To: Evan Spiegel, CEO Snap Inc.
From: Hema Raju Barri
Date: October 24, 2024
Subject: Pivot Strategy for reshaping Snap Inc.

Is transformation the only key now?

For Snap Inc., transformation is no longer an option but a necessity to stay competitive. As rivals like Instagram and TikTok continue to dominate the market with new features and expansive user bases, Snap faces challenges as below.

Challenges Faced by Snap Inc.

- Stagnating User Growth: Competitors dominate the market, drawing attention away from Snap's core offerings[7].
- Monetization Challenges: Existing revenue streams lack sufficient scalability compared to competitors' advertising models[8].
- Security and Privacy Concerns[6]: Features like Snap Map raise privacy issues, potentially alienating users[5].

However, **transformation alone is not enough**. To truly thrive, the blue ocean strategy[1] is the key to escape the fiercely competitive market and carve out an entirely new, uncontested market space, that is outlined below.

How to sail out of competition?

1. Launch the "Snap AR Ecosystem" by integrating AR chatting[9] in the spectacles[2] that are being worked on, AR streak maintaining, and monetization using AR[8.] This ecosystem will be accessible via AR-enabled spectacles, offering users a seamless, hands-free experience that drives user engagement.

Value Innovation:

This approach transforms everyday interactions into engaging AR experiences, fostering user engagement and loyalty. By combining entertainment, practicality, and competition, the Snap AR Ecosystem creates unique value, attracting new users while reducing the relevance of traditional competitors.

Implementation Steps:

- Enable real-time communication through AR-powered spectacles.
- Design streak-based AR games that users can play to maintain and enhance their Snap streaks and Introduce leaderboard competitions with rewards to encourage frequent usage.

[1]Kim, W. C., & Mauborgne, R. (2015). Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant. Harvard Business Review

[2]2024, October 25, investor. Snap, Snap Inc. - Financials - SEC Filings, https://investor.snap.com/financials/sec-filings/default.aspx

[5]Burns, C. (2022, February 16). Snapchat is not private, nor is it safe. SlashGear. https://www.slashgear.com/769717/snapchat-is-not-private-nor-is-it-safe/

[6] (2022, July 5). Snapchat users warned of "creepy" feature that reveals location data. New York Post. https://nypost.com/2022/07/05/snapchat-users-warned-of-creepy-feature-that-reveals-location-data/

[7]Thorne, E. W. (2023, October 20). Snapchat's challenge: monetization. LinkedIn. https://www.linkedin.com/news/story/snapchats-challenge-monetization-5800916/

[8](2024, August 18). Snap Could 5x If Monetization Trends Continue to Improve. Seeking Alpha. https://seekingalpha.com/article/4715435-snap-could-5x-if-monetization-trends-continue-to-improve

[9]Sharma, J. (2024, August 7). AR/VR for Event Management: Boost Attendance & Engagement. Dreamcast Blog. https://godreamcast.com/blog/solution/in-person-event/ar-vr-event-management/

- Launch an AR-based marketplace where creators can sell filters, avatars, and virtual accessories and integrate an ad system allowing brands to sponsor AR experiences.
- Partner with retailers to enable users to virtually try products (e.g., clothing, furniture) in AR and create a direct purchase option through AR-enabled spectacles
- Introduce streak-linked AR games with daily challenges to engage users and deepen connection.

2. Launch the "Snap Rewards Card" by introducing a proprietary rewards-based digital card system exclusive to Snap. Users can earn credits by maintaining streaks and active engagement, redeemable for AR filters, premium avatars, and in-app purchases.
Value Innovation: This incentivizes consistent app usage and deepens user loyalty by integrating a gamified rewards structure.
Implementation Steps:
- Collaborate with a financial partner for secure infrastructure development.
- Pilot the system with select users to refine user experience and rewards structure.
- Expand to all users with personalized rewards based on activity metrics
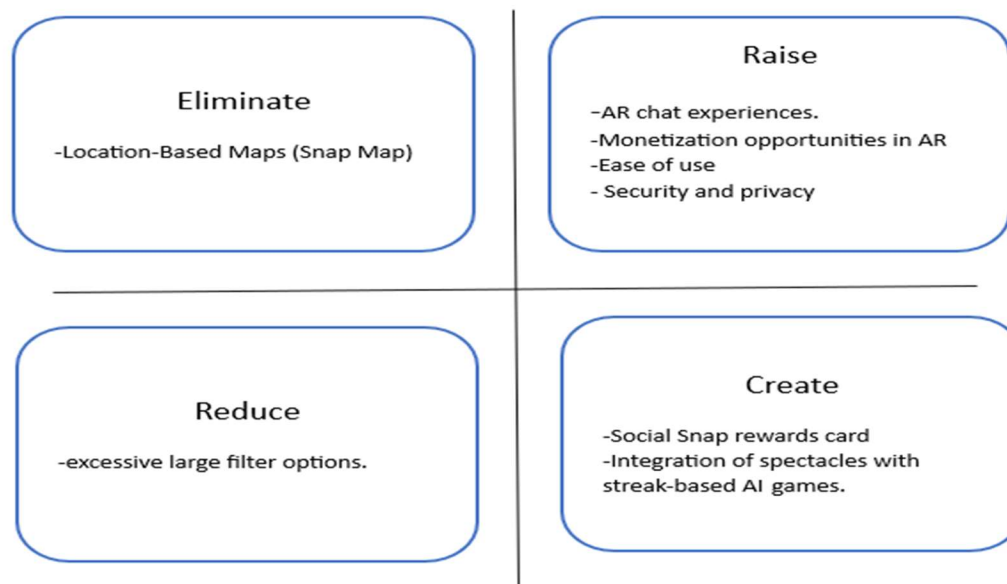
Analysis using 4-actions framework

Eliminate
-Location-Based Maps (Snap Map)

Raise
-AR chat experiences.
-Monetization opportunities in AR
-Ease of use
- Security and privacy

Reduce
-excessive large filter options.

Create
-Social Snap rewards card
-Integration of spectacles with streak-based AI games.

Figure 1.2: Four actions to support Snap AR Ecosystem & Snap Rewards Card

By eliminating Snap Map, Snap addresses privacy concerns[3] and reallocates resources to develop innovative AR-based features that better align with user needs. Reducing the clutter of large filter options simplifies the user experience, streamlining interactions and emphasizing high-value AR engagements. Elevating AR chat, monetization avenues, security, and ease of use enhances user trust and engagement while unlocking new revenue streams. The creation of a Social Snap Rewards Card and the integration of Spectacles with streak-based AI games encourage deeper engagement and loyalty through gamified experiences, uniquely combining social interaction and entertainment. Together, these actions allow Snap to transform and remain competitive in a rapidly evolving market.

[3]Annie Duke. (2023, May 9). Monkeys and the reverse salient https://www.annieduke.com/monkeys-and-the-reverse-salient/
[4]2024, October 25 Snap Inc. - Snap Inc. Announces Fourth Quarter and Full Year 2023 Financial Results https://investor.snap.com/news/news-details/2024/Snap-Inc.-Announces-Fourth-Quarter-and-Full-Year-2023-Financial-Results/default.aspx

How to make the sail streamlined for Snap Inc.?

Understanding the market competition, the unique value that is separating Snap from competitors, and how it is making competitors irrelevant by creating a new customer base is imperative, and this is explored through the Strategy Canvas (Figure 1.1) below.
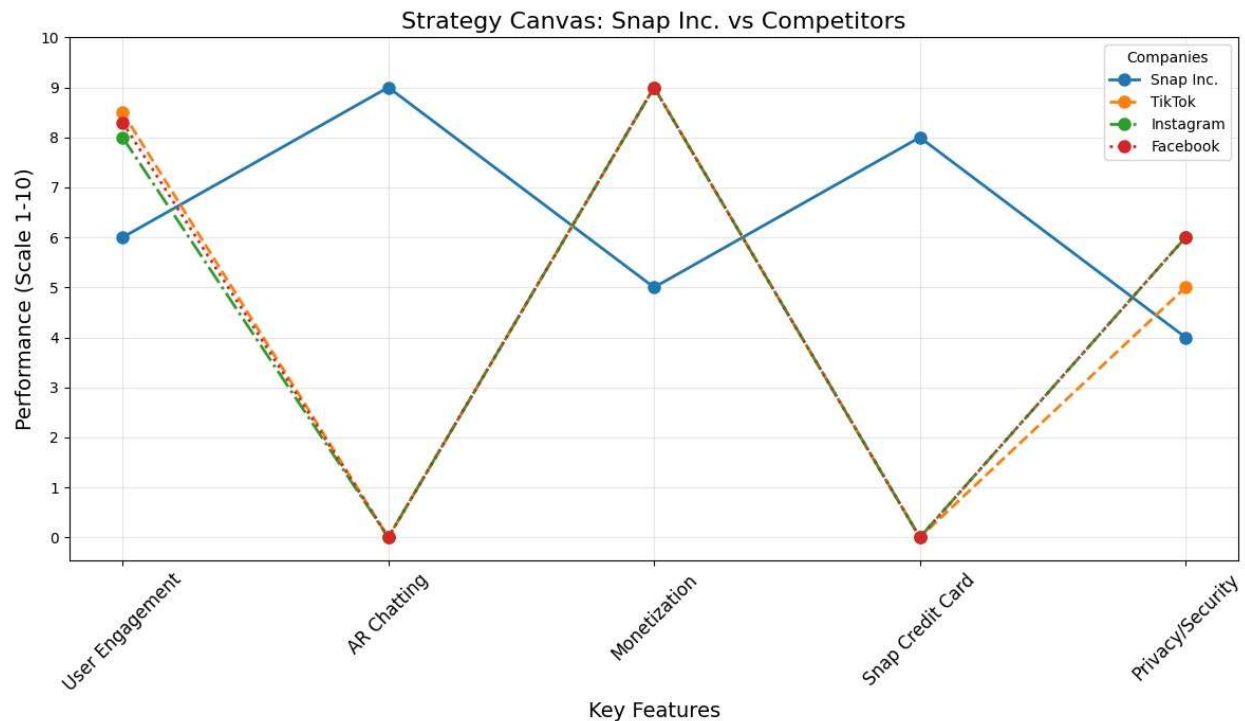

Figure: 1.1: Strategy Canvas

Justification for the Selection:
- Relevance to User Experience and Loyalty: Each selected feature plays a vital role in enhancing user experience, driving loyalty, and sustaining engagement over time.
- Differentiation Potential: These features highlight areas where Snap can differentiate itself from competitors, particularly through AR innovation, rewards-based user engagement, and privacy enhancements.
- Market Trends and User Expectations: AR experiences, privacy considerations, and gamified incentives resonate with evolving user expectations, making these features highly relevant for growth.

Snap should fully embrace the to-be strategy canvas (Figure 1.1) to help itself to be the market leader which is supported by the four actions framework (Figure 1.2).

Gravitation force of success:

The net profit margin loss, from -31.07% in 2022 to -28.71% in 2023, demonstrates that value innovation and focused product offerings can mitigate losses and foster profitability. Additionally, eliminating non-essential features like the Snap Map and increasing leverage through efficient AR and monetization improvements will contribute to boosting Return on Assets (ROA) and turning around the negative Return on Equity (ROE) of -52.95%. This strategic pivot, guided by the Four Actions Framework and supported by the proposed changes, positions Snap to transform its market standing and create new, uncontested value spaces in the industry.

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References

1. Annie Duke. 2023, May 9. Monkeys and the reverse salient https://www.annieduke.com/monkeys-and-the-reverse-salient/
2. Burns, C. (2022, February 16). *Snapchat is not private, nor is it safe*. SlashGear. https://www.slashgear.com/769717/snapchat-is-not-private-nor-is-it-safe/
3. Kim, W. C., & Mauborgne, R. (2015). Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant. Harvard Business Review
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