

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

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### 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 stagnating user growth and challenges in effective monetization. However, **transformation alone is not enough**. To truly thrive, blue ocean strategy<sup>1</sup> is the key to escape the fiercely competitive market and carve out an entirely new, uncontested market space, which the following strategy will outline.

### The only options to sail out of competition:

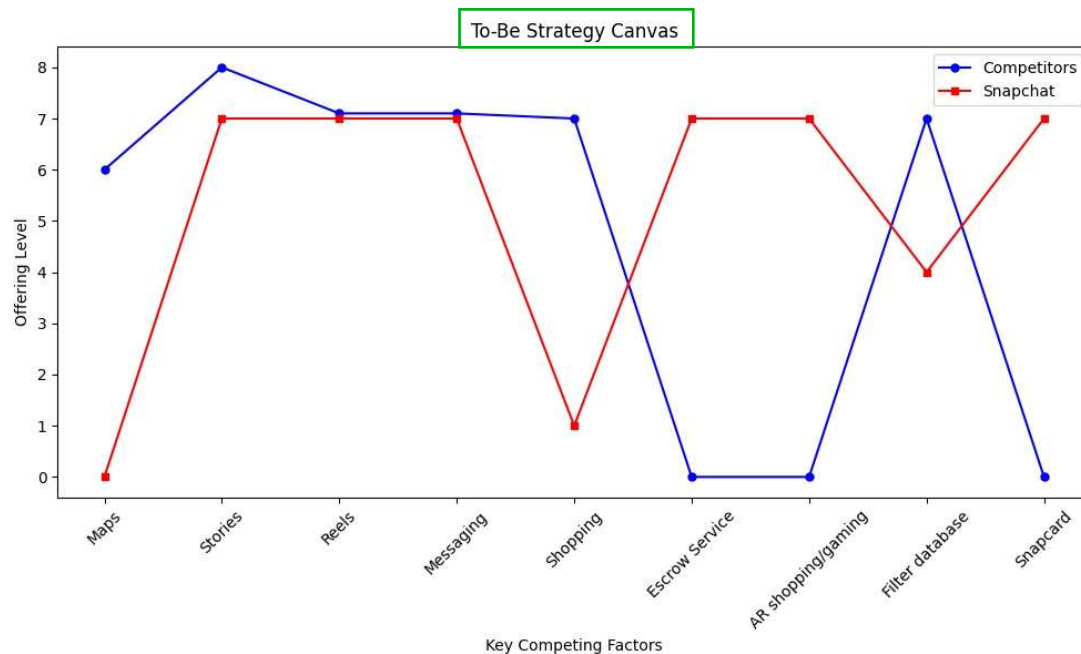
- **Introduce a snap credit card** that can be accessible to everyone who can earn credits according to the streak and can use those credits to purchase AR filters, avatars and few commodities on snap store.
- **Launch an Escrow feature** exclusive to premium subscribers, allowing verified transactions within the platform. This would attract a higher-tier user base by offering a unique service not available on competing platforms like Instagram or TikTok making them irrelevant.
- **Eliminate the Map feature**, which offers limited user engagement and does not align with Snap's primary mission and is also rising concerns for security. Instead replace the column with settings which is hard to locate on the app.
- **Discontinue development of the Pixy**<sup>2</sup> as it requires specialized skills to operate, veers away from Snap's tagline, "the fastest way to share a moment."
- **Rise the use of AR** by integrating AR chatting in the spectacles<sup>2</sup> that are being worked on, AR streak maintaining, monetization using AR, AR shopping experience AR gaming for streak thus making the competition irrelevant with new customers.
- **Reduce the filter options database** that requires huge investment by partnering with companies like NYX Professional Makeup<sup>2</sup> and decrease the story time to 18 hours or below that which would increase frequency of user engagement with the App.

### How to make the sail streamlined for Snap Inc.?

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

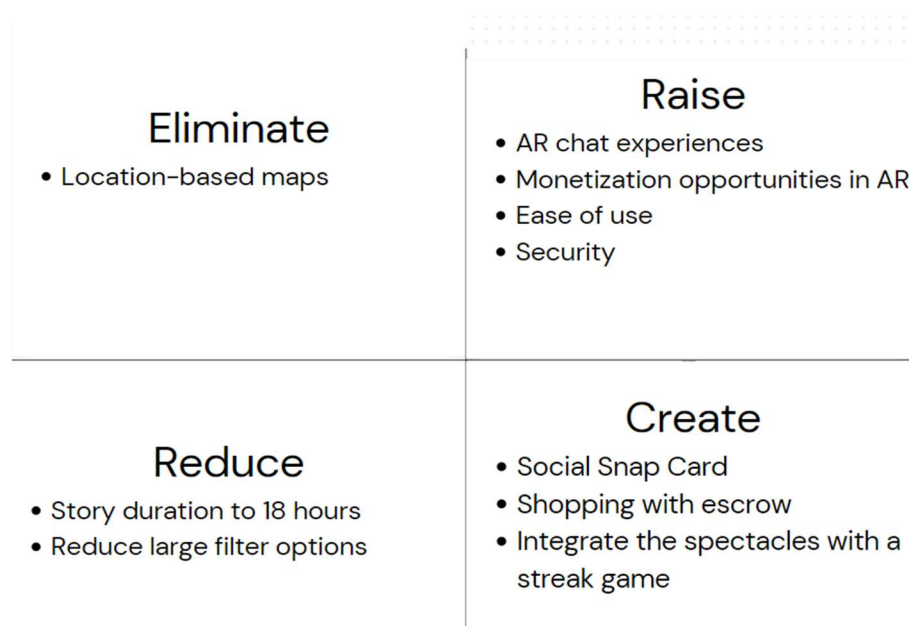
<sup>1</sup>Kim, W. C., & Mauborgne, R. (2015). Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant. Harvard Business Review

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



**Figure: 1.1: Strategy Canvas**

If the To-be strategy Canvas is followed Snap is going to attract a new set of customers through its great-value AR gaming, AR shopping, and escrow services. By discontinuing the Pixy drone and reducing the filter database, the company can save resources while delivering meaningful value to users. This approach boosts efficiency and helps Snap differentiate itself, making competitors irrelevant and expanding its market reach. Snap should fully embrace the to-be strategy canvas (Figure 1.1) to help itself to be the market leader which could be guided using the four actions framework (Figure 1.2) as below.



**Figure 1.2: Four actions framework**


The Four Actions Framework is the only one that works here since the market has a reverse salient like data privacy<sup>3</sup> which is achieved by removing the maps feature, and user experience<sup>3</sup> which is addressed by creating new features, removing and reducing unnecessary. The framework will also help gain customers by without incurring losses or raising prices. How all those mentioned in the framework (Figure 1.2) add value is:

- **Eliminate:** Removing location-based maps reduces distractions, allowing Snap to focus on core functionalities that users find more valuable.
- **Raise:** Amplifying AR chat experiences, monetization opportunities, ease of use, and security improves user satisfaction and opens up new revenue streams.
- **Reduce:** Shortening story duration to 18 hours and minimizing large filter options reduces features taken for granted, increasing engagement by making interactions quicker and less overwhelming and also cuts down costs.
- **Create:** Introducing features like Social Snap Card, shopping with escrow, and integrating spectacles into a streak game brings innovation, offering new ways for users to interact and to connect with consumers, thus expanding market reach.

#### Impact of Recommendations on the Company<sup>4</sup>:

The following analysis explains why we get profits and improved operational efficiency, which will help turn Snap's current negative ROE of -52.95% into positive territory.

**Table 1.1: Impact metrics to Improve**

| Metric                                   | 2023            | 2022           | %change       | How to improve  |
|------------------------------------------|-----------------|----------------|---------------|------------------------------------------------------------------------------------------------------|
| <b>Profitability (Net profit Margin)</b> | <b>-28.71%</b>  | <b>-31.07%</b> | <b>-7.6</b>   | <b>Introduce Snap Credit Card and Escrow Feature for Premium Subscribers</b>                         |
| <b>Efficiency</b>                        | <b>0.58</b>     | <b>0.59</b>    | <b>-1.69</b>  | <b>Introduce AR features such as AR chatting, streak and shopping via Spectacles</b>                 |
| <b>Return on Assets</b>                  | <b>-16.53 %</b> | <b>-18.37%</b> | <b>-10.02</b> | <b>As efficiency increases ROA increases</b>                                                         |
| <b>Leverage</b>                          | <b>3.20</b>     | <b>2.44</b>    | <b>31.15</b>  | <b>Eliminating the Map feature and Pixy drone for leverage</b>                                       |
| <b>Return on equity</b>                  | <b>-52.95%</b>  | <b>-44.88%</b> | <b>17.99</b>  | <b>As NP, Efficiency and Leverage increases ROE increases</b>                                        |

This approach offers a clear path to unlocking new revenue streams, attracting untapped customer bases, and making competitors like Instagram and TikTok irrelevant that will pull the snap Inc with the gravitation force of success. This strategy minimizes wasteful investments, improves operational efficiency, profitability, and positions Snap as a leader in AR-driven social interactions thus helping it to redefine the future of social media.

<sup>3</sup>Annie Duke. (2023, May 9). Monkeys and the reverse salient <https://www.annieduke.com/monkeys-and-the-reverse-salient/>

<sup>4</sup>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>

## References

1. Annie Duke. 2023, May 9. Monkeys and the reverse salient <https://www.annieduke.com/monkeys-and-the-reverse-salient/>
2. Kim, W. C., & Mauborgne, R. (2015). Blue Ocean Strategy: How to Create Uncontested Market Space and Make Competition Irrelevant. Harvard Business Review
3. 2024, October 25, investor. Snap, Snap Inc. - Financials - SEC Filings, <https://investor.snap.com/financials/sec-filings/default.aspx>
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>