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TECHNOLOGY

Pinterest Growing, Raising Money, Adding Users



JULIE VALLONE | 5/14/2015

Alisha Slaughter goes onto Pinterest at least once a week in order to organize different pieces of her life. She "pins" Web images with information on gardening, interior design ideas, holiday crafts, recipes, patterns for her family's clothes, and search engine optimization strategies to help with her marketing business.

"It's kind of like what you would do with magazines in the olden days," said Slaughter, an Aptos, Calif., resident who has been using Pinterest for four years. "You'd see an article or ad and say, 'Oh, I want to remember this,' and you'd rip it out."

Pinterest, a privately held, San Francisco-based social media company, was launched in March of 2010 by co-founders Ben Silbermann, Evan Sharp and Paul Sciarra. The site helps people collect and organize images and other visual material they find on the Web.

And lots of people want to do this. The site has 70 million users, based on statistics from Paris-based research firm SemioCast. According to the GlobalWebIndex market research study, Pinterest was the fastest-growing social network in 2014, with its number of active users nearly doubling.

Cashing In On Pins

The question is: Can Pinterest translate that active and growing user base into dollars? Investors say yes. Pinterest recently raised an additional \$367 million in venture funding, pushing it past the \$1 billion mark overall and giving the company a valuation near \$11 billion. While the company is mum, it's widely considered a candidate for the next big tech IPO.

Investors include big Silicon Valley VC firms Andreessen Horowitz and Bessemer Venture Partners. According to Pinterest spokeswoman Jamie Favazza, the company might raise as much as \$211 million more. The company, though, declined more comment.

Most Pinterest users, or "pinners" like Slaughter, are women. A recent Pew Research study found that 42% of women who regularly go online use Pinterest, compared with 13% of men. But Favazza said Pinterest "doubled our male user base in the U.S. this year. Last year our male user base in the U.S. grew 73% year over year, and has been picking up in the past six months (54%) vs. the prior six months (40%), which is outpacing overall Pinterest growth."

But Anna Bennett, a Pinterest consultant at whiteglovesocialmedia.com, says the predominance of women on the site is one reason businesses should take notice of Pinterest's potential.

"The bottom line is that women dominate household purchases. We make more of the decisions," Bennett said.

"Also, people on Pinterest have a buying mindset. They embrace brands," said Bennett, who advises businesses on how to use Pinterest to meet their goals.

"More and more people are actually sharing content from businesses," she said. "So it's just a natural platform for businesses to be in, whether they are trying to sell something or just drive traffic back to their sites."

The Pew Research report found that 17% of Pinterest users access the site daily, and 29% weekly. Last year, the number of site users rose from 21% of Internet users to 28%, said Pew. That puts it on par with **LinkedIn (LNKD)** and above **Twitter (TWTR)** as well as **Facebook 's (FB)** Instagram.

Pinterest started targeting businesses in 2012, gradually rolling out features to help businesses understand and better target potential customers. For example, Rich Pins, introduced in 2013, are pins with information that accompanies an image in a pin. A Rich Pin from a retailer might have a picture of a garment, along with pricing, product availability and where to purchase the item. Through Rich Pins, businesses can get information about their audiences and what they might buy.

Last year, Pinterest rolled out its first paid ads, called Promoted Pins, with a select number of businesses. With the program, advertisers can pay to have their pins placed in front of a bigger audience than the organic audience they have cultivated through just their presence on Pinterest. In January, Pinterest opened the program to all businesses.

In an interview at the Vanity Fair New Establishment Summit last October, co-founder Silbermann talked of the natural alignment between Pinterest users and businesses wanting to advertise to them.

Subtle Advertising

"The nice thing about Pinterest is that people are there to discover things, and many of the things they're discovering anyway are things made by companies, like products, services, and media. There's a really tight alignment between why people are there in the first place, and objectives of advertisers," he said.

The Promoted Pins are subtle, blending in with the other "organic" pins on a site. The only indication that they're ads is the small gray "Promoted Pin" text and icon at the bottom of the pin. You need to roll over the ad to see who the advertiser is.

The ads are so subtle, some Pinterest users don't know they're there.

"Ads? I haven't even noticed them," Slaughter said.

Joanne Bradford, head of partnerships at Pinterest, says the ads are working.

"The Promoted Pins perform just as well, and sometimes even better, than the organic pins. Moreover, advertisers achieved about a 30% bump in earned media (also known as free media, or publicity) from their campaigns," stated Bradford in a blog post.

But in his recent report titled "Pinterest Is Not Ready for Prime Time," Forrester Research analyst Nate Elliott says the company must make some changes to truly serve as an effective marketing venue for businesses.

"Marketers struggle to find value from branded Pinterest boards, collecting few followers and even fewer likes and re-pins. Likewise, Pinterest's ad platform offers only limited targeting options. To generate greater marketer value, Pinterest must tap into the rich data that people contribute to the site," he writes.

Bradford's blog post, though, says Pinterest is upgrading Promoted Pins for better ad targeting. Also, to help companies more effectively use the site, she says the company is launching a "P institute," where businesses can learn to connect with pinners and see better results.

Bennett says Pinterest has been delivering substantial benefits to the businesses she works with, both from traffic to their sites and from data collected.

"Businesses that know how to use Pinterest have already seen increased traffic to their websites, and definitely improved ranking in Google search results," she said. "In terms of e-commerce, it's a no-brainer. My clients that have learned how to use it have had a tremendous amount of success.

"Based on several case studies I've seen, I really believe that Pinterest is something that businesses just can't ignore."

One of Bennett's new clients is sports bra maker Shefit.

"Shefit is a lifestyle brand. The product is empowering, and can really boost your confidence. It's really life-changing for a lot of women," said Shefit founder Sara Marie Moylan. "From a branding perspective, we want to share all things important to overall health, and Pinterest is an important vehicle to be able to do that."