**Snowflake A Misnomer for This Hot Tech Stock?**

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Snowflake is a cloud computing and data warehousing-based company. They are headquartered in Bozeman, Montana and were founded in July of 2012. The company was publicly launched in 2014 after two years of being worked on secretly. Snowflake offers a cloud-based data storage and analytics service which is typically referred to as “data warehouse as a service”.  The firm has been described as “one of the few enterprise-lead cloud data warehouses that bring simplicity without sacrificing features” (Ruben, 1). As a frontrunner in the cloud computing and warehousing space, it is important to understand the target market, competitive market, business model, performance, and prospects of the firm.

The target market for Snowflake is any company that is looking to make the most out of their data. Snowflake’s platform utilizes the power of data warehousing, the versatility of big data platforms, the elasticity of the cloud, and live data sharing at a competitive cost compared to that of traditional data platform solutions. With that being said, the firm currently has 8,457 customers that make up 17.59% of total market share in the Data Warehousing category alone. These customers span multiple industries including business intelligence, big data, technology, machine learning, analytics, data science, and artificial intelligence respectively. Snowflakes clientele includes very recognizable companies such as Office Depot, McKesson, Nielsen, Door Dash, Instacart, and Rent the Runway. Snowflakes biggest customer is Capital One which accounted for approximately 11% of revenues in 2020.

While Snowflake is a front runner in a relatively new and hot field, they are up against some of the largest companies in the world, including the likes of Amazon, Google, and Microsoft. Snowflake was fortunate to benefit from first-mover advantage, however the previously mentioned titans are slowly catching up and even surpassing Snowflake. Amazon redshift currently has a 25.64% market share in the Data Warehousing category compared to the 17.59% market share mentioned earlier by Snowflake. Google is not far behind with Google BigQuery having a 16.58% market share, only 1.01% behind Snowflake as of April 2022.

 Snowflake creates value for their customers by enabling them to have ability to explore, share, and unlock data. They do this by breaking down the data silos of their customers. Snowflake capitalizes on organizations struggle to format data in a way that enables the data to be used in multiple contexts throughout an organization. Additionally, Snowflake assists organizations with their inability to handle large volumes of data, inability to support large amounts of use cases, the excessive management costs of data, and the difficulty associated with accessing data. Snowflake claims the core values that they offer to customers are “the ability to handle massive amount of data across the organization” (Cufano, 1), performance, utility model “customers pay only for the resources they consume” (Cufano, 1), instant elasticity “the ability of the cloud infrastructure to quickly adapt to the needed cloud resources automatically” (Cufano, 1), and the relative ease of use. To summarize the above, Snowflake aides its customers in consolidating data within a single interface / platform, to generate use cases available across the company. Snowflake captures value by utilizing a model that is more in line with traditional cloud-based businesses. Rather than being subscription driven, customers are charged based on the resources they are using. Snowflakes main value proposition is that they offer a ready to use platform to their customers so they don’t have to pay maintenance costs and can integrate the data in the cloud provided by Snowflake across their organization. Snowflakes platform enables a positive network effect, meaning as more customers join the platform more data is being shared on the cloud, which enhances the overall value of the platform.

Snowflake has had very impressive growth in recent months. Revenues in fourth quarter ending January 31, 2022, were $383.8 million. This represents a 101% year over year growth. Product revenues is this same quarter were $359.6 million, which represents 102% year over year growth. The remaining performance obligations were $2.6 billion, which represents a 99% year over year increase. Net revenue retention rate was 178% at the end of the fourth quarter. Snowflake has 184 customers with trailing 12-month product revenues greater than 1 million. Frankl Slootman, chairman and CEO of snowflake was quoted saying “Snowflake finished fiscal 2022 with record-breaking consumption and bookings results, including triple-digit product revenue growth” (Businesswire, 1).

Snowflake was one of the hottest tech IPOs of 2020, like any high-profile tech stock there are bulls claiming the company will expand wildly and bears claiming the stock is overvalued. Snowflake was initially priced at $120 per share, this attracted big investors including Salesforce and Berkshire Hathaway. As a result of this big-name recognition the stock opened at $245 and eventually hit $429 per share before dropping back to $260. Even after this large pullback Snowflake still traded at more than 70 times its 2021 sales, which make it one of the markets most expensive tech stocks. So, what does the future hold for Snowflake? As previously mentioned, snowflakes top-line growth is very impressive, however with this growth has come increased operating and net losses. These losses can be attributed the rising costs of sales, marketing, R&D, and cloud infrastructure. The next 3 to 5 years will test Snowflakes ability to survive and expand. Since Snowflakes Datawarehouse is a cloud-based service that runs on top of public cloud infrastructure platforms like Amazon web services, Microsoft’s Azure, and Alphabets Google Cloud it’s not reassuring that each of these platforms also provide data warehousing services that compete against snowflake. This leaves room for these tech titans to squeeze Snowflake, by lowering their data warehousing prices while raising Snowflakes Cloud hosting fees. Because of this Snowflake will struggle to stay completive with AWS’ Redshift, Azure’s SQL Data Warehouse, and Google Cloud’s BigQuery. However, in order to stay competitive Snowflake has rolled out new features including Snowpark. Snowpark is a developer platform for data engineers and AI scientists which is powered by the Snowflake network. It assists companies in building applications directly within its cloud. The expansion of this ecosystem looks to lock in Snowflake’s customers which would keep net retention rates high. Additionally, snowflake has parented with c3.ai and the data visualization firm Domo in hopes of natively integrating its own services into Snowflakes platforms. Snowflake will look to gain even more partners in the coming years in order to stay competitive.

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