacobson, regional director of social media at **iProspect**, Los Angeles. "It's a bad sign for the future but at this point in time there is still a huge audience."



Vogue's Snapchat Discover editions revolved around countries, not titles

Much of Snapchat's ad revenue revolve around Discover, which allowed users to view custom content created by brands and publishers.

Earlier this month, *Vogue* launched a Spanish-language edition of Snapchat Discover. Weeks later, however, [Bloomberg](#) reported that Condé Nast is discontinuing its Snapchat channels for *Vogue*, *Wired* and *GQ* brands.

Snapchat started the year by testing new features to appease its advertisers, including unskippable three-second ads. Snap has always been cautious around introducing ads to Snapchat, and the skippable ads in Stories now are often skipped through by consumers in less than a second.

The platform is also pushing more content off the app with an initiative called Stories Everywhere. Under this project, users and brands will be able to save and share content from Snapchat anywhere on the Web, including a Web media player for viewing Snapchat videos outside of the app ([see story](#)).



Snapchat spectacles. Image credit: Snapchat

A redesigned app also drew user backlash and eventually an online petition before Snapchat made some readjustments to appease the community.

The company has also hit roadblocks when trying to expand beyond its digital origins.

Snapchat Spectacles were relaunched with more fashionable designs but little fanfare. The water-resistant glasses connect to users' nearby devices that are paired, and share 10-second clips to Snapchat, and now other social media outlets, too ([see story](#)).

Next steps

Despite Snapchat's attempts to lure advertisers to its platform, marketers overwhelmingly prefer Instagram for ad buying.

The Facebook-owned platform has dwarfed Snapchat, with 90 percent of respondents to a survey conducted by Cowen indicating they prefer to advertise on Instagram over Snapchat, as reported by Business Insider. This data should be worrisome to Snapchat, which has increasingly lost favor with advertisers as Instagram's star has risen.

According to Cowen's report, 47 percent of advertisers are spending much less on Snapchat ads than they had anticipated ([see story](#)).

To better compete with Instagram, Snapchat has rolled out new ad features to all global advertisers. The new offerings include Collection Ads, Product Catalogues, Advanced Pixel Targeting and third-party agency partners ([see story](#)).

While its user base declines, Snapchat still has a robust base of users between 18 and 24 years old. It also offers competitive advertising rates compared to other online platforms, so brands will need to evaluate whether it is worth continued investment of time and money.

"Snapchat needs to invest in branded content tools to draw in brands," Captiv8's Mr. Subramanian said. "Bringing scale to branded content publishing will bring more dollars into the space and help brands get even better return on their influencer investment."

As the company continues to introduce more features for advertisers, it will also need to remind brands where their marketing budgets are going.

"People are seeing the Wall Street reports and other press coverage that is so negative; they aren't looking at the numbers," iProspect's Mr. Jacobson said. "They aren't necessarily seeing the results that we are seeing."

"[Snapchat] needs to defend the budgets they are currently getting from brands while continuing to sell in new advertisers."

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