


The Daily: The Other Social Media Guys—Where Pinterest is finding growth, Snapchat+ provides a bright spot, and more

Audio





On today's podcast episode, we discuss why Pinterest is growing so fast, how Snapchat is able to get more and more folks to pay for its premium service, and why people are spending increasing amounts of time on Reddit. Tune in to the discussion with our director of Briefings Jeremy Goldman and analyst Daniel Konstantinovic.

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Episode Transcript:

Marcus Johnson (00:00):

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Jeremy Goldman (00:14):

With that being said, I think that obviously the really strong advertising growth, depending on how you look at it, it's great for a nascent public company. But at the same time, this is a company that's been around for two decades. So depending on how you look at it, that's either good or bad.

Marcus Johnson (00:38):

Hey, gang. It's Monday, August 19th. Danny, Jeremy, and listeners, welcome to Behind the Numbers Daily, an eMarketer podcast. I'm Marcus. Today, I'm joined by two gents. Let's meet them.

(00:49):

We start with our senior director of briefings. He is based in New York City. His name is Jeremy Goldman.

Jeremy Goldman (00:55):

Hey. Happy Monday. Great to be with you.

Marcus Johnson (00:57):

Hey, fella. We're also joined by one of our analysts who writes for our marketing and advertising briefing. He is based same place. Is that true?

Daniel Konstantinovic (01:06):

I'm also based in New York.

Marcus Johnson (01:08):

He is in New York. Yeah. One, day I'll learn. It's Daniel Konstantinovic.

Daniel Konstantinovic (01:11):

Hello. Good to be here.

Marcus Johnson (01:12):

Hey, fella. Today's fact. You can see stars as they were 4,000 years ago with the naked eye. Put another way, without a telescope, all the stars we can see lie within about 4,000 light years of us. That means at most, you are seeing stars as they were 4,000 years ago, so around when the pyramids were built in Egypt. So when the pyramids were built, we are seeing what stars looked like then because of how long it takes light to travel to us.

Jeremy Goldman (01:47):

And they might not be there anymore, right?

Marcus Johnson (01:49):

They're probably not there.

Daniel Konstantinovic (01:50):

That's true. They might not be there anymore.

Marcus Johnson (01:52):

Yeah, we have a few years left before the end of the world.

Daniel Konstantinovic (01:54):

Can we get some new stars? I mean, what is going on?

Marcus Johnson (01:57):

I thought you were going to say some new facts of the day.

Daniel Konstantinovic (01:59):

Oh, no, no. Yeah, this fact of the day-

Marcus Johnson (02:00):

We had this one before.

Daniel Konstantinovic (02:00):

... stinks.

Jeremy Goldman (02:02):

Can we get some new facts? Come on. Come on, [inaudible 00:02:04].

Marcus Johnson (02:04):

[inaudible 00:02:04] very long time.

Jeremy Goldman (02:06):

No, that's a good one.

Marcus Johnson (02:06):

Can we get some new stars?

Daniel Konstantinovic (02:08):

Can we get a new host?

Marcus Johnson (02:09):

Oh my goodness.

Jeremy Goldman (02:10):

I think that the-

Marcus Johnson (02:10):

It's anarchy.

Jeremy Goldman (02:12):

... the stars thing really blows my mind.

Marcus Johnson (02:14):

[inaudible 00:02:14]. Yeah, isn't that shocking? I don't think we can get some new stars. I don't know how that works.

Jeremy Goldman (02:19):

It's the time machine.

Marcus Johnson (02:21):

All right. Anyway, speaking of time machines, has anyone watched Back to the Future recently?

Daniel Konstantinovic (02:27):

No, I haven't.

Marcus Johnson (02:27):

If you haven't, don't. The storyline's insane. That movie should stay where it was.

Jeremy Goldman (02:32):

I'm still waiting for my flying skateboard, by the way. It's like it was supposed to be here nine years ago.

Daniel Konstantinovic (02:32):

Yeah.

Marcus Johnson (02:39):

Yeah. You want to a flying skateboard. Daniel wants new stars. You ask too much, gentlemen. Anyway, today's real topic, the other social media guys.

(02:53):

All right. Today, we're talking about the other guys in social media, those smaller players that are important for advertisers, but don't account for a significant portion of their budgets. Let's start. So we're talking Pinterest, Snapchat, and Reddit. We'll start with Pinterest, and we'll start with Pinterest because they're the largest slice of the US digital ad pie of the folks we're going to talk about today.

(03:16):

So they have a 1% share. It doesn't sound like a lot, but it's multiple billions of dollars. I think it's \$3 billion, and it's good enough for 10th place on the list. And so it's ahead a bunch of people, but it's also behind a bunch of people. So we'll start with Pinterest.

(03:30):

Danny, you were actually noting... Actually, you covered their earnings in Q2. Money-wise, Pinterest grew revenue 21% to reach 854 million. User-wise, they grew 12% year on year, reaching 522 million monthly active users.

(03:47):

Jeremy, I'll start with you. How would you rate Pinterest's recent performance?

Jeremy Goldman (03:51):

I mean, I think it was actually pretty good. It's really hard to hold against a platform the fact that it just is that much smaller, right? Because ultimately, if you get your revenues up 21% year over year, how do you rate that as a quarter where things aren't going well, where you were able to get monthly active users up, your ARPU, which is a major factor when looking at the health of an average platform? I mean, a lot of things are going right if you just accept the fact that this is going to be a much smaller platform in general.

Marcus Johnson (04:25):

Yeah. Yeah, one of the fastest growing as well. I think it's the fourth fastest-growing social network by ad revenue behind only TikTok, Reddit, and Instagram. So smaller platform, but growing really fast.

Daniel Konstantinovic (04:35):

And yet, the stock of the company dropped pretty sharply after this earnings report. So despite the fact that they grew more than 20% in revenues and 12% in daily active users, this was considered a miss by a lot of investors.

Marcus Johnson (04:51):

Any theories as to why?

Daniel Konstantinovic (04:53):

Well, Jeremy said that what more can you expect from a platform that is that much smaller? And I think we should say who it's that much smaller than, which is Meta, which is the sole social media company, really, in this earnings season that exceeded expectations and performed really, really well.

Marcus Johnson (05:12):

And they're about 20 to 21 times smaller for context, right?

Daniel Konstantinovic (05:16):

Yes, yes.

Marcus Johnson (05:16):

It's about 23 times smaller than what Google makes in and revenue. So Jeremy, I think you made a really good point. We were talking before the show. There's the phrase that gets thrown around, second-tier social media players, and you were saying, "I don't know if anyone is at the second tier level. Once you get past Facebook, Instagram, and Google, it's a pretty big drop off. And so really, it's more of a third tier."

Jeremy Goldman (05:39):

There's that significant chasm, right?

Marcus Johnson (05:39):

Mm-hmm.

Daniel Konstantinovic (05:41):

Mm-hmm.

Jeremy Goldman (05:42):

And that is... I mean, another key factor is all these platforms that we talk about, they're pure plays. They don't have something like a cloud segment that is achieving massive revenues to offset the fact that Pinterest grew revenues roughly the same amount as Meta off of a much, much, much smaller base. So it's a little bit hard to get super excited about that, I'm guessing, if you're an investor. But that's why I'm not an investor, and I just try to be an analyst and look to see the ad potential of each of these platforms.

Marcus Johnson (06:12):

So Danny, to go back to you for a second, because just... So context here, Google's 26% share of the pie. Meta's is 21%. That's Facebook, Instagram, obviously. Amazon, now at 14%, so they're getting up there to the point where we're now talking about the triopoly unjustifiably. Microsoft, then, is in fourth place, and it goes from 14% Amazon to 4 Microsoft. And they're in

fourth place. And then you've got TikTok, Apple, et cetera, et cetera. You get down to Pinterest at 1%. So yeah, going back to the reasons why the stock dropped, why do you think folks aren't as bullish despite the fact that they grew 20% year on year?

Daniel Konstantinovic (06:49):

That's a good question. I think it's that despite the fact that revenues grew, that it has a strong foothold with Gen Z users and it's a very shoppable platform, which is appealing to advertisers, there's a lot of room to grow to catch up to something like Meta, but it's going to be very hard for them to do that just because of how big the gap is and how huge and established Instagram and Facebook are. I think investors want the gap to close, and there's not really a path, maybe, to close it as rapidly as they may want. What do you think, Jeremy?

Jeremy Goldman (07:26):

Well, that's what I was going to say, is that how do you close the gap if you're a platform like Pinterest? Because anything novel or interesting that you do to close that gap even slightly, Meta is really good at saying, "Hey, that's a great idea. Let's try to do it better or our own way." And we saw that with Reels. We saw that with Stories years ago. So I don't know why you wouldn't see that here, and I think that that's a challenge for the Pinterests of the world, the Snaps of the world.

Marcus Johnson (07:53):

Yeah. I mean Jasmine Enberg, who covers social for us, she always reminds us that people are using different platforms for different things, and so it is hard when we compare these players to each other because what you would do on Pinterest is not what you would do on Twitter or X or what you would do on Instagram or TikTok, et cetera. However, advertisers look at them as "Where are the audiences? Where can I spend my money? Where is it going to pay off the most?"

(08:15):

I mean, Danny, you touched on something quickly there which I want to revisit, which is you were writing in a piece recently, Gen Z users, Pinterest's fastest-growing consumers demographic, which is positive. Our numbers support that as well. We expect Pinterest to add 2 million Gen Z users this year. And the second largest cohort, millennials, will add a few

hundred thousand folks. However, the Gen X and the boomers, we expect them to lose a few hundred thousand. So they are relying more and more on the Gen Z folks for that growth.

(08:41):

Let's move to the second player here. So Snapchat, they have a 0.7% share of the US digital ad pie, which lands it in 12th place, a few spots behind Pinterest. Money-wise, they grew revenue 16%. That's a huge swing from posting -4 the same period a year ago, so negative -4 to +16 in a year. User-wise, they reached 432 million DAUs, daily active users, adding a healthy 10 million. It's a little bit less than last Q2. Jeremy, what stands out to you the most when it comes to Snapchat?

Jeremy Goldman (09:14):

I think one of the things that I was looking at with Snap was just to see they were trying very much throughout last year to create novel advertising experiences and lean into AR, particularly in-store with some partners, and they had to pull back from that. And the ultimate thing that... What I see with Snap is yes, there's a lot of interesting international growth. There's a really nice Snapchat+ story about getting people to subscribe for features that you can't get anywhere else, or to get them slightly sooner. So all those things are really nice, but ultimately with Snap it is, I don't want to say primarily a messaging platform, but it is a little bit different because of that. And messages are private and generally, they're considered to be unmonetizable space by most platforms. So I think that that's the issue, is with Snap, it's just less monetizable inherently. And as a result, that does keep it significantly smaller with less room to grow unless they find novel ways to innovate elsewhere.

Marcus Johnson (10:19):

Yeah. I mean, circling back quickly to international growth story point, it really is. I mean, North American daily active users has hit a ceiling. It's been stuck at 100 million for the last two years. Luckily, they're able to squeeze more out of those folks. Average revenue per user in the region is up 12%, so that's a positive. But Europe has barely budged. North America's flat, getting 9 million new people from the rest of world of the 10 million that they added. So it really is becoming more and more reliant in internationally.

(10:50):

The Snapchat+ story's interesting. Snapchat+ subscribers, you pay money, you get some extra features. That continues to be a bright spot, growing to 11 million up from 9 million a quarter ago. Danny, what jumps out to you when you think of where Snapchat is today?

Daniel Konstantinovic (11:04):

Yeah, I think everything Jeremy said is spot on. I do think that the Snapchat+ story is really interesting. They've managed to gain 11 million subscribers for Snapchat+, which is a really big gain since the service launched, although maybe growth is slowing down a little bit because it was 9 million in Q1 and now it's 11 million. But it is a pretty big success story for a company that's trying to diversify revenues, which I think is a push that a lot of these second-tier social media platforms are trying to do.

Marcus Johnson (11:36):

I mean, X is trying it, right? They tried to get people to sign up to X, but the paid version, and it hasn't gone nearly as well as Snapchat. So [inaudible 00:11:44]-

Jeremy Goldman (11:43):

Well, I think I might've even told you my theory about that, which is that Snapchat, for people who subscribe to our forecast and look at them religiously would know, Snapchat is the youngest.

Daniel Konstantinovic (11:54):

Right. Of course. Mm-hmm.

Jeremy Goldman (11:55):

Yeah. It's the youngest platform. It's younger than TikTok. And for that reason, I think just it's a lot of people putting it on their parents' credit card.

Marcus Johnson (12:03):

Part of the problem, and I'll dig into the demographics here for a second, but part of the problem for Snapchat is users, as a share of all social network users, is falling according to our forecast. So 80% of Gen Z social network users use Snapchat. We think that's going to fall, though, to 75 million. Not the millions, not the total, but in terms of the share of social network users who are on Snapchat. We think 80% today, 75% in 2026. That's for Gen Z, so falling five

points. We expect millennial share to fall two points from 44 to 42, Gen X will also fall from 16%, and boomers are flat. So there's no age group, unfortunately for Snapchat, where they are growing their share of social network pie. And Jeremy, to your point, that's still relying a lot on those younger folks, which are harder to monetize a lot of the time.

Daniel Konstantinovic (12:54):

I just want to add that like with Pinterest, this is a company that saw big revenue swing, like you said Marcus, and yet the stock went down more than 20% after that came out. So this was received really poorly by investors, which-

Marcus Johnson (13:11):

Patience's wearing a bit thin.

Daniel Konstantinovic (13:12):

Yeah, I think the fact that both of these companies had big revenue growth and yet were punished in the stock market doesn't bode well for the next company that we're going to talk about since they are even further behind.

Marcus Johnson (13:25):

Yeah, let's do it. Reddit is the final one. They have the smallest slice of today's three companies at 0.2%, and so that puts them in 21st place on our list of US digital ad players.

(13:40):

So I'm looking at how they've done recently. They made just over \$250 million in the quarter. That's up over 40%. The company has 91 million daily active users, so there's a ton of folks. Big user base. Jeremy, what's your take when it comes to Reddit?

Jeremy Goldman (13:55):

Well, I think that there's a lot here. First off, one of the key things that I'm looking for, not just from this quarter, but really going forward, is how much is advertising part of their overall pie is data licensing? Because remember, they went public at a time where people realized that their content really was the product in some ways. They had so much information in there. They signed a licensing deal with Google. They are probably the most protective out of any

platform in terms of data scraping from their content. So is that going to become a more meaningful portion of their overall revenues, the licensing of that data over time?

(14:38):

But that being said, I think that obviously really strong advertising growth, depending on how you look at it, it's great for a nascent public company. But at the same time, this is a company that's been around for two decades. So depending on how you look at it, that's either good or bad. And again, this growth is coming off of a minuscule base in relation to what base we're talking about with Meta.

Marcus Johnson (15:01):

Mm-hmm.

Daniel Konstantinovic (15:01):

Yeah. To your point, Jeremy, about what portion of the pie is ad revenues, it's a huge portion. I mean, Reddit had 281 million in revenues in this quarter, and 253 million of that was ad revenue and other revenues were 28 million. The ad revenue jump was significant, it was 41%, so it shows that they're attracting advertisers to some degree. These new ad initiatives that Reddit has put out since going public are attracting some attention. But if Pinterest and Snap are not even in a second tier of social media platforms with around a billion in revenues, there's a canyon between them and Reddit at 280 million in this quarter that just shows what a huge gap they have.

(15:53):

There are a lot of really interesting aspects to this company. In earnings, they have a lot of logged-out users, they reported, so presumably these are people who are coming to Reddit through a Google search because they're featured prominently at the top of Google results. And the challenge for Reddit is, how do you get those people to log in to spend more time on the platform, and how do you monetize those users? Right now, it seems like they're struggling to answer those questions since average revenues per user were only up 2%.

Jeremy Goldman (16:21):

I'm so glad that we didn't practice this, but Danny, this is something that I think that we-

Marcus Johnson (16:21):

Yes, they did.

Jeremy Goldman (16:28):

I think we were talking-

Marcus Johnson (16:29):

Hours.

Jeremy Goldman (16:30):

Right, for hours and hours that Reddit grew quite a bit in terms of time spent.

Daniel Konstantinovic (16:36):

Yes.

Jeremy Goldman (16:36):

Yeah, so more than a lot of platforms. And I think that that's something that is worth paying attention to. Here, I have the actual numbers here. Reddit, this year, we forecast the average time spend per day to go up 11% with US adults, 1.3% for Instagram, and then Facebook, TikTok, X, and Snapchat are all going to be negative. So if Reddit can continue that growth, I think that there's a lot of opportunity for some strong contextual advertising that can grow their top-line revenue.

Marcus Johnson (17:11):

They're going to need to prove our forecast wrong, though, because we don't expect that number to keep going up. It has gone up, and they're getting close now in terms of time spent to some of those bigger players, Facebooks and Instagrams and folks, and I think about 30 minutes a day, but we don't think that's going to continue. So they've had a great year, Jeremy, to what you're saying, 11% growth versus Instagram's 1% in terms of time spent. And Instagram's in second place, so they need to attempt to continue to grow that time spent number.

(17:38):

But Danny, circling back to what you were saying, average revenue per user at just 2%. Part of the problem is they're adding revenue, but they're also adding users to add revenue, and so

they aren't able to squeeze a lot more, barely anything, out of those existing folks. Snapchat, by contrast, grew average revenue per user up 6%. So maybe that's a big part of what investors are looking at now, is it's all going well to grow the numbers, but per person, what does the dollar figure look like?

(18:07):

All right, gents. That's all we have time for, for today's episode. Thank you so much for hanging out today. Thank you to Jeremy.

Jeremy Goldman (18:11):

This was fun. Thank you.

Marcus Johnson (18:13):

Yes, indeed. Thank you to Danny.

Daniel Konstantinovic (18:14):

Thank you. Happy to be here.

Marcus Johnson (18:15):

Thank you. He doesn't mean that. Two hours ago, I forced him to be on the episode. I had no idea who was supposed to join, but he did it anyway because he's a fantastic person.

(18:23):

Thank you to Jeremy. Thank you to Danny. Thank you to Victoria, who edits the show. Stuart runs the team. Sophie does our social media.

(18:28):

Thanks to everyone for listening in to the Behind the Numbers Daily, an eMarketer podcast. Tomorrow, you can hang out with Rob Rubin. He's the host of our Banking & Payments Show, eMarketer podcast where he'll be speaking with Tiffani Montez and Maria Elm all about what the bank will look like in 2030.