

Snapchat: How the vanishing-photo app managed not to fade

December 9 2016, by Mae Anderson



In this Monday, Nov. 28, 2016 photo, a vending machine containing Spectacles stands in a closed store, in New York. Snap is managing to remain hip and even has an unconventional distribution strategy for Spectacles, \$130 sunglasses that take video for sharing on Snapchat. Users can't just order one online yet. Rather, they have to find a vending machine or temporary store popping up with just 24 hours' notice. So far, vending machines have showed up near the company's headquarters in the Venice Beach section of Los Angeles, as well as in Big Sur, California, and New York.(AP Photo/Mark Lennihan)

Snapchat has managed to build something lasting out of photos that vanished almost instantly.

The fast-growing social network for millennials has come a long way since its founder Evan Spiegel dropped out of Stanford University in 2012, three classes shy of graduation. His goal at the time was to create a snappy way for people to send photos, videos and messages—all of which would disappear just 10 seconds after viewing.

Snapchat cut a sharp contrast to Facebook and other social networks, which encouraged people to share and share often—even those spontaneous moments they might come to regret the next morning or at the next job interview. Snapchat, by contrast, let people "show and share things that they do not want to last on the internet as a permanent record," said Ira Kalb, a marketing and branding professor at the University of Southern California.

That feature, however, quickly associated the company with "sexting," the sharing of sexually explicit photos through cellphone messaging. Had Snapchat done nothing else, it might well have faded quickly itself, as such fads often do.

Instead, Snapchat showed a knack for evolving as its users did. It's now a full-featured messaging service popular with millennials and big brands alike. It even rebranded as Snap Inc. and now calls itself "a camera company."

Now it's hoping to make itself into a big winner on Wall Street as well. According to news reports, Snap is readying for a public stock offering that could value the company at \$20 billion to \$25 billion. Snap declined to comment.

REFUSING TO DISAPPEAR

The company has worked hard to roll out new features so users don't get bored.

"Stories" allows individuals and brands to create a narrative from messages, videos and photos from the past 24 hours. It's so popular that Facebook's Instagram now has a version of it, and Instagram just rolled out disappearing photos, too. A "Discover" section serves as a wide-ranging news section, featuring material tailored for millennials by a select group of publishers. "Lenses" lets people add different animated overlays to photos and videos; the feature has proven to be popular both with young adults and advertisers.

"Snapchat has steadily introduced [new features](#) ... and in terms of user engagement it seems like users are spending quite a bit of time in each," said eMarketer analyst Catherine Boyle.

Amanda Peters, 22, a dance instructor in Fairfax, Virginia, wasn't sure how much she would use Snapchat when she got it as a college freshman in 2012. But she's grown to like it more with Lenses.

"I like the goofy filters," she said. "They're always changing them up, which is nice. Every day you can go to see what's new."

Snap's ad revenue has jumped from \$59 million in 2015 to nearly \$367 million in 2016, according to eMarketer. It's on pace to have more monthly active users than Twitter—which counts 317 million—by the end of the year. Of course, that is still dwarfed by Facebook, with 1.79 billion monthly active users as of Sept. 30.



In this Tuesday, Nov. 29, 2016 photo, customers cover up under umbrellas as they wait to purchase Spectacles, in New York. Snap is managing to remain hip and even has an unconventional distribution strategy for Spectacles, \$130 sunglasses that take video for sharing on Snapchat. Users can't just order one online yet. Rather, they have to find a vending machine or temporary store popping up with just 24 hours' notice. So far, vending machines have showed up near the company's headquarters in the Venice Beach section of Los Angeles, as well as in Big Sur, California, and New York. (AP Photo/Mark Lennihan)

LEARNING TO GROW

But while Snap is popular with the coveted 18- to 34-year old audience, it will eventually have to broaden its appeal to grow.

"It's a great base to start with, (but) ultimately they need to become a little bit broader in terms of appeal to users in order to become broader in terms of appeal to advertisers," Gartner analyst Brian Blau said.

Twitter went public in 2013 to high acclaim, but it hasn't succeeded in growing its membership at the rate investors want. It recently laid off 9 percent of its workforce. As part of belt tightening, Twitter also killed its Vine video app, which was wildly popular with teens but didn't have a reliable way to make revenue.

It's clearly a fate Snap—with a similar youthful audience—wants to avoid.

NOW YOU SEE THEM, NOW YOU DON'T

For now, though, Snap is managing to remain hip and even has an unconventional distribution strategy for Spectacles , \$130 sunglasses that take video for sharing on Snapchat. You can't just order one online—yet. Rather, they have to find a vending machine or temporary store popping up with just 24 hours' notice. So far, vending machines have showed up near the company's headquarters in the Venice Beach section of Los Angeles, as well as in Big Sur, California, and New York.

Lines in New York stretched for hours when the machines first appeared.

Geoff Golberg, who works in marketing in New York, waited three hours in line. An active livestreamer, he livestreamed himself on Periscope as he bought the Spectacles.

"It was a spectacle," Golberg said in a phone interview. "Inside everyone is taking video, posting content to Instagram and taking Snaps. They created so much buzz around this product by limiting supplies."

Even so, Blau said Spectacles are a niche product that likely won't be a major growth driver. And Snap needs growth—as well as even more ways to evolve to keep its existing users engaged.

Savannah Russell, 16, a student in Minneapolis, is a devoted Snapchat user, building up "streaks" of daily Snaps with her friends. She said that without Snapchat, she "would show up to school on Monday and be very out of the loop."

But she said she doesn't know how long she'll stick with it.

"The happiness comes from being able to interact with my friends (not the app)," she said. "If something that comes up that's better I could see myself switching to that."

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