The snapping point

This fall, employees on Snap's product team received a surprising message from CEO Evan Spiegel: stop what you're working on, they were told. Plans have changed.

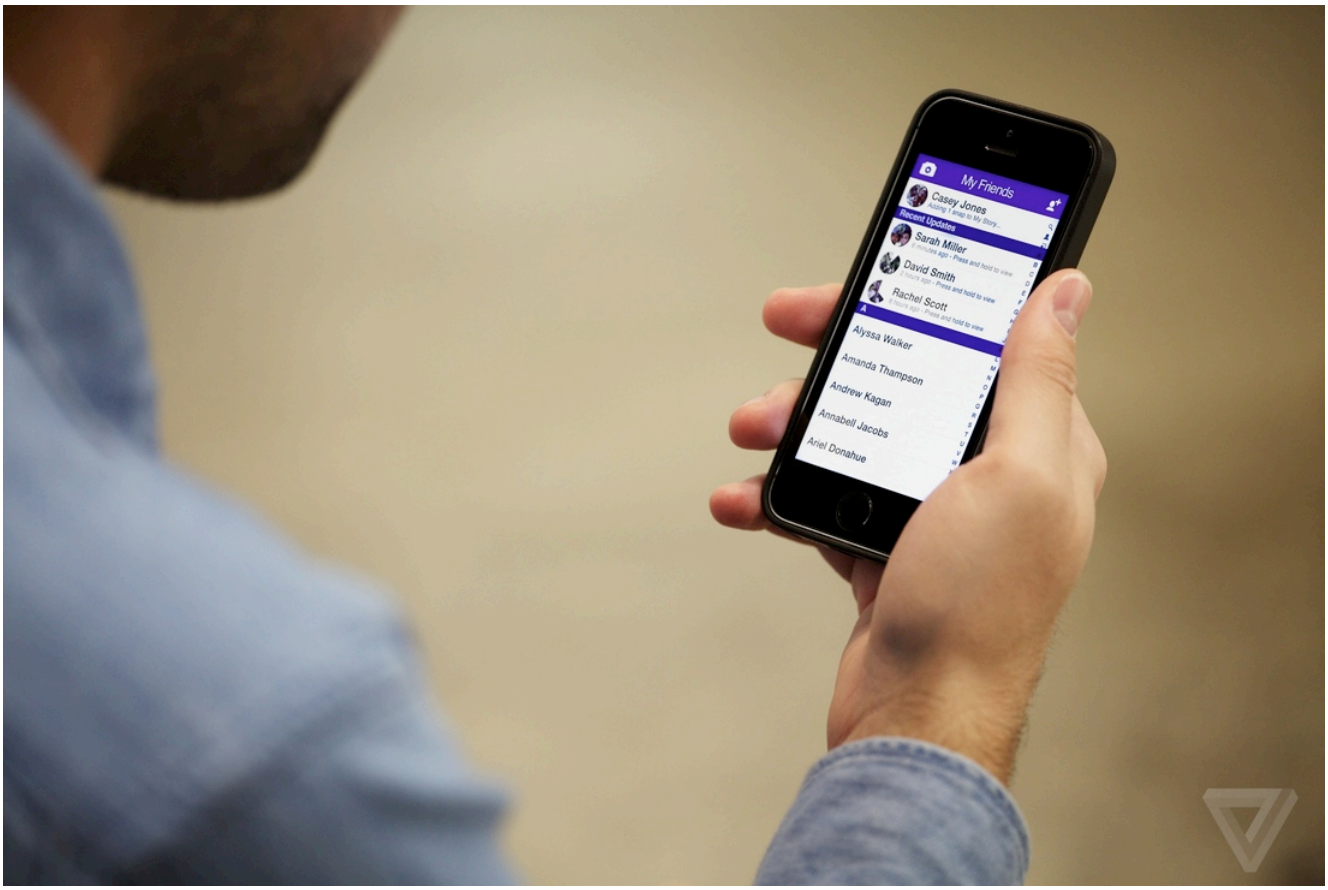
With its stock price falling and user growth stagnant, Snap would undertake a mad dash to overhaul its flagship app. In just over six weeks starting this past October, the company shifted 100 engineers to the project, which was codenamed "Cheetah." The mission: to simplify Snapchat in a way that shifted its focus from big publishers back to close friends.

The result, which creates a separate, dynamic feed for content from your friends and another one for publishers and other users who don't follow you, is supposed to be rolling out to users around the world. But five weeks later, few users have gotten the update — and Snap won't say when they can expect it.

Snap won't say when its redesign will roll out to most users
A month after Cheetah wrapped, Snap rang in the new year with a lavish party in downtown Los Angeles where employees and their invited guests enjoyed performances by Drake and Diplo in the shadow of the company's glowing ghost logo. Days later, a key Wall Street investment firm slashed its revenue forecast for the company by 30 percent after a survey of large advertisers found that 96 percent would rather spend their money on Instagram.

And so, as 2018 begins, Snap finds itself under heightened scrutiny. On one hand, the company continues to excel at developing new products and generating buzz around their release. On the other, the company's struggles illustrate the challenges created by its unusual "hub-and-spoke" organizational structure, which puts Spiegel at the center of all decision-making at the company.

Half a dozen current and former employees interviewed by *The Verge* say the high-level decree that kicked off Cheetah, followed by a flurry of activity, is typical of Snap's approach. They describe a company in a state of anxious transition, from an innovative upstart fueled by venture capital to a public company hemorrhaging cash as it fights off a rich, ruthless competitor in Facebook.



The hub-and-spoke model means the company can sometimes iterate faster than its peers, cutting through internal politics to arrive at visionary breakthroughs. Spiegel still spends about 40 percent of his time working on Snapchat's core product, a person who worked with him said.

But at the same time, the model can create bottlenecks that result in core complaints going unaddressed for months or years, insiders say. Among other consequences, Spiegel's more deliberate approach can put the company at a disadvantage to

Facebook, which has not just cloned its most successful products, but has also rapidly iterated on them.

Snap's structure also usurps authority from its product managers, some of whom have left amid complaints they lacked the autonomy they would have at other large tech companies, former employees said. At Snap, Spiegel's priorities reign supreme, and everything else is secondary — a fact that could make it harder for the company to attract and retain top talent.

"Even when I was being interviewed, and [I] asked the benefits and downsides of working at Snapchat, the downside was that everything goes through Evan, and if Evan is on vacation, decisions don't get made," said one former employee, who left Snap last year. "One strategy a lot of people employ is finding the areas he doesn't care about or things he doesn't notice … or finding an area where you can improve the app without having to get his explicit approval."

"Everything goes through Evan, and if Evan is on vacation, decisions don't get made."
Snap declined to comment.

First with ephemeral messaging, and again with ephemeral broadcast "Stories," Spiegel delivered two of the decade's most consequential ideas in social media. "All of the smartest people working on social in the world could never iterate their way to the story," says another former employee, referring to one of Spiegel's signature achievements. "You just couldn't do it. It took a new generation with a fresh perspective."

Snapchat was co-founded in 2011 by Spiegel and Bobby Murphy, who were fraternity brothers at Stanford. (A classmate, Reggie Brown, claimed to have had the original idea for disappearing photos; the company settled with him for $157.5 million in 2014.) It began to take off in the spring of 2012 when a

cousin of Spiegel's began using it at her Los Angeles high school, and the company raised venture capital shortly thereafter.

Stories, the public snaps that disappear 24 hours after posting, arrived in the fall of 2013, and drove a new wave of growth. Whimsical lenses, publisher partnerships, the acquisition of Bitmoji, and the launch of Spectacles all followed. By February 2017, the app had 158 million daily users and filed to go public. The subsequent initial public offering valued the company at $30 billion.

The public face and chief strategist at the company has been Spiegel, an obsessive product mind who reveres Steve Jobs, former employees say. (Spiegel has a portrait of Jobs hanging in his office.) Like Jobs, Spiegel is known to involve himself in seemingly minor decisions involving office aesthetics. He once ordered employees' individual trash cans in New York City be removed in favor of communal receptacles, because he disliked the look of so many trash cans in the office, one source said. This week, he personally co-sponsored the company's New Year's Eve party, where public snaps were banned.

But Spiegel's instincts have also led the company astray. Former employees said he devoted significant energy to Snapcash, a peer-to-peer payment product that has seen little adoption. Spectacles, a high-profile move into hardware, sold far fewer units than the company projected, leaving the company with $40 million in unsold camera-augmented sunglasses. "The hard thing about your strategy being to out-innovate your competitors is that you have to continue pulling rabbits out of hats," a former employee says. "That's a difficult thing to do."

"You have to continue pulling rabbits out of hats."
Former employees say Spiegel's meticulous involvement with every product proposal and risky investments in pet projects

like Spectacles have cost the company time and money. “Things sink in with him finally, but it takes too long,” one former employee says. “Facebook is on full assault. Every app they have is going after Snapchat. I think it’s too little, too late.”

Spiegel has taken some steps to delegate more work, people who have worked with him say. “He aspires to go to a more distributed leadership role,” one former employee said. But in the meantime, current and former employees said, information is tightly controlled. Only a handful of lieutenants truly have Spiegel’s trust, one former employee said — where “trust” is defined as the ability to ship changes to the product that Spiegel personally disagrees with.

One person Spiegel is said to trust is Tom Conrad, the co-creator and former chief technical officer of Pandora, who joined the company in March 2016 as vice president of product. “He keeps a pulse on the spokes, and is a shadow for Evan,” one person said. “He extends Evan’s view when Evan’s not in the room.”





Snap picked up just 4.5 million new users in the past quarter, at a time when growth at its chief rival, Instagram, is still accelerating. (Instagram gained more than 200 million new users — more than Snapchat's entire user base — in the year after cloning stories.) Meanwhile, Snap lost an eye-popping $443 million in the past quarter. The company's stock price has declined by $15 billion, or about 60 percent, since it went public in March.

The Cheetah project, which Snap unveiled on November 29th, was designed to return the company to fast growth. The streamlined app that emerged from the project is intended to encourage more candid sharing among groups of close friends while moving professionally produced content into a separate part of the app. It includes a new dynamic friends page that, for the first time, will push items from your close friends to the top of the feed, based on how often you interact with them. (Previously, the Stories feed was arranged in chronological order.)

Snap has positioned the redesign as a more evolved form of social media. “While blurring the lines between professional content creators and your friends has been an interesting internet experiment, it has also produced some strange side-effects (like fake news) and made us feel like we have to perform for our friends rather than just express ourselves,” the company said in a statement.

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But there was another, more practical goal. In a note to investors in early November, the company admitted to a long-standing challenge it faced in getting new users to understand the app. “One thing that we have heard over the years is that Snapchat is difficult to understand or hard to use, and our team has been working on responding to this feedback,” the note read. “As a result, we are currently redesigning our application to make it easier to use.”

This marked a significant reversal for a company that has prided itself on baffling older people. One former employee characterized Snapchat’s ideal user, in the eyes of Spiegel, as “a 16-year-old girl in the US on the newest iPhone.” Having mostly saturated that market — while losing ground to Instagram internationally — the company is now belatedly working in earnest to make itself more approachable.

That has been slow going. While it was announced in November, the new design appears to have rolled out to very few users, and when the new look does become more broadly available, the company has already warned that the new design will likely result in lower advertising revenue as users spend more time chatting with friends and less time browsing ad-heavy publisher content.

“There is a strong likelihood that the redesign of our application will be disruptive to our business in the short

term, and we don’t yet know how the behavior of our community will change when they begin to use our updated application,” Spiegel said during the company’s last earnings call. The company remains, as ever, a bet on his vision.

https://www.theverge.com/2018/1/5/16854242/snap-evan-spiegel-redesign-cheetah-corporate-structure