

# **The Social Media Battle of the Younger Generation Snapchat vs. Facebook**

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## **MANAGEMENT DECISIONS**

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## Management Decisions

### Part 1 - Managements decisions after the offer

“There are very few people in the world who get to build a business like this... I think trading that for some short-term gain isn't very interesting” was Spiegel's answer to why he rejected the initial offer from Facebook.

After the meeting with Facebook CEO Zuckerberg, Spiegel ordered copies of Sun Tzu's "The Art of War" for all employees of Snapchat. Especially the chapter addressing the need to attack an enemy where and when he displays weakness, very much embodies the situation. Facebook had tried to launch their direct competitor app to take up the fight with Snapchat, but after twelve months the launch was an obvious failure and was removed from the market. The choice to not sell Snapchat to Facebook, is very much in line with "The Art of War" strategy, as this offer displayed a weakness of not being able to compete. Instead, Spiegel and Snapchat set an aggressive acquisition phase. During two and a half years, Snapchat acquired nine tech-companies that developed different innovative technologies, therein video and facial recognition technology that led to the launch of Snapchat geo- and face recognition filters. The combination of technologies gave Snapchat a competitive advantage, offering its users the ability to have fun real-time filters that applied to their faces for both photos and videos.

The main focus of the strategy following the Facebook offer has been to continue to drive innovation and anchoring the brand as an innovator in the market. The result is that Snapchat continues to be the leading social platform for the younger generation. One of the key differences for advertisers who perceive Snapchat as the cooler medium for communicating with customers is the high level of engagement. The average Snapchat user opens the app 18 times daily, using the app on an average of 30 minutes and 60 % of the 158 million users send photos and chat with friends daily.

### Part 2 - Management Decisions following Competitors Move

Despite strong reactions from both users and media regarding Instagram and Facebook's creation of Stories, there has been no official comment or reaction from Snapchat or Spiegel. The company's monetization has moved forward, increasing the revenues coming from advertisers from \$58.6 million in 2015 to \$404 million a year later.

In 2016 Snapchat filed for an IPO at the stock exchange, with the ambition to proceed with their general corporate purposes, giving a public statement in the filing that reflects the future of the company.

*“We believe that reinventing the camera represents our greatest opportunity to improve the way that people live and communicate... Our products empower people to express themselves, live in the moment, learn about the world, and have fun together.” - Snapchat's IPO Filing statement, 2016.*

During 2016 Snapchat released their first physical product, a pair of sunglasses with a built-in camera connected to the Snapchat app. The strength of the brand and the intention of the company shows both potentials in bringing revenue from advertisers and creating brand extensions.

The anticipated IPO of Snapchat was long awaited, and the stock officially started trading the 2<sup>nd</sup> of February 2017 at the US stock exchange, releasing over 200 million shares. During the two weeks investment roadshow where Snapchat met investors, the share price was expected to range between \$14-16 but went up during the opening day with 41 % to almost \$24 per share. This valuates the tech-company to \$27.9 billion and makes it one of the largest IPOs in US History.