



I Ain't

Afraid

of No

Ghost

▶
Snapchat boasts 100 million daily users, has captured the rapt attention of the media and advertising worlds—and is wildly misunderstood. Here's what everyone is missing.

By Austin Carr

With additional reporting
by Nicole LaPorte

Photographs by Greg Miller



“We the millennials, bro!”

Kanye West is 10 minutes and 43 seconds into his mesmerizingly elliptical sermon at the 2015 MTV Video Music Awards, and he's showing no signs of relenting. MTV producers had allotted just two minutes for his Vanguard Award acceptance speech. West burned through that time onstage with muted mugging alone, bathing in “Yeezy! Yeezy!” chants from the downtown Los Angeles crowd before kicking off his homily by yelling, “Bro! Brooooooooooooo! Listen to the kids!” Pontificating on, well, everything—art, brands, culture, ego, Justin Timberlake, the future—West might as well be giving a TED talk on the seemingly inexplicable nature of what attracts the millennial and postmillennial audience that he's speaking to, for, and about. Finally, he wraps up, announces his candidacy for the presidency in 2020, and drops the mic.

Inside the celebrity-packed theater, I watch as attendees lose circulation in their arms from holding their smartphones aloft, the Snapchat app's camera open, to film the spectacle from every angle. It's exactly the kind of epic scene Snapchat is so adept at capturing. Thanks to a partnership with MTV's parent, Viacom, the company has a team of six here. They're racing around to shoot and curate a Live Story of the VMAs, a feature that stitches together images and videos generated by both users and Snapchat itself.

The VMAs Live Story, updated throughout the evening, includes red-carpet shots of Miley Cyrus and John Legend, behind-the-scenes peeks at performances from Macklemore and Pharrell Williams, and crowd perspectives of West's speech. It's not comprehensive, but it's intimate, visceral, and voyeuristic—a peek past the velvet rope that you can't experience on any other channel, cable or digital. Then the whole thing, like all Live Stories, will disappear in 24 hours. As West puts it during his rant, “This is a new mentality!”

Snapchat's delicious montage of the event turned out to be a monster. Twelve million viewers tuned in, more than the number that flipped to the awards show on TV, even with Viacom simulcasting the VMAs across 10 of its channels. MTV's own Snapchat account attracted an additional 25 million views throughout the day; MTV, the cable network, attracted

only 5 million viewers for the live 9 p.m. telecast, a 40% drop from 2014. No wonder A-list brand advertisers such as Taco Bell, Verizon, and Cover Girl snapped up the limited number of ad slots Snapchat made available during the VMAs Live Story despite rates of \$200,000 per sponsor. “With Snapchat, we're putting our content into the pockets of 100 million millennials,” says Viacom sales chief Jeff Lucas. “Snapchat is targeted television on mobile.”

If you still think Snapchat, a company valued at \$16 billion, is just a teen sexting app, you're not listening to the kids, bro. In a mere 15 months since its first Live Story, Snapchat has transformed itself from a photo-based messaging app into the singular obsession of the media and advertising industries. “We have two major businesses,” says Snapchat's chief strategy officer, Imran Khan. “One is communication, and the other is entertainment.” Communication—a string of messaging products including photo and video sharing, voice calling, and texting features, as well as a tool to exchange money on the





Snapchat's Plan

▲ DISCOVER

Snapchat invited media brands from *Cosmopolitan* to *Vice* to create a daily mix of content to run within the app—articles, videos, memes, and lots of emoji-related activities. What clicks and what doesn't? We spent a month channel-surfing within Discover to find out.

WHAT'S WORKING

BuzzFeed

The social-sharing news and entertainment behemoth is good at wooing millennials and has the size and scope to produce lots of Snapchat-exclusive content. Its hilarious memes and highly snap-able content (such as a photo of a toilet with instructions to "Snap & draw yr scariest poop here") make BF a Snapchat user's BFF.

Mashable

Mashable is a newbie but already using its channel to highlight cool, usable tech in accessible segments, like App of the Day and Tech We Wish Existed. The design is compelling and sometimes cartoony, perfect for bite-size info.

WHAT'S NOT WORKING

Food Network

The Guy Fieri network either tries too hard to target millennials—its "Penne for Your Thoughts" talking-pasta bit is as unfortunate as it sounds—or it doesn't try hard enough, forcing TV clips into a vertical frame. —Claire Dodson

service—will, in the near term at least, be monetized through 99¢ snap replays and branded photo filters (see “Filters” sidebar, page 107).

What has everyone atwitter about Snapchat, though, is its entertainment ambitions—the company’s attempt to build both a distribution channel and a content lineup for 13- to 34-year-olds, who make up 86% of Snapchat’s U.S. users. Think Comcast for kids.

Yes, we’ve heard this type of chutzpah before. In the past few years, Twitter was so going to dominate the conversation around live TV that it would ultimately siphon all the advertising dollars for itself. YouTube had such clout that it was going to woo away all the brand marketers.

Facebook’s video push has made it a threat to the established order. The entertainment industry was going to disrupt *itself* with Hulu. You can go all the way back to Yahoo’s (cuckoo) \$5.7 billion acquisition of Mark Cuban’s Broadcast.com at the height of the dotcom bubble to find companies seeking to disrupt television. This year has also seen Apple, the most valuable company in the world, flirt with using its might to sell customers a bundle of networks. But according to media analyst Richard Greenfield, “Apple will not enter the TV business until it can create a superior product, and the TV industry is not yet in enough pain to work with Apple to enable that superior product.”

“No one wants to see [67-year-old TV chef] Ina Garten in the kitchen baking a casserole on Snapchat,” says one source about Food Network’s Discover channel.

The TV business, though, is desperate enough to reach millennials that it is racing to work with Snapchat. The service boasted in September that it has more than 4 billion daily video views, a figure that has doubled since June and now matches Facebook’s scale, despite Snapchat having one-tenth of Facebook’s daily user base. In addition to Live Stories, earlier this year the company launched Discover, a network of name-brand channels—traditional players such as Comedy Central and ESPN as well as digital-first ones such as Vice—producing professional content, often exclusive to it. How big is Snapchat already? The company claims that more people watch college football on Snapchat (via a packaged Live Story) than on traditional TV, and top Discover channels attract more viewers than all but a handful of premium cable channels.

Players in Silicon Valley, Hollywood, and Madison Avenue speak of Snapchat’s potential with awe, bewilderment, and more than a little fear. But what, really, is Snapchat’s strategy? Can the app truly be the long-awaited digital beast that slays traditional TV? Nobody can precisely explain why Snapchat is so popular. Even supporters call its products “confusing,” its business a “conundrum,” and its cofounder and CEO Evan Spiegel a “contradiction.” Spiegel himself has struggled to define the service: This summer, he published a curious video entitled “What Is Snapchat?” that befuddled viewers. Sir Martin Sorrell, CEO of the advertising conglomerate WPP, points to how the youngest generations are embracing Snapchat with unique patterns of behavior, then adding, “so Snapchat seems to be really on the cutting edge,” as if that explained the cause and effect of its success.

Cocky, erratic, difficult, petulant—these are some of the ways Spiegel is described by those who would give anything to work with him. He is disrupting the traditional media landscape, yet embracing its most established formulas. The 25-year-old CEO is an opinionated, independent paper billionaire who until a year ago still lived with his father. He’s a notoriously private media mogul who dates a supermodel.

This is a story about understanding Snapchat’s contradictions, the seemingly irreconcilable facts that make Spiegel and his creation as inscrutable—and undeniable—as Kanye West. In interviews with key Snapchat executives,





board members, investors, and dozens of advertisers and media partners including *Cosmopolitan*, *Daily Mail*, Comedy Central, Food Network, *National Geographic*, and Yahoo, the picture becomes clearer. While Snapchat declined to make Spiegel available, exploring these six contradictions shows where Snapchat is actually headed—and why everyone needs to take note.

ONE: User-generated content and self-discovery fuels Snapchat's platform, yet the company is most interested in telling its users what to watch—and creating content itself.

◆ Snapchat's first product enabled users to share images that disappeared, eliciting authentic, relaxed communication rather than displays of vanity. That brilliant interaction model has informed its evolution ever since. If people are more candid in a single Snapchat photo, wouldn't a series of images (and videos) be a compelling way to communicate what happened throughout a whole day? That insight gave birth to the Stories product. Snapchat then started collecting shared experiences—allowing users at particular events to send their snaps to the company. The results have been riveting.

Those communal events are now called Live Stories. They

Snapchat's Plan

▲ LIVE STORIES

Snapchat's Live Stories is a popular feature that aggregates user-submitted snaps of high-profile events and locations to create a narrative out of shared experiences. On the whole they're very entertaining, but what works and why, and what could be better?

WHAT'S WORKING

Travelogues

These immersive snaps make you feel like you're part of the journey. This is particularly effective in the Around the World and Passport series, which offer a cool look into other cultures—and reassure us that young people party in every country. Cultural event coverage accomplishes the same goal: Spain's La Tomatina festival,

for example, showed participants doused red in overripe tomatoes, aka the World's Biggest Food Fight.

Music festivals

From Coachella to FYF, music fests are the perfect setting for social media. People get to see clips of Seattle's Bummer-shoot headliner, Ellie Goulding, singing "Love Me Like You Do," along with snaps of the alcohol-soaked revelry of these music marathons. In April,

the three-day Live Story for Coachella brought in 40 million unique views.

WHAT'S NOT WORKING

Sports

When athletic-themed Stories focus on the pageantry off the field and the excitement in the stands, great. But its deals with MLB and the NFL have resulted in more poorly shot highlights, which is frustrating. —CD

blend snippets from both user-contributed media and Snapchat's in-house production team into packaged narratives. It's a novel format, all the more distinctive because Snapchat itself came up with it rather than its users. That's rare in the digital space: YouTubers, not YouTube's cofounders, created its confessional aesthetic; Twitter's user base, not Twitter, invented hashtags and made it a home for live commentary.

Snapchat's employees in its Venice, California, headquarters and its New York City offices curate and release Stories every single day—covering sports matches, music festivals, and world events, as well as creating travelogues. A recent Snapchat Story, for example, centered on Russian culture. It begins with a video of a Moscow crowd shouting, “Welcome, Snapchat!” and then proceeds to show early-morning city life. The clips then migrate to the countryside, where, as the Story progresses, we watch a traditional dinner being prepared. Night falls and we're back in Red Square for a concert. The story concludes by wishing viewers good night. It's an addictive mosaic that practically tucks you into bed. Clips like these are added throughout the day and only last 24 hours, keeping users—and advertisers—constantly coming back for more. Most Live Stories now garner between 10 million and 20 million viewers each day.

Snapchat, unlike Twitter and YouTube, is not willing to leave to chance what its users see. The company isn't afraid to bet that its audience will care about Coachella, the Ronda Rousey UFC bout, and Ramadan in Mecca, so it proactively creates Live Stories from these kinds of events. Live Stories are plotted out the way network executives program their fall lineups. “One of my favorite meetings every month is when we sit down and discuss the forward-looking content calendar,” says Nick Bell, Snapchat's content head who joined the company last year from News Corp. Increasingly, the company is using its growing clout to get behind-the-scenes access, working with major producers to create Live Stories from events such as the U.S. Open tennis championships and Fashion Week, and then splitting the ad revenue.

It is also directing the arc of its Stories rather than merely curating them from user-generated content. As with the VMAs, Snapchat is increasingly sending staff to events that it will turn into Live Stories. It's going even further with news coverage. In New Orleans for the Katrina commemoration in August, for example, top political reporter Peter Hamby, whom Snapchat poached from CNN to oversee its news content, scored an interview with Mayor Mitch Landrieu and provided narration. “It's early days,” says Bell, “but we have a really ambitious team, and we're going to see a huge amount of development there.” Snapchat is also aggressively marketing Live Stories to advertisers: Executives meet regularly with brands, talking to, say, Universal Pictures about upcoming Stories so they can figure out which movies in the pipeline might make for good ads within them.

If all this doesn't scare Twitter's shareholders, it should. Twitter has spent years trying to convince the entertainment business that it's the perfect second-screen companion to live events. Meanwhile, Snapchat is making itself the first screen.

TWO:

Snapchat aims to reinvent media consumption—by turning the clock back to TV circa 1970.

◉ In January, Snapchat launched Discover, a new feature that goes one step further than Live Stories by giving select media partners coveted real estate inside the Snapchat app to post short-form content—videos, articles, quizzes, photo displays, and animations—in exchange for a share of advertising revenue. All of Discover's content gets refreshed daily, with yesterday's news gone forever.



That one-day life span creates an urgency that's unprecedented in today's distraction-filled world. “If your email inbox was going to disappear in 24 hours,” says Danielle Mullin, VP of marketing for ABC Family (its hit show *Pretty Little Liars* boasts 1.4 million followers on Snapchat), “you would feel the need to actually read every single email. That's the genius of Snapchat.”

This isn't entertainment available only to those who happen to be following the right person or know what to search for, as you must, say, on Twitter or YouTube. With Snapchat, the content is limited in quantity, center stage, on demand, and often original rather than repurposed. Bell believes that Discover resonates because it has so few channels—just 15. “There's something great about limiting selection, because you can quickly access content easily,” he says. “If you suddenly start providing too much choice, it impedes the user experience. Keeping it simple and tight is key.” The company agonized about going from 12 to 15 channels because

◀ FILTERS

Snapchat filters overlay users' snaps, offering color tints à la Instagram and data such as time and weather. The company sells marketers the chance to create their own filters. But will users embrace them?

the extra row of icons didn't fit as neatly on one phone screen.

The Discover roster attracts 60 million monthly visitors, with channels such as *Cosmo* now seeing 4 million daily unique views. "I think of our Snapchat channel as having our own cable channel," says Jon Steinberg, CEO of Daily Mail North America, a Discover partner that's trying to tap into the BuzzFeed audience. "It has larger viewership than you'd get on most cable networks."

What's particularly audacious is that Snapchat is asking its users to care about channels. Elsewhere in media, people prefer to follow content or personalities. Want to watch Jimmy Fallon clips on YouTube? You probably don't go to NBC. The network's YouTube channel has 380,000 subscribers; Fallon has 8 million. In fact, YouTube spent a reported \$300 million promoting channels a few years ago and the initiative flopped. Snapchat, though, believes developing a relationship with a brand is a key metric for success. "The key number for us is around loyalty," says Bell, who says he looks at "people who come back to a channel five out of seven days. If you look at channels like *Cosmo* and ESPN, the number of users that come back five out of seven days is huge." Says Sony Entertainment CEO Michael Lynton, a Snapchat board member, "In many ways, it's a return to the old broadcast model."

Channels may seem like an antiquated construct, but they

WHAT'S WORKING

Location

Place-based filters are king here. Labels like "Coney Island" or "The Mission" help users create digital postcards and pay homage to their favorite places. It's interactive, fun, and doesn't feel like advertising.

WHAT'S NOT WORKING

Location-based advertisements

McDonald's has been testing filters to add to snaps taken at one of its restaurants. These cheesy overlays (such as hamburgers and fries as borders for users' faces) are so lame that they almost work ironically. Almost.

Movie ads

The recent Zac Efron EDM DJ epic, *We Are Your Friends*, offered Snapchatters the ability to add giant headphones to a selfie. The movie went on to have one of the worst opening weekends in box-office history. A filter can't disguise a terrible product. —CD

are a clear rebuke to the endless torrent of content that can overwhelm other digital platforms. On Twitter and YouTube, both of which brag about how many tweets and videos are uploaded every minute, our eyeballs ricochet between all the elements on any given screen. On YouTube, if you're stuck with an ad, you can just scan the video's comments or peruse the sidebar of related videos. On Snapchat, drools Viacom's Jeff Lucas, "viewability is 100%—real and pure."

THREE:

Snapchat is committed to helping its channel partners—if they adapt to the company's wishes right now.

Two days after the VMAs, I stop by the offices of mobile-focused food-and-travel media startup Tastemade Studios in Santa Monica, a short drive from Snapchat's Venice Beach headquarters. Snapchat had welcomed Tastemade as one of three new Discover partners just five days earlier, and the company is making the most of it. Twenty-somethings sit at reclaimed-wood desks editing together shows such as *Hashbrowns and Hashtags*, filmed at the huge studio space next door, where DSLR cameras sit propped at 90-degree angles on tripods. Tastemade designed one set, a 1950s-era kitchen space, exclusively for vertical video, its furniture arranged to squeeze as much as possible into the camera's narrow frame. "One hundred percent of what we're doing here is shot specifically for the Snapchat audience," Tastemade cofounder Steven Kydd tells me as we tour the set. In the office, TV screens are affixed to the wall sideways so employees can review Snapchat clips.

Snapchat pushes its partners to create this kind of original content, especially video shot in vertical view, which fills your iPhone screen from corner to corner and which the company says has nine times higher completion rates than video shot in landscape. Snapchat also wants its partners to focus on developing a strong editorial voice and avoid click bait. While there are important stories delivered on the platform such as CNN's ISIS coverage, they are infrequent, and Discover's content is predominantly light and fluffy.

Perhaps that's why after Discover's strong launch, user enthusiasm temporarily dipped. In part, this was a design issue: Discover was hidden within the app, several swipes from home base (the camera view), so once its novelty wore off, some partners saw daily visits fall by as much as 65%. Clicks rebounded with a mid-July app refresh that put Discover on the same page as Stories (one swipe from the camera). But the slowing engagement was also a signal that some partners just weren't connecting with the Snapchat audience.

In late July, Snapchat killed two channels, Warner Music Group (WMG) and Yahoo, replacing them with iHeartRadio and BuzzFeed. "It was six months to the day they changed out WMG and Yahoo," says one top executive partner close to the Snapchat team. "For us, that indicated, 'Hey, this is going to be Darwinian, so you're going to have to demonstrate you're delighting your audience.' It turned up the heat."

WMG and Yahoo were delighting no one. According to a source close to Snapchat, Spiegel, explaining his vision for WMG's channel, once asked, "Is there a way here to re-create *Total Request Live* from MTV?" WMG was not up to the task: The music giant had no infrastructure to produce daily content, so it offered a predictable collection of its music videos from the likes of Jason Derulo and David Guetta. But few of Snapchat's users even made it that far; they didn't know what WMG (Continued on page 121)

"Snapchat has been very clear from the beginning. 'If you want it, you have to pay for it,'" says one ad exec. "Brands are probably quite grateful for that."

business—it was about her work as an artist and an actress.” Director Lee Daniels, who worked with Winfrey when she executive produced his film *Precious* and costarred in *The Butler*, had a similar experience. “She stopped everything [to work on the movie],” he says. “She disconnected from the business world and her company that she was running. She didn’t come with a posse. She was committed to the character, and she was committed to the work.”

The lessons Winfrey seems to have internalized from the OWN turnaround—being in the moment and aware, modifying your vision in service of your overall goal, establishing a trusted team you can delegate to—have helped her figure out what’s important. To friends and coworkers, Winfrey can come off as almost superhuman. At the same time, one key source of her appeal is how she still remains so humble and in touch with her vulnerability. “Most people think the way I did: that Oprah is Oprah and she’s perfect and has got all the answers,” says Daniels. “But what makes her spectacular to me is she’s aware that she *doesn’t* have all the answers. She’s in search of them, in a space of humility.”

Some of OWN’s content is filmed on a large soundstage located right behind its headquarters. The day after our interview in her office, Winfrey is perched on a stool in Studio 7, sipping sparkling water from a can with a straw as dozens of assistants, makeup artists, cameramen, sound engineers, and lighting specialists swarm around her. She’s here today to shoot promos for *Belief*, the documentary series that she and longtime collaborator Jon Sinclair, along with Brooklyn-based Part2 Pictures, produced for her network. In typically efficient fashion, Winfrey is dressed for the camera from the waist up—with gold bangles and perfectly primed curls—and for comfort down below, wearing yoga pants and leather sneakers.

Eventually a short and very authoritative man yells for quiet on the set, and Winfrey begins recording the spots. Salata prompts her with a series of questions about her spiritual beliefs. “I remember praying on my knees the very first night I had been removed from my grandmother,” says Winfrey, who was sent to live with her mother in Milwaukee at the age of 6. “My belief and understanding that there was a force—a presence, a power, a divine entity, a being, that loved me, and the very idea of being loved into being—is what has kept me grounded, what has kept me centered, what has kept me strong.” There’s near-total silence as Salata, sniffing, moves on to the next question.

Belief traces a range of moving stories about people exploring their spirituality or looking for purpose, from a former pro skateboarder on a pilgrimage to Mecca to an atheist who finds meaning by scaling mountains without ropes or a harness. “I welcome people in all of their beliefs that allow them to aspire to the best of

their humanness,” Winfrey says. “What really mattered to me about creating a network was having a platform where I could connect ideas that let people see the best of themselves through the lives of other people.”

At one point, I share with Winfrey that there’s a story in *Belief* I find particularly gripping, about a Christian couple named Ian and Larissa. Ten months into their relationship, Ian suffers a traumatic brain injury that renders him barely able to move or speak. Through their faith, they’re able to stay together and get married. I talk about how I identified with the couple’s ability to find meaning in tragedy, and of the similar journey that began for me after the recent loss of three close family members within a 10-month span.

As I finish telling Winfrey what their story meant to me, I look up and see tears streaming down her face, threatening to ruin her carefully traced eyeliner. “Would you get me some Kleenex, please, so I don’t go ugly-cry on J.J. here?” she yells to her publicist, then turns back to me. “Weren’t you *reeling*, though? Weren’t you *reeling*?” Then she tells me she wants to talk off-the-record, and offers some unprompted insight and advice. What she shares is heartfelt, genuine, and appreciated.

Winfrey financed *Belief* on her own, and it has been quite a project, involving three years of production, hundreds of hours of footage, and thousands of miles traveled by her crew around the globe. “We cast it, sent people all over the world to tell their stories, and have been in the process of refining in order to create this mosaic that makes sense to the viewer,” she says. When Winfrey talks about focusing on the work she cares most about, this is the sort of thing she has in mind. In fact, she says, this is why she wanted to start OWN in the first place. Though the network’s more conventional offerings continue to rake in the ratings, this is what really drives her. She’s giving people what they want in order to support the kind of programming that she feels they need.

In her office, Winfrey keeps a large charcoal drawing titled *Having* by the artist Whitfield Lovell, which depicts two African-American women, one standing and the other sitting, wearing what appears to be simple, early-1900s-era garb. Winfrey doesn’t say why she’s drawn to it, though she has displayed it—both here and before that in Chicago—for at least a decade. But it’s easy to imagine that this image of black women in a very different time keeps her somehow grounded.

“Through the grace of a force I call God,” Winfrey says, “I have been privileged to live this exquisitely inspired life. Daily, it continues to astound me that I’ve come from where I come from, and I am where I am. I feel that my role here on earth is to inspire people, and to get them to look at themselves. My genuine wish is to do better and be better to everybody. That’s not just some kind of talk for me. That’s who I am.” ☺

jmccorvey@fastcompany.com

Snapchat

(Continued from page 107)

was. The channel eventually had to alter its Discover icon—adding the words *Warner Music* to the stylized *W* created by legendary graphic designer Saul Bass in the 1970s—because Snapchatters didn’t recognize it. But users still didn’t care, because their relationships are with artists, not labels. “Bottom line: The channel wasn’t performing and wasn’t being programmed for Snapchat’s audience,” says the source.

In Yahoo’s case, Spiegel kicked off the relationship directly with Katie Couric, but its global news anchor ended up being part of the problem. Most Yahoo content opened like an old-school news broadcast, with Couric sitting at a desk, reading into the camera, followed by a long cut to the Yahoo logo. Kids couldn’t tune out fast enough. Snapchat informed Yahoo it wasn’t performing but didn’t offer a “ton of analytics,” according to one Yahoo source involved. Partners were only told whether their traffic placed them in the top three, middle three, or bottom three of Discover channels. The data were presented in a “vacuum,” this source explains. Snapchat and Yahoo, which work out of the same building in New York, held meetings to try to fix Yahoo’s ratings. But when rumors spread that BuzzFeed would soon be joining the Discover lineup, Yahoo quickly realized that BuzzFeed would be taking its spot. (BuzzFeed quickly proved itself: CEO Jonah Peretti revealed on a podcast that 21% of all BuzzFeed content views came from Snapchat in August 2015, its first full month on Discover.)

Nick Bell, the Snapchat content head, says there are no specific milestones the company required partners to hit in terms of traffic or ad sales: “The focus is on the content.” Most Discover participants have glowing things to say about their editorial freedom and appear unfazed by any perceived performance pressure. “We won’t end up like Warner Music because *Cosmo* and Snapchat have the same user base,” says *Cosmopolitan* editor-in-chief Joanna Coles. “If *Cosmo* can’t survive on Snapchat, then I’m not sure who can.” But some also admit that it’s taken time to learn what content works on Snapchat. “A lot of people just assumed, Okay, this is a younger demo and therefore they’re going to want cat videos,” says CNN executive VP Andrew Morse. “But that wasn’t the case. They’re engaging with really smart storytelling, which for us is gratifying.”

One serendipitous effect of Snapchat’s quest for ratings and revenue is that it fuels competition between Discover partners. *Daily Mail* has been privately boasting that it will rake in \$10 million to \$20 million this year from Snapchat ad revenue, according to several sources, as if to say to its Snapchat rivals, *Beat that!* This

sum, according to another Discover participant, is “categorical, absolute, complete bullshit,” but it motivates everyone’s sales teams. (The *Daily Mail*’s Steinberg declined to discuss revenue.) When CNN began talking about how many employees it had exclusively working on Snapchat content, the implicit message to everyone else was, *Can you keep up?* Another partner source describes the reaction internally at his network when they heard about CNN’s Snapchat team: “We all looked around like, ‘Shit, should we be doing that too?’”

Snapchat is pushing the competition directly as well. The company has its own Discover channel, called Snap, and it recruited Marcus Wiley, a former development executive at Fox, to program it. Snapchat has aggressively pursued original and exclusive content, including, most notably, a five-day miniseries starring Stephen Colbert in the final days before his CBS debut.

The Discover channel most squeezed right now by Snapchat’s succeed-or-die dynamic is Food Network. A source close to the channel says the cable-TV staple was amped about the partnership because “ad sales [on Snapchat] were really high” and it gave them access to “the elusive demographic.” Yet the Food Network soon learned that little of its TV programming could be repurposed on Snapchat—it simply wasn’t relevant for millennials—and executives weren’t sure what original content would work. “No one wants to see [67-year-old TV chef] Ina Garten in the kitchen baking a casserole on Snapchat,” the source says.

When Snapchat added Tastemade to Discover in late August, several sources indicate that Snapchat did not give Food Network a heads-up before the deal was finalized, which to some signaled its Discover spot may be in jeopardy. Ironically, Food Network’s parent company, Scripps Networks Interactive, led a strategic investment in Tastemade in 2014. What’s more, BuzzFeed and Vice are also producing food content. When asked for comment, a Food Network spokesperson replies, “We have a strong ongoing relationship with Snapchat and are in talks right now about further extending our partnership.”

Discover participant Comedy Central, for one, seems to have gotten the message. The executive in charge of its channel, Steve Grimes, wonders aloud to me whether the network could have filmed Jon Stewart’s *Daily Show* send-off in vertical video to enhance clips of the finale on Snapchat. “We’ve been talking to our production team about, What does it mean to shoot something phone safe? How does that work? What does it look like? Because the TV is not the way [to work with Snapchat].” A month later, Comedy Central announced six new original series that it will exclusively develop for its Snapchat Discover channel.

Says Snapchat’s Bell, after hearing how Grimes is thinking about vertical video: “I feel like a proud father.”

FOUR:

Snapchat is an advertising pioneer—by following the same strategy as Facebook, Twitter, and YouTube.

● Part of the reason advertisers are bullish on Snapchat is that, like TV, its content is “so rich,” says Josh Elman, a partner at Greylock and former product leader at Twitter and Facebook. “When a tweet or Facebook ad scrolls by [in my feed], I may or may not emotionally relate, but if you have my full attention for even three seconds or 10 seconds with a full-screen video, you can engage so many different emotional triggers. If Snapchat can’t monetize that, that’s criminal.”

For Snapchat to justify its \$16 billion valuation, it has to become an advertising juggernaut. Imran Khan, Snapchat’s business lead who previously worked at Credit Suisse, eagerly tells me that the company has already locked in several eight-figure marketing deals for 2016. Snapchat’s sales team has quadrupled in the past five months to around 50 people. That’s a good sign, because according to a leaked 2014 P&L document that Gawker published in August, Snapchat made just \$3 million in the first 11 months of 2014 on losses of \$128 million.

While that leak produced a healthy dose of schadenfreude, the numbers were hardly shocking. Snapchat didn’t air its first ad until mid-October 2014. Plus media startups usually invest in growth at the expense of revenue at the outset. Snapchat declined to comment on Gawker’s post, but one investor tells me, “Go back and look at how much money Facebook lost before they turned on advertising. Then do the same for Twitter.” (When Facebook was three years old, as Snapchat was last year, it lost \$138 million, though it booked \$153 million in revenue. Twitter was four the first year that it sold advertising, and it lost \$67 million, on \$28 million in revenue.)

This investor adds that Snapchat is “going to blow out their plan this year from a revenue standpoint. It could come in almost twice what they marketed to folks just a few months ago—tens of millions of dollars.” Recent reports indicate the company is aiming to hit \$50 million in revenue this year and \$200 million in 2016.

Before Snapchat can IPO, as Spiegel has publicly said it will “need to,” the company must devise a better story about its valuation, which is roughly on par with Twitter’s market cap despite it having a fraction of Twitter’s likely \$2 billion in 2015 revenue. “There’s a very focused awareness within the company about the revenues and potential multiples and ways of describing the value proposition and the growth prospects of the company in a way that makes sense to the broader markets,” says Mitch Lasky, a Snapchat board member who is also a major Twitter investor. “We’re very conscious of the way Wall Street has painted Twitter with Facebook’s brush.” (Twitter has been plagued by having to live up to Facebook’s metrics—such as monthly active users—even though the companies are

fundamentally different; Twitter’s stock now trades 33% below its market debut.)

Snapchat is clearly trying to spin a different narrative, one that revolves around its rivals pursuing easy money. “If Evan wanted to pick low-hanging fruit, he could simply [turn on app-install ads] and do \$100 million in cost-per-install revenue tomorrow,” says Lasky. Spiegel has called the targeted direct marketing that makes up a significant portion of Facebook’s and Twitter’s revenue “creepy.” This type of performance-based advertising, which includes Google’s pay-per-click search listings, is a growing percentage of a \$156.8 billion market, but it can’t compare with the projected \$578 billion in global brand advertising this year.

That is Snapchat’s bet: that it’s going to be the one to migrate ads designed to improve brand awareness to digital. The global TV ad market alone, most of which is brand based, is a \$213 billion annual business. “TV viewership is down almost 20% with millennials,” says Khan. “Look at the ad dollars still spent on magazines and newspapers [approximately \$32 billion this year]. There’s a tremendous pent-up demand for big brand advertisers to allocate their brand advertising to digital.”

If this sounds familiar, that’s because Facebook, Twitter, and YouTube all have a similar vision. Everyone believes they will be the big winner when—and it’s always when and not if—digital consumes the traditional advertising industry.

FIVE:

Snapchat can deliver millennials—as long as you don’t ask too many questions.

● Another good reason for Snapchat to go after brand advertising: It’s difficult to measure. It can take years before a major corporate marketer will see a meaningful uptick in affinity. And with social media, which is still relatively new, the metrics are even murkier. “Social stats can be very misleading,” says Michael Moses, Universal Studios’ cohead of marketing. Universal bought the first Snapchat ad and has purchased spots to promote everything from the niche horror movie *Unfriended* to *Furious 7* and *Jurassic World*. “I mean, we have a vendor a week coming in here and saying, ‘We’ve cracked the code and we know. We’ll parse the firehose of everything that’s coming in on social and we’ll let you know exactly what it means for your movie.’ I remain unconvinced.”

Marisa Thalberg, who oversees how youth-oriented fast-food chain Taco Bell interacts with customers, says that Snapchat has become its “most engaged platform.” Including TV? “No, no, on social,” she quickly responds, before stopping short, reconsidering, and adding with a laugh, “Although how do you measure engagement on TV? Who knows? Maybe it is.”

Both advertisers and Snapchat are still figuring out what works: In early 2015, dropout rates

after three seconds were on the order of 60% to 70% for almost all ads on Snapchat. “We learned we needed to adjust the way we talk to Snapchat’s audience, because they detect when it’s advertising,” says Coca-Cola North America content SVP Emmanuel Seuge. The company’s ads repurposed from TV and other social networks performed poorly during Snapchat’s Live Story for the NCAA Final Four tournament. The soda brand continued working “hand in hand” with Snapchat to develop more ad programs; not long ago, as part of Snapchat’s back-to-high-school Story featuring scenes from kids’ first day of classes, the completion rate for a Snapchat-exclusive 10-second Coke spot shot up to 54%.

Moses, Thalberg, and Seuge—and almost every other marketer we contacted—are Snapchat believers, even though everyone we spoke with also complained about not getting enough metrics. A Snapchat spokesperson responds that it shares viewership data with marketers and that it commissions third-party research on the resonance of major campaigns. For now, advertisers find Snapchat’s demographics and traffic enticing enough. “You know the audience you’re getting,” says one digital Hollywood executive. “Everyone who has a child between 12 and 24 knows who’s using it and the success with it. So it’s not a secret who you’re advertising to.”

Then there’s the price. “When I met with them [in the beginning], they were telling me the minimum ad spend was \$750,000 per day, and I felt like I wanted to throw up,” says the CEO of one big-name advertising agency. Snapchat discontinued that ad unit, replacing it with 10-second spots within Live Stories and Discover. Although a marketer can get into Discover for a reasonable five-figure sum, if it wants to own a high-profile Live Story such as the VMAs, the price is \$800,000, though it can be split among advertisers. Sources universally say Snapchat’s fees are substantially higher than equivalent ad prices on YouTube, Facebook, and Twitter, but that it’s too early to measure Snapchat in comparison.

The gaudy numbers send a message about how Snapchat perceives itself to be the only way to reach 13- to 34-year-olds. That haughtiness can make the company “a pain in the ass to work with,” says one marketing exec. “They understand their power right now and they’re just egotistical about what they have.” Early on, Spiegel himself rejected campaigns because he didn’t like them and “worried about his users.” According to this person, “Instagram was the same way in the beginning. That’s changed at Instagram. Hopefully, Snapchat is beyond that.”

Despite any cavils, most advertisers I spoke with are at least willing to give Snapchat time as it matures into an advertising business. They’re confident that Snapchat’s infrastructure will get better, and like all of its rivals, it too will eventually add more data analytics and improved targeting. “[Snapchat] is not going to get held to the same sort of rigorous metrics that we can now put in place for other vendors with more granular

data,” says Ivan Pollard, Coca-Cola North America’s SVP of connections, investments, and assets. “We’re willing to risk a bit of money to learn.”

One common sentiment is that Snapchat is handling that maturation better than its rivals, perhaps having learned from their mistakes. Brands and advertisers universally deride Facebook and Twitter for their so-called bait-and-switch, when they spent years encouraging companies to build up organic followings, only to change abruptly to an expensive pay-to-play model. “Snapchat has been very clear from the beginning. They’re like, ‘If you want it, you have to pay for it,’” says Jess Greenwood, VP of partnerships at R/GA. “I think brands are probably quite grateful for that.”

SIX:

Evan Spiegel runs a storytelling company, yet he’s struggled to tell Snapchat’s story—and his own.

● The “What Is Snapchat?” video, posted to YouTube last June, features grainy footage of Spiegel, clad in his usual loose-fitting white V-neck T-shirt, sitting in what appears to be a windowless conference room. In 3 minutes and 56 seconds, he condenses the history of social media, offers a Snapchat tutorial, and discusses the mobile revolution’s impact on self-identity. Years ago, he says, identity equated to the accumulation of everything representing you online. Now, thanks to Snapchat, “identity is who I am right now. It says, ‘I’m the result of everything I’ve ever done, but I’m not the accumulation of all that stuff.’”

It’s a fitting demarcation for someone whose past is so public that he understandably would prefer it not to be linked to his identity. There are leaked misogynistic emails from his time at Stanford; evidence that he forced out Snapchat’s third cofounder Reggie Brown; the abrupt departures of several high-profile senior executives; and the correspondence ensnared in the Sony hack that reveal his board members Lynton and Lasky referring to Spiegel as “super paranoid” and board meetings as “contentious,” and generally painting a portrait of a team working behind each other’s backs to avoid “land mines.”

On the day Spiegel released the YouTube video, perhaps to emphasize his point, he deleted all his public tweets. A Snapchat spokeswoman explained, “He just really prefers to live in the present.”

The Evan Spiegel of late 2015 remains, well, a contradiction. A slew of off-putting anecdotes from sources seem to confirm the worst, including one from a former associate who tells me at length how cold, “truly arrogant,” and “calculated” Spiegel was in their dealings. Even Spiegel’s supporters, including his investors, will admit that he is, at times, his own worst enemy. “If you told me that some people found him incredibly brash and arrogant, I wouldn’t fall out of my chair,” says one close ally. “When

I first met him [in 2014],” recalls WPP’s Martin Sorrell, “I said, ‘You’re the first 25-year-old billionaire I’ve met,’ and he responded, ‘I’m 24.’”

Sorrell tells me he doesn’t regard that as being cocky and lauds Spiegel for being “no BS. He’s to the point; if he’s not interested in something, he says so, but if you have a good idea, he’ll listen.” Spiegel loyalists echo this characterization and add that he has a good heart, he’s hilarious, and he loves talking music and reading *The New Yorker*. He’s the kind of guy who sends handwritten thank-you notes and constantly seeks advice. Take a moment and you can see all of these attributes in Snapchat, from his sense of curiosity to his single-mindedness.

Spiegel’s allies contend that he is simply young and experiencing a mountain of responsibilities. There’s only one other person who has faced this kind of pressure at this age: Mark Zuckerberg. He, too, was 25 and running a company with more than 100 million users and a valuation in excess of \$10 billion. Zuck’s subsequent success and personal growth have erased the memory of his youthful lack of polish. As Jonathan Teo, an investor and Snapchat adviser, tells me, “Evan is never going to write on his business card, ‘I’m CEO, Bitch,’” which Facebook’s CEO notoriously did.

It’s remarkable how many media honchos give me their take on Spiegel despite having never interacted with him beyond crossing paths at Cannes. In this hothouse of faux intimacy, “he’s guarded,” says a top VC who is friendly with him. What Spiegel values most is loyalty, colleagues say, and just as in the app, authenticity. Andrew Watts, 20, grew up near Spiegel and contacted the CEO in 2012 to write about the pre-unicorn startup for his high school newspaper. The two kept in touch over the years, and even as Snapchat became a big company and Spiegel’s real and paper wealth soared, Watts says Spiegel was always exceedingly generous, always willing to meet and offer advice. Watts could never understand why someone who has become so successful, so famous, would still make time for a college sophomore—let alone agree to visit his campus and speak to his classmates. So he asked.

“Evan told me, ‘Well, you were friends with me before it was cool to be friends with me,’” Watts recalls.

Virtually every partner, advertiser, and investor quoted in this story is older than Snapchat’s millennial sweet spot. Spiegel wants their content and their money, but he’s building Snapchat for the Andrew Wattses of the world. *Daily Mail* CEO Jon Steinberg, 38, jokes that Snapchat is the first product that ever made him “feel kind of old”; he recalls emailing Spiegel to suggest an interface change he found confusing. “He wrote to me and said, ‘People will figure it out—you’re not really the target.’” In other words, *Snapchat isn’t for you, old man!* “That was kind of profound for me,” he says. “Every teen I see using this thing has no problems with it.” ●

acarr@fastcompany.com

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