

Snap cutting 20% of staff as ad sales continue to dry up

August 31 2022, by MATT OTT



The logo for Snap Inc. appears above a post on the floor of the New York Stock Exchange, Feb. 5, 2020. The parent company of social media platform Snapchat said Wednesday, Aug. 31, 2022, that it is letting go of 20% of its staff as it reorganizes and tries to reduce costs in the face of declining sales. In a letter to staff, CEO Evan Spiegel said sales were not keeping up with earlier projections and that the company had to reduce costs to avoid mounting losses. Credit: AP Photo/Richard Drew, file

The parent company of social media platform Snapchat said Wednesday that it is letting go of 20% of its staff as it reorganizes and tries to reduce costs in the face of declining ad sales.

In a letter to staff posted on Snap Inc.'s website, CEO Evan Spiegel said sales were not keeping up with earlier projections.

"Unfortunately, given our current lower rate of revenue growth, it has become clear that we must reduce our cost structure to avoid incurring significant ongoing losses," Spiegel wrote.

Spiegel said Snap was restructuring its business to focus on community growth, revenue growth and augmented reality. Anything that doesn't contribute to those three areas "will be discontinued or receive substantially reduced investment," Spiegel said.

Last fall, Snap said its ad sales were being hurt by a privacy crackdown that rolled out on Apple's iPhones, which raised investor fears about the app's potential for growth. Most social media platforms rely heavily on advertising revenue, one reason that Facebook has been an outspoken critic of Apple's recent changes to privacy controls.

Since Snap posted its first-ever profitable quarter in the last quarter of 2021, there has been little good news from the company.

On May 24, Snap shares lost nearly half their value, falling 43% after the company said in an SEC filing that the "macroeconomic environment has deteriorated further and faster than anticipated" and that it would not meet its own sales and profit targets in the period. Shares tumbled another 39% on July 22, a day after Snap posted quarterly results that fell short of projections.

Snap's staff has grown to more than 5,600 employees in recent years and

the company said even after laying off more than 1,000 people, its staff will be larger than it was a year ago.

Snapchat is a video messaging platform best known for a feature that automatically deletes messages after they've been viewed by recipients. It now offers other forms of video content as well.

Like most other social media companies, Snap boomed during the pandemic when workers and students spent longer hours online at home. Snap shares peaked in late September of 2021 at more than \$83 per share.

Snap shares gained about 10% on Wednesday, to \$11 per share, after the layoffs were reported.

Snap said it was halting investment in Snap Originals, Minis, Games, Pixy, and other segments. It also said it is "winding down" the standalone apps Zenly and Voisey.

Santa Monica, California-based Snapchat also announced the promotion of Jerry Hunter to chief operating officer effective immediately, as well as other regional leadership changes.

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