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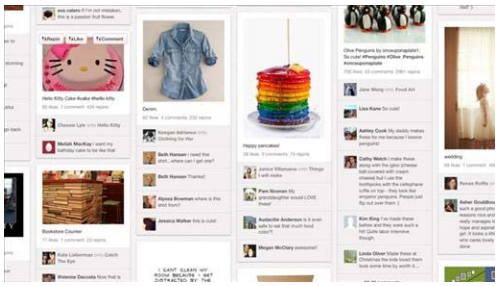
RUNNING A BUSINESS | FEBRUARY 16, 2012

Pinterest's Rite of Web Passage—Huge Traffic, No Revenue

By SARAH E. NEEDLEMAN And PUI-WING TAM

If you haven't heard of Pinterest, you likely will soon.

Traffic to the website—which lets users create online scrapbooks to share images of projects or coveted products—has grown tenfold over the past six months. In January, the number of visitors on Pinterest.com was almost a third of that on Twitter.com.



Pinterest has found favor with e-commerce retailers, many of which have added its "Pin it" button to their websites, but also become the subject of blogosphere chatter over use of affiliate marketing. Sarah Needleman has details on The News Hub.

There is one problem: The 16-person Palo Alto, Calif., start-up isn't sure how it is going to make money.

"Pinterest's monetization strategy isn't in the oven and it's not even off the baking table," said Jeremy Levine, a board member of Pinterest and a venture capitalist at Bessemer Venture Partners. "We have one hundred ideas but no execution as of yet."

Pinterest's situation isn't unusual for an Internet start-up; some may even call it cliché. After watching the growth of Facebook Inc. and Twitter—both of which grew quickly at first without having a business model—Pinterest co-founder Ben Silbermann said he is following the same path and will worry about details later.

"My hope is that if we build a service that a lot of people use to plan and discover things, that will be really valuable," said the 29-year-old entrepreneur, a former Google Inc. employee.



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Pinterest co-founder Ben Silbermann in San Francisco last month.

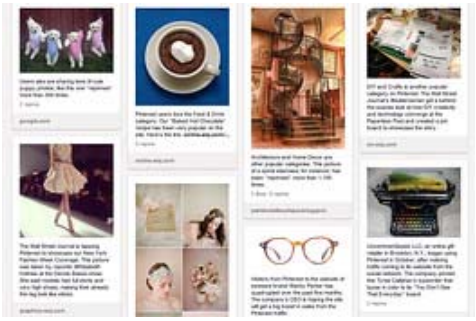
Mr. Silbermann co-founded Cold Brew Labs Inc. in 2008 and launched Pinterest, the company's only product, the following year. It has raised $37.5 million from Silicon Valley angel investors including Yelp Inc. Chief Executive Jeremy Stoppelman and top venture firms such as Bessemer and Andreessen Horowitz.

The closely held company wouldn't disclose financial figures, but isn't yet making much revenue and is unprofitable. Pinterest is currently valued at around $200 million, according to a person familiar with the matter.

The prospect of making money off of social-networking sites, which are usually free to users, has been a challenge. The options for Pinterest suggested by analysts so far, which center around selling targeted advertising and data on users' interests, aren't terribly original and run the risk of alienating users—problems faced by bigger social-networking sites such as Facebook.

But people are flocking to the site. Pinterest last month attracted more than 11 million unique visitors, more than double the 4.9 million who visited the site in November, according to comScore. Those who visited spent nearly 100 minutes on the site in January, compared with 19 minutes on professional social-networking site

An Introduction to Pinterest



What's Pinterest?

It's a free online scrapbook that people use to find and share images on the Web.

You organize your Pinterest page by creating "pin boards" and giving these labels like "my style" or "favorite places."

In January, it had more than 11 million unique visitors.

Small Talk

6 Tips for Tapping Pinterest's Surging Popularity

LinkedIn, it said.

"I haven't seen another stand-alone site that has reached 10 million visitors faster," said comScore analyst Andrew Lipsman.

The research firm said roughly 68% of Pinterest's users are women and many are in the Midwest. Users must be invited to join.

Retailers are looking to piggyback off its popularity. Bergdorf Goodman, a unit of Neiman Marcus Group Inc., has begun actively trying to develop a following for its high-end clothing and accessories on Pinterest, and Lands' End Canvas, an extension of Lands' End, part of Sears Holdings Corp., last month added a widget to its product pages, making it easier for browsers to immediately pin, or repost, images of the looks they like to their Pinterest profiles.

Etsy.com, an online crafts marketplace with 50,600 Pinterest followers, is using Pinterest's price display feature. That means that when Pinterest users "pin" say, an Etsy chair on a board for their followers to see, the image of the chair will automatically include the chair's title, and a banner showing the price.

It has also been a boon for some small businesses. "Our traffic converts to sales," said Amy Squires, co-founder of The Wedding Chicks LLC, which posted about $540,000 in revenue last year, up from $340,000 in 2010. The four-year-old online retailer of wedding-party gifts, which joined Pinterest last summer, said Pinterest now brings in more than double as many monthly visitors to its website than Facebook and Twitter.

Warby Parker Inc., an eyewear brand sold online, has seen the number of visitors to its website coming directly from Pinterest quadruple over the past four months, according to Warby's co-CEO, Neil Blumenthal. Pinterest allows us to market the company's products "in an organic and authentic way," he said.

Like other websites with user-generated content such as Google's YouTube, Pinterest has procedures in place to deal with the posting of copyrighted images and other material, where content owners can report a violation and have the content taken down. Pinterest said copyright problems "haven't been a significant issue so far."

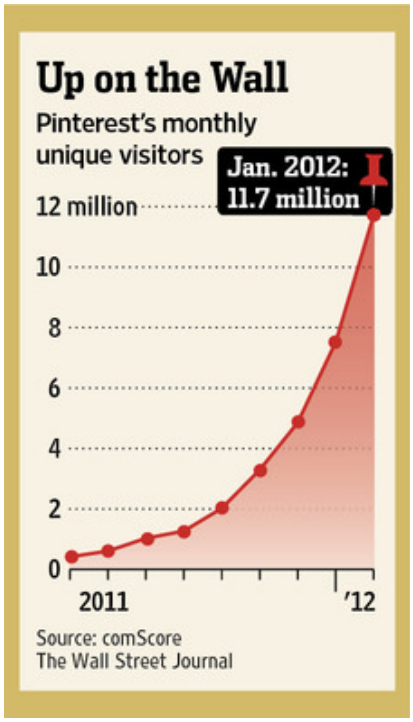
In recent days, Pinterest has attracted some online ire for not disclosing the use of what is known as affiliate marketing, a prevalent form of online advertising that companies such as Amazon.com Inc. also use. Affiliate marketing lets merchants place links to their Web stores on related sites in return for giving up a percentage of every sale that results from those links.

However, affiliate marketing isn't a major part of Pinterest's business model right now, according to the company and its venture capitalists.

Another concern raised by some: Pinterest's terms of use include broad language giving it the right to "sell" and "modify" its member content, creating the potential for future privacy issues.

So far that hasn't stopped UncommonGoods LLC, an online gift retailer in Brooklyn, N.Y. UncommonGoods began using Pinterest in October after noticing traffic coming to its website from the social network, according to David Bolotsky, its founder.

In recent weeks, traffic from Pinterest to the UncommonGoods website has begun approaching and even rivaling traffic that comes from Facebook, Mr. Bolotsky said. "The overlap between Pinterest users and our customers



is just perfect," he said. Near logos on its website linking to the retailer's Twitter and Facebook pages, the company recently added a new icon.

"Follow me on Pinterest," it reads.

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