

“When Snapchat started out, I thought it seemed trivial. I was completely wrong,” says Chamath Palihapitiya, a former Facebook executive and high-tech investor who hasn’t backed Snapchat but watches it closely. “I don’t think anyone saw coming what they are building. At worst, they are the next-generation MTV. At best, they are the next-generation Viacom.”

Snapchat’s ascent has been rocky. The company pioneered a new genre of online messages that disappear seconds after being opened. It suffered a series of public-relations crises caused, ironically, by the publication of internal deliberations and embarrassing old e-mails—the kind that never go away. In late 2013, Business Insider posted leaked video depositions of Spiegel and Murphy in a lawsuit, since settled, filed by a former Stanford classmate who had the original idea for messages that disappear and felt unfairly cut out of the company. Then there were the bawdy e-mails Spiegel had sent as a student to his fraternity at Stanford, leaked to Gawker and published online last May. Finally, there were the e-mails that came out in December in the hack of Sony’s computer systems, which exposed secret deliberations about business strategy among Spiegel and Snapchat board members, including Michael Lynton, CEO of Sony Entertainment.

It all combined to give Spiegel a reputation as a cocky, misogynistic Los Angeles rich kid with entitlement issues. On top of that, he was considered egotistical and foolish for

turning down a more than \$3 billion all-cash acquisition offer from Facebook in late 2013, when Snapchat's revenue was zero dollars a year.

Yet as Spiegel pointed out in a circumspect commencement address he gave at the University of Southern California's Marshall School of Business on May 15, "Someone will always have an opinion about you. Whatever you do won't ever be enough. So find something important to you. Find something that you love."

So now Spiegel is eager to set the record straight. Over the course of a 90-minute interview, he discusses books, business strategy, the millennial mindset, and the future of his closely watched company. This time, the overall impression is of an independent thinker who's taking the opposite path of many of his rivals not because he's full of himself, but because he believes that young Internet users are not well served by other for-profit social networks. He eschews data in decision-making, ignores design conventions with his app, and has placed his headquarters near the muscle beach in California made famous in the '70s by Arnold Schwarzenegger, among others. And his unconventional attitudes extend to advertising. "A lot of people look at Internet advertising as a tax on the system," he says. "That's sort of discouraging if you care about making new products and especially discouraging if you feel like you can solve problems."

Snapchat's office, a two-story loft, is one of about a dozen buildings the company leases in Venice, a block from the skateboard parks, T-shirt vendors, and smoke shops that line the Pacific Ocean. Illustrated portraits of celebrities such as Tina Fey and George Clooney, from a local artist who calls himself "ThankYouX," hang on the exposed brick walls. Two Segways stand near the front desk, with nameplates for the founders: "Evan" and "Bobby." A glass enclosure visible from the lobby is Spiegel's office, and although he declines to offer a tour, a portrait of Steve Jobs is visible on the wall inside. "This is why we don't allow guests in here," he says grumpily, when asked about it.

In person, Spiegel is a lot like Snapchat: earnest, raw, and unpredictable. When he gets worked up, things aren't "off the record," they are "off the f----- record." He's occasionally modest ("everyone here is stupidly way smarter than me"), while also prone to bouts of inadvertent smugness ("I literally just invented this in my head," he says, drawing a chart on a paper demonstrating the basic elements of the service). And he can be irritable. Heaven help the interviewer who poses a tedious query, such as: What's your long-term vision for the company? Spiegel: "These are the kinds of questions I hate, dude."

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His friends and investors say there's a budding business intellect behind the attitude. To sort out tricky business issues, he favors long discussions with colleagues during walks along the cement path from his office in Venice to the Santa Monica pier, two miles away. He's also a voracious reader who rushes to his office and returns to give me his well-annotated copy of *Thirteen Days*, the seminal account of the Cuban missile crisis by Robert F. Kennedy. JFK "had all these advisers, and they were all changing their minds 50 times a week, with millions of lives at stake," he says. "You have to balance people that are trying to do their jobs."

Although he's a cipher in the Silicon Valley technology community, Spiegel has quietly cultivated relationships with executives such as Google Executive Chairman Eric Schmidt and SoftBank Vice Chairman Nikesh Arora. "What's interesting to me is the pace at which Evan is learning," says Mitch Lasky, a Snapchat board member and investor via the venture capital firm Benchmark. "That's what should scare the competition. He is getting better at the things that are going to make him a great CEO"

way faster than I think anyone is aware of or expects.”

Spiegel says that in the beginning, Snapchat was less about disappearing selfies and more about letting people capture a moment that they can share freely online with whomever they want, without considering broader consequences. In a world where everything on Facebook or Twitter could become part of their permanent Internet persona, impermanence had value to young users. “Before that, most of social media stuff, you take a picture and give [it] to everyone on earth,” he says. “Our idea was not that grandiose. It was simple. Let’s just take a shot at restoring some context” to the pictures we exchange online with friends.

Spiegel and his colleagues then took that basic idea and riffed on it. Users can illustrate their “snaps” with playful graphical flourishes and make them available to groups of friends by posting them, sometimes in sequence, to a daily “story,” a kind of visual diary of their day. Snapchat also culls from those stories to create compilations of snaps from college campuses and major cities around the world. Even those vanish after 24 hours. So while members of Facebook and Twitter must judiciously craft posts to avoid future embarrassment, Snapchat users are encouraged to post goofy, irreverent, or salacious thoughts (and images) and to just be themselves.

That’s not the only way Snapchat is different. The service isn’t accessible on the conventional Web, only via smartphones, and a central tenet of the company is that video and photos should take up the entire smartphone screen. He “believes his audience is young people on mobile,” Lasky says, “and he does not believe that the

audience is being appropriately serviced by the existing Silicon Valley elites.” Actual teen behavior tells a slightly different story. Seventy-one percent of all U.S. teens age 13 to 17 use Facebook, while only 4 in 10 use Snapchat, according to a study this year by the Pew Research Center. And Snapchat’s rivals aren’t sitting still. Twitter has acquired the video-sharing services Periscope and Vine, and Facebook has another way it taps young Internet users—the photo-sharing service Instagram, which it acquired in 2012. Half of all teens use Instagram, according to Pew.

While Facebook and Google focus on technologies that advance material based on what’s popular or useful, Spiegel feels he has a responsibility to show Snapchat’s impressionable young audience things that are meaningful, not just popular. Instead of software decoding a user’s interests from search terms, clicks, and shares, he’s placed a bet on traditional media and old-fashioned editors. Earlier this year he signed up 11 media brands, including CNN, Comedy Central, ESPN, and People magazine, and invited them to contribute daily channels of videos and articles that disappear every night at midnight. “There’s a sort of weird obsession with the idea that data can solve anything,” Spiegel says. “I really haven’t seen data deliver the results that I’ve seen a great editor deliver.”

Snapchat’s media partners say traffic to the new Discover page in the Snapchat app started strong when it was introduced in January and fell off dramatically after the initial surge of interest. But they say it remains a good way to tap into a hard-to-reach demographic and a mass audience. “If people are going to be increasingly spending more time there, and we have the opportunity to tell a story, I want to do it,” says Declan Moore, chief media

officer of the National Geographic Society.

Joanna Coles, editor-in-chief at *Cosmopolitan*, says her channel on Snapchat gets about 2 million views a day. “The traffic is good, and they read every story,” she says. “It’s a finite amount of content, which is a perfect snack.”

Spiegel’s averse to most kinds of online advertising. He finds targeted advertising creepy, especially the experience of shopping for a certain product on one site, only to later see ads for it on another. “It’s definitely weird when a vacuum follows you around the Internet,” he says. He’s also ruled out ads on Snapchat that accompany private one-to-one messages between users, judging it too invasive.

Instead, Snapchat started inserting full-screen video ads from such brands as Coca-Cola, McDonald’s, and Samsung into feeds in the media channels and in various “stories” from cities and college campuses. The ads are about 10 seconds and resemble conventional TV spots, not some novel Internet format. Their most unusual aspect is that they fill the screen when a smartphone is held vertically, without the user having to turn the phone sideways, a distinction the company asserts is important. In its sales document to advertisers, Snapchat claims its users are nine times more likely to watch an entire ad because they don’t have to rotate their phone. In separate research, Google backs up the claim that larger video ads are more likely to be seen. According to a May report from its DoubleClick unit, the most commonly served video ad on the Web and smartphones, a small rectangle that typically appears on the side of a page, is viewed by a pathetic 19.8 percent of visitors to that page. Snapchat’s vertical orientation also means that advertisers can’t repurpose their existing ads,

which are in a horizontal format for YouTube and Facebook. Advertisers say the hassle is expensive, but that doesn't concern Spiegel much. "We are fortunate that we have an audience that is compelling and big enough that people will change their video to make it a better product," he says.

Over the past few months, Spiegel has laid out Snapchat's ad plans in a tour of major agencies and brands in London, Los Angeles, and New York. It's unusual for an Internet chief to make a business pitch in person. "Embracing the business side early kind of makes him a new kind of social entrepreneur," says Tom Bedecarre, chairman of the online agency Akqa, who met with Spiegel earlier this year. "Most of these other guys have a frontman to go do their bidding."

Imran Khan, a former investment banker for Credit Suisse who joined Snapchat as chief strategy officer in December, says that "Evan views advertising as a product, while most Internet founders view advertising as a necessary evil." Khan is overseeing the ad effort while the company searches for an ad chief.

Snapchat may have overestimated the pull it has with advertisers. It started its program by charging about \$100 per 1,000 views, or more than \$750,000 for a day-long campaign, more than double the rates of YouTube or Hulu. Big advertisers with large experimental budgets chalked the rate up to research and development costs and fell in line, just to be first with a chance at wooing a millennial

audience. Occasionally the ads do find a satisfying symbiosis with the content. Earlier this month, for example, spots from Coca-Cola and the jobs site Indeed.com congratulated students in ads that were interspersed in daily stories culled from snaps on college campuses during graduation day.

Other companies have balked at ponying up for ads on a service that still lacks some of the basic targeting and measurement tools now standard in digital advertising. The ads also don't receive the crowd feedback that businesses are used to getting on other social media sites, because there's no way to comment on spots or share them. Scott Varland, creative director at the ad agency IPG Media Lab, whose clients include Sony and MillerCoors, says none of the advertisers he's pitched on Snapchat want to spend on something so expensive and untested. That's even as Snapchat's ad rates have declined rapidly. This month the company announced it would start to charge \$20 per 1,000 views, a fraction of its earlier price, agencies say. The company declined to say where prices started.

That's still higher than some rivals, and some in the industry think Snapchat hasn't yet made a strong case to advertisers. "I don't think users go on Snapchat as a destination for content," says Valrand, who says Snapchat needs to give advertisers ways to expand their reach on the service and target specific bands of users. "They think of it as a platform to communicate with their friends. So unless it's integrated into messaging, I don't see a huge value for brands."

In addition to addressing doubts about advertising on a messaging service, Spiegel must combat continual

skepticism about his leadership. Can a 24-year-old with a few blunders in his past lead a hot social startup through its next stage of growth and beyond, toward an initial public offering?

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Critics are quick to point out Spiegel's latest mistakes. In the last year, he's hired several senior executives from companies such as Facebook, including a chief operating officer named Emily White, who left after 15 months. People close to Snapchat suggest Spiegel wanted to be a hands-on boss, which left little room for a traditional COO. Spiegel declines to discuss the situation but says broadly, “Our desire to get things right is unexpected and surprising to people, so it's easier to explain it away with a narrative” that he's a fickle boss. White didn't reply to a request for comment.

Some users also criticize Spiegel for developing a service that's difficult to use and remains somewhat mystifying to anyone born before 1985. (“The user interface and design

looks like the cross between a weird Japanese animation and a 1980s sitcom,” wrote the *New York Times*.) For example, there are no intuitive buttons, just cryptic icons and swipe gestures that trigger different functions. It’s nearly impossible to search for other users, unless you know their Snapchat names or cell phone numbers. “I get that it looks different. It looks different because it’s something that is new,” Spiegel says. He says the company could simplify the service and develop such features as a user directory, but he’s more interested in innovating—70 percent of the company’s engineers are working on new products.

Naturally, he won’t elaborate on these, but it’s not that hard to guess: anything that young people want to share, interact with, and talk about, such as games, products to buy, and other kinds of media, such as music and movies. In the e-mails between Spiegel and Lynton at Sony, published in the leaked Sony e-mail troves in December, Spiegel talked about efforts to form partnerships with the music services Vevo and Spotify and even expressed interest in buying a record label, so he could promote its artists on Snapchat.

After those e-mails were exposed, Spiegel wrote a memo to company employees, which he posted on Twitter. It expressed in personal terms how he felt about the leaks (“Definitely angry. Definitely devastated”) but also sounded like a corporate mission statement for creating a new wave of discreet communication tools. “Keeping secrets gives you space to change your mind, until you’re really sure that you’re right,” he wrote. He ended with what sounded like a battle cry: “We’re going to change the world because this is not the one we want to live in.”

Asked what he meant by that, Spiegel goes on an “off the f----- record” tirade, condemning the media for dredging through the private correspondence with little regard for the Sony employees whose data had been exposed. Ultimately, though, he shies away from conceding that Snapchat’s mission is to change a culture that seems hellbent on exposing everything.

“We don’t have the skills to solve that yet,” he says. “I am 24 years old. We have been doing this for four years. I’m not going to stand up and make a statement that is that ludicrous. We just don’t have the capability to solve that. I’m sorry. We help people share pictures.”

Are you proud of what you accomplished so far? Spiegel is asked.

“I’m proud of our team,” he answers after a pause. “And I’m proud of what I think they will do.”