

Snapchat's Facebook Moment, China Cracks Down on Apps and Social Networks

10-13 minutes

Good morning,

Two follow-ups to yesterday's bit on [Tesla](#) and the unfortunate death of a driver using Autopilot:

- I noted that the EU mandates that truck trailers use side skirts; in fact I meant [side underrides](#), similar to the rear underrides mandated on all tractor trailers currently. These can be combined with side skirts, which improve aerodynamics and thus improve fuel efficiency, helping offset the added weight
- Perhaps in an attempt to prove my point about the tendency of people in tech broadly and Tesla in particular to rely on nothing but numbers to make their case (not really, but the timing was convenient!), Fortune [published a story yesterday](#) pointing out Tesla's delay in releasing news about this crash even as it conducted a follow-on stock offering. It turns out Tesla CEO Elon Musk took a personal interest in the story, emailing the author:

If anyone bothered to do the math (obviously, you did not) they would realize that of the over 1M auto deaths per year worldwide, approximately half a million people would have been saved if the Tesla autopilot was universally available. Please, take 5 mins and do the bloody math before you write an article that misleads the public.

Musk followed that up by blasting the editor of Fortune [on Twitter](#), who had [tweeted](#) the article in question with the comment "Seems pretty material to me", stating:

Yes, it was material to you — BS article increased your advertising revenue. Just wasn't material to TSLA, as shown by market.

If you care about auto deaths as material to stock prices, why no articles about 1M+/year deaths from other auto companies?

Look, I get Musk's frustration, and for it's worth, Fortune has run [native advertising from the Koch brothers targeting Tesla](#) (and for the record, I don't think it's worth much). But how exactly did Musk further his goals of an alternative energy future with these outbursts?

Moreover, insulting a reporter for not "doing the bloody math" that shows that half of worldwide fatalities would be prevented by Tesla's autopilot is even worse than relying on nothing other than numbers to make your case: as far as I can tell this is a demand that reporters rely on made-up numbers.

As I noted yesterday, I am, broadly speaking, on Tesla's side, at least in regards to the potential of self-driving cars to save lives. The fact of the matter, though, is that we are not developing a transportation system from scratch, in which we choose from the best available option. Rather, there is a century-old status quo, and moving to something better will require not only that the alternative be superior, but massively so. The unfortunate fact

of the matter is that the general population has accepted the status quo when it comes to transportation and all the deaths involved, just as they have accepted the status quo with a whole host of sub-optimal policies. It is on those of us who believe in a better future to change hearts and minds; Musk's approach will accomplish the exact opposite.

On to the rest of the Update:

Snapchat's Facebook Moment

I read with amusement [this piece in the Wall Street Journal](#):

Since its founding five years ago, Snapchat has become a digital mecca for high school and college-age students, allowing them to send photos and videos that disappear in a matter of seconds. It has amassed 150 million daily active users, said a person familiar with the matter. Snapchat also has been a refuge from parents. Until lately, that is. Now, the "olds" are arriving in force, whether they are parents spying on their kids, or professionals trying out another social-media platform...

A recent comScore report declared that Snapchat is "breaking into the mainstream," estimating that 38% of U.S. smartphone users ages 25 to 34 are on Snapchat, and 14% of those 35 or older. Three years ago, those numbers were 5% and 2%, respectively. The trend resembles the way parents jumped on the Facebook bandwagon years after it was adopted by college students. In 2013, as teens began flocking to other apps like Snapchat, Facebook Chief Executive Mark Zuckerberg remarked that "coolness is done for us." Facebook still prospered by embracing all ages, churning out a \$3.7 billion profit last year.

First off, I think Snapchat is right to be unconcerned about this: beyond the fact "parents will ruin Facebook" was the most overplayed story of 2010, the article rightly notes that expanding the user base is kind of important to a social network with an advertising business model! Beyond that, Snapchat chats are obviously off-limits to old folks like those of you reading this, and stories and the ability to be contacted are easily restricted to friends only.

What is more interesting is that this story exists at all: it has been apparent for the last several months that Snapchat is blowing up in a major way, and anecdotally speaking, I've been pretty amazed in the 24 hours I've been back in Wisconsin to see just how many of my tech illiterate friends are on the network (their only other network is Facebook, natch). Let's put it this way: I don't remember any articles about parents making Twitter uncool — if anything, the problem with Twitter is that its core user base is us parents!

Another article in a similar vein comes courtesy of the New York Times: [A South Korean Copy of Snapchat Takes Off in Asia](#):

It sends short, self-destructing messages. It has a place to share videos called stories. It has camera filters that transform a person into a koala, a fried egg, a police officer or any number of foods, animals and figures. But this is not Snapchat. This is Snow, a popular South Korean Snapchat clone that shows how even the most popular American smartphone apps face an uphill battle in fast-growing Asian countries.

Snow focuses on Asian consumers. Like Snapchat, it offers users an array of filters that can add dog ears, glowing eyes and bulbous foreheads to selfies. But Snow also lets users add bottles of soju, the Korean liquor, or images of Korean pop stars. Another filter adds a rain of fried chicken, a favorite South Korean nosh. For Japan there are sumo wrestler and sushi filters. As a result,

a significant part of Snow's roughly 30 million downloads have been from Asia since the app's September introduction, according to Han Dong-keun, a spokesman for its parent, the South Korean internet company Naver. Notably, it is also gaining traction in China, where the country's 700 million users make up the world's largest internet market. There, Snow has a major advantage: Snapchat is blocked in China.

There's no need for Snapchat to sweat China: I've long maintained that any Internet service company should simply write the country off, as tempting as its 1 billion+ smartphone-centric population may be (that includes you, Facebook). There's no question, though, that Snow is getting traction outside of China as well: [according to App Annie](#) it is the top app in Japan, 3rd in South Korea, 8th in Taiwan, and 18th in Thailand; [Snapchat](#) is 146th in Japan, 233rd in South Korea, 139th in Taiwan, and 72nd in Thailand (Snapchat is a respectable 10th in Indonesia compared to Snow's 143rd, and 16th in India where Snow isn't even ranked).

I do think Snapchat has a real international opportunity. I've written previously that there are two types of social apps — [phones and phone books](#) — but Snapchat, particularly with its 'Stories' functionality, is in many respects a new kind of network: [TV reimaged for mobile](#). The challenge is that penetrating Asian markets with their own well-established 'phone' (i.e. chat) networks will require a different approach than the [ladder-up strategy](#) Snapchat has used in the U.S., but there isn't much evidence the company understands this or has invested in the opportunity.

That may be fine: Facebook took its time going international, engendering the rise of a [multitude of copycats](#), but there is plenty of evidence — specifically, the messaging space — that geographic preferences, once established, are difficult to overcome. For all the progress Snapchat is making on monetization with an eye towards an IPO, I wouldn't mind a detour to sew up an international user base sooner rather than later.

China Cracks Down on Apps and Social Networks

Speaking of China, the country has tightened the rules around apps generally and social networks in particular. First, from [Reuters](#):

China has tightened rules for mobile app developers including requiring real-name registration and preserving users' activity logs, the country's internet regulator said on Tuesday, as Beijing looks to strengthen oversight of the growing app market. The Cyberspace Administration of China (CAC) said in a statement that mobile app providers would need to fulfill six requirements to help crack down on "unscrupulous" use of their platforms to carry out fraud, distribute pornography and spread malicious rumors...

Mobile app providers will have to verify users' identities with real-name registration, improve censorship and punish users who spread what the CAC called illicit information on their platforms. The firms will also have to save user activity logs for a period of 60 days, it said.

It's not clear exactly how this will be enforced — the main target is almost certainly Chinese-specific social networks, particular WeChat and Sina Weibo — but my (imprecise) reading of [the regulations](#) suggests that China expect App Stores to help enforce the measure.

That last point gets to a broader trend that [I have discussed](#) with regards to Apple specifically: for a long time the iPhone maker has had a unique advantage in China relative to other Western technology companies thanks to its hardware-based business model. However, the more that Apple depends on its services, including the App Store,

the more leverage the Chinese government has to exact concessions. It will be very interesting to see how this latest set of regulations plays out in that regard.

Meanwhile, the Chinese government has [banned news organizations from writing stories sourced on social media](#), a particularly fruitful vein for outrage and protest. I would continue to counsel Zuckerberg in particular to carefully evaluate just how much of a return he expects from his Chinese language study: the only way Facebook or any other Western social network enters the country is under the very firm thumb of the Chinese government, and to accede would raise far more legitimate questions about Facebook's motives than [overstated allegations](#) about Trending News ever did.

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