

Pinterest Is the Talk of ShopTalk as It Eyes IPO

Social platform helps pinners whether they want to explore or buy—are advertisers paying attention?

ARTICLE |

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Pinterest made waves in late February as the not-so-well-kept secret leaked that it's finally taking steps toward its initial public offering, which is anticipated sometime mid-year.

While Pinterest is later to the public markets than other major digital ad platforms, the company has opted for a more deliberate approach to building its business than the typical Silicon Valley modus operandi of “move fast and break things.”

Our latest estimates for Pinterest show the company surpassing \$700 million in ad revenues in 2018, up 50% from the previous year. And we expect that revenue growth will continue on a similar trajectory in 2019, rising 45% on its way to eclipsing the \$1 billion mark. (For the sake of recent comparison, Snap earned about \$825 million in revenues in 2017, its first year as a public company.)

Pinterest Ad Revenues Worldwide, US vs. Non-US, 2016-2020

millions and % of total

	2016	2017	2018	2019	2020
US ad revenues	\$269.4	\$384.7	\$553.3	\$771.4	\$1,002.0
—% of worldwide total	90.1%	81.4%	78.0%	75.0%	72.0%
Non-US ad revenues	\$29.5	\$88.2	\$156.1	\$257.1	\$389.7
—% of worldwide total	9.9%	18.6%	22.0%	25.0%	28.0%
Worldwide	\$298.9	\$472.9	\$709.4	\$1,028.6	\$1,391.6

Note: paid advertising only; excludes spending by marketers that goes toward developing or maintaining a Pinterest presence

Source: company reports; eMarketer, Sep 2018

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But unlike the growth of earlier social media giants, Pinterest’s future revenue gains may come more from a rise in its average revenue per user (ARPU) than massive user expansion. The platform’s audience is still growing—particularly in markets outside the US—but the days of supercharged user growth may already be in its rearview mirror. Its ad business, however, could be on the brink of achieving escape velocity.

The reason? The platform is tailor-made for retail and brand marketers. Unlike other social media platforms that traffic in passive ad exposure, Pinterest is a more lean-forward environment, where users seek inspiration and actively pursue their interests.

Pinterest CEO Ben Silbermann, who was interviewed on the main stage at ShopTalk on Tuesday, said users will often tell you exactly what they’re after by how they name their Pinterest boards, like, “How I want my dream wedding to look” or “Things I want to buy my wife for her birthday.” Whether these users are following the latest style trends, hunting for a new coffee table or trying to find a creative appetizer to whip together for this weekend’s dinner party, the platform allows them to express their creativity while capturing and curating their specific tastes.

Fortunately for retailers and brands, a direct line can be drawn from many of those tastes to an advertising opportunity. After all, why wouldn’t advertisers want to have their brands and products be part of the conversation when the consumer is likely to be both open to new ideas and primed to buy?

Perhaps it’s not surprising that users clearly rely on Pinterest to assist in their shopping experience. The platform leads its social media

counterparts in finding and shopping for products, at 48% of US users, according to research by Cowen and Company. That's three times more than the next closest competitor—Facebook—at 14% of users.

Social Media Activities on Select Social Networks by US Social Media Users, Nov 2018

% of respondents

	Instagram	Facebook	Snapchat	Pinterest	Twitter
Viewing photos	77%	65%	62%	57%	39%
Watching videos	50%	46%	50%	19%	32%
Sharing content with everyone	49%	57%	47%	21%	33%
Sharing content with one to one	33%	45%	49%	13%	20%
Networking	25%	36%	20%	11%	29%
News	19%	38%	15%	9%	54%
Finding/shopping for products	10%	14%	4%	48%	7%
Promoting my business	7%	6%	4%	4%	7%

Note: n=2,500

Source: Cowen and Company, "Facebook: US Ad Buyer Survey and Consumer Survey Highlights; Model Update," Jan 10, 2019

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Doubling down on its retail use case, Pinterest announced new capabilities this week that enable retailers to upload their entire catalog and give customers better ways to engage directly and explore their brands. This opens the spigots to a lot more retail content on the platform, but Pinterest is careful to surface the content in a way that aligns with user intent at the moment of interaction.

We caught up with Tim Weingarten, Pinterest's head of shopping product, at ShopTalk, who explained the approach: "If [pinners] have very generalized and sort of long-term intent and we know that, then we should really be showing them more inspiration. On the flip side, if we feel like their intent is getting more specific and narrow, then we should attempt to show them more products, because that one helped them actually take action. ... We try to be very thoughtful about that."

In other words, help the user pursue their aspirations. And in the process, discover brands that meet their taste and style preferences. Then when they're ready to take action, help steer them along the path to purchase.

Pinterest has a unique story to tell about its applications to retail. The question is: How closely are advertisers paying attention?

