

Can Snapchat Finally Snap Out Of Its Losses?

Multimedia messaging app Snapchat has been burning an average of \$68 million ever since it went public two years ago. Its financial woes continue to trouble it.

The firm posted an operating loss of nearly \$195 million in Q4 2018 but has managed to reign in its losses compared to its previous quarters. If such rigorous control is maintained, Snap could minimize its losses to half in 2019 at \$33 million per month.

But the app's got a bigger problem in the form of its declining user engagement. Last year, Snap saw daily user engagement decline by 1 million from the year before mainly due to some functional changes that were introduced.

Initially users were attracted to the app's feature of storing the posts for just 24 hours and the accompanying privacy it afforded. However, Snap moved to extend the life of the posts to 90 days in an effort to attract a larger user base after news organizations refused to embed the stories due to their short life.

Such a move also made it no different to its competitors Facebook and Instagram, both of which feature an option to post stories. In addition, a delayed update for Android users have also dented the user experience.

Snap's issues compounded after its founder Evan Spiegel turned down a \$3 billion offer from Facebook in 2013. An exodus of senior executives following its IPO has also not helped it.

"We believe 2019 remains a pivotal year for the company as it launches its rebuilt Android app globally, as its self-serve ad platform gains scale, and as the organization stabilizes after multiple executive departures," the investment bank JMP Group said in a note to clients earlier this month. Snap's stock has assembled nearly 8% over the past month.

"While we are encouraged with the company's new products and services, and our checks suggest engagement is improving, which bodes well for advertising growth, we think execution risk remains."

Snapchat has identified social gaming as one of the key revenue-generating streams and will be considering integration plans.

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