

Pinterest continued shedding users in Q2 as it aggressively ramped up social commerce initiatives

Article

The news: Despite missing sales and profit projections as well as providing a disappointing third-quarter outlook, **Pinterest** shares rose on higher-than-expected user counts.

- Activist investor **Elliott Management** officially disclosed its stake in Pinterest on Monday ([we reported on this mid-July](#)). The firm, now the largest shareholder, discussed its “conviction in the value-creation opportunity” at Pinterest, causing the stock to jump 21% in extended trading.

Behind the numbers: According to Pinterest, there are now **433 million monthly active users worldwide, down 5% from a year ago**. That kind of fall is concerning for a social platform dependent on users to draw in advertising, although experts anticipated an even steeper drop to 431 million.

- Pinterest anticipates third-quarter revenues to increase by “mid-single digits” versus last year, falling *very* short of analysts' expectations of 12.7% growth.
- Pinterest's revenues rose 9% year-over-year (YoY), its slowest growth in two years, due to softening advertising demand from CPG companies, big-box retailers, and mid-market advertisers.
- Average revenue per user (ARPU) **grew 20%** in the US & Canada, going from \$4.87 to \$5.82. Global ARPU jumped 17% overall.
- CFO **Todd Morgenfeld** said on the company's earnings call that shopping revenues are growing twice as fast as overall revenues.

Zoom out: Pinterest's far-from-stellar earnings come as other major players in the social media landscape have seen dismal results. But the company was buoyed by the presence of [new CEO Bill Ready](#), a former head of **Google's** commerce division and **PayPal** COO, whose hiring signals a stronger push toward social commerce.

- **Meta**, the parent of **Facebook**, **Instagram**, and **WhatsApp**, reported its [first YoY decline in revenue](#) this past quarter.
- **Twitter's** Q2 ad revenues of \$1.08 billion were [up just 2% from a year ago](#); by comparison, Q1 ad revenues increased by 23% YoY to \$1.11 billion.
- In Q2, **Snap** reported [losses of \\$422 million](#) compared with losses of \$152 million in Q2 2021.

Ready for commerce: Both Ready and Elliott Management noted that Pinterest occupies a unique position “at the intersection of social media, search, and commerce.” With more

customers starting their shopping journeys online, the platform's role as a tool for inspiration and product discovery gives it valuable insight into purchase intent, making it attractive to retailers.

With that data on hand, Pinterest is also leaning into personalization to make the user experience stickier and improve relevance.

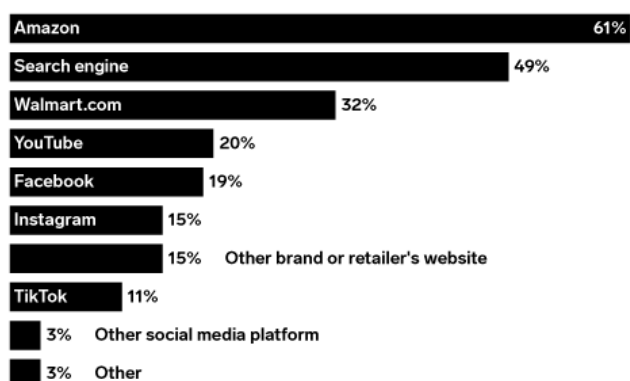
- Earlier this year, Pinterest launched its first personalized shopping experience, calling it “Your Shop.”
- It followed that up a few months later with its acquisition of AI-powered shopping platform [The Yes](#).

On the other hand: While the company has rolled out a [steady stream of social commerce features](#)—from shoppable product pins to Shop tabs on business profiles and live shopping—it's far from the most popular social commerce platform. More people use Facebook, **YouTube**, Instagram, **TikTok**, and Snapchat to shop than Pinterest, per an April survey by Klarna.

- But as Ready pointed out on the earnings call, whether a shopper ultimately completes the purchase on Pinterest doesn't really matter so long as the platform plays some role in facilitating the transaction.
- However, with more US consumers starting their journey on rival platforms like YouTube and TikTok, or directly on a retailer's website, it may become harder for Pinterest to insert itself into the shopping process.

Where US Consumers Start Their Search When Shopping Online, May 2022

% of respondents



Note: respondents could select multiple options

Source: Jungle Scout, "Consumer Trends Report: Q2 2022," June 23, 2022

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The Elliott connection: Elliott Management's decision to [take a stake in PayPal](#) could be a sign it intends to push the company to acquire Pinterest, completing a takeover initially proposed at the end of last year.

- The tie-up could give PayPal access to users in various stages of the shopping journey, and enable it to grow its payments volume. It would also put the company further on the path of becoming a super app.
- At the same time, Pinterest could leverage PayPal's payments capabilities to implement native checkout and further streamline the shopping process.

The big takeaway: It's unclear why Pinterest hasn't made more substantial inroads into the digital advertising space. By measure of CPMs, Pinterest ads are [44% more affordable than Meta's](#), per Tinuiti data. As cost-conscious advertisers wary of uncertainty scrutinize their spends, Pinterest may be able to hold onto its existing advertisers—but getting new ones may be an issue without new users.

If Pinterest can grow its user base, it could have a bright future. But that's a *major* if. Pinterest has the opposite problem of platforms like Instagram and YouTube: It is great at monetizing hardcore users, but has trouble convincing new audiences to join and engage with the platform.

It's no surprise that as users shrink, Pinterest is leaning hard on personalization and social commerce to maximize revenues from existing users. But that strategy can only go so far, particularly when there are [buzzier platforms](#) equally capable of driving purchases. Its

struggles to reach teen users, a hugely important audience for many brands, could further limit its ability to attract spend from retailers and advertisers.

- In the key US market, our forecast expects Pinterest to reach just 27.4% of all teen users, which puts it behind most major social platforms. We also expect that percentage to decrease rather than increase over the next few years.

US Teen Social Media Users, by Platform, 2020-2026

% of internet users

	2020	2021	2022	2023	2024	2025	2026
YouTube*	88.2%	88.9%	89.4%	89.9%	90.0%	90.1%	90.4%
Snapchat	67.5%	67.2%	66.4%	65.9%	65.7%	65.5%	65.4%
TikTok	53.0%	63.2%	67.5%	70.3%	71.7%	72.7%	73.1%
Instagram	58.0%	58.1%	58.1%	58.1%	58.2%	58.2%	58.2%
Facebook	38.7%	35.1%	32.6%	30.3%	29.3%	28.1%	27.3%
Pinterest	28.3%	28.2%	27.4%	27.1%	26.8%	26.6%	26.4%
Twitter	21.9%	22.4%	22.2%	22.2%	22.1%	22.0%	21.8%
Reddit	9.3%	9.4%	9.4%	9.5%	9.5%	9.7%	9.9%

*Note: ages 12-17; internet users who access their account via any device at least once per month; *individuals who watch YouTube via app or website at least once per month*

Source: eMarketer, April 2022

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