



Response to ACCC Discussion Paper for Interim Report No. 6
19 September 2022

I. Introduction

On 15 August 2022, the Australian Competition and Consumer Commission (ACCC) published its Issues Paper for Interim Report No. 6, regarding competition between social media services, and invited comments from interested parties. As an app developer and provider of digital advertising services, Pinterest welcomes the opportunity to provide its response to the Issues Paper.

By way of background, Pinterest is a visual discovery engine where more than 400 million users around the world go to get inspiration for their lives. Pinterest shows users visual recommendations called Pins. The vast majority of Pins have been handpicked, saved and organized over the years by hundreds of millions of Pinner creating billions of boards; they are not the result of web crawling or indexing. Pinterest selects Pins for users based on their interests, using a variety of sources to determine what to recommend to a user, including the user's past search and browsing behavior on Pinterest and the interests they select when signing up for the service. Pinterest users save and organize these recommendations into collections called boards.

Our mission is to inspire users to live a better life and provide the means for them to do more than just dream. Browsing and saving visual ideas on Pinterest's service helps Pinner imagine what their future could look like, which helps them go from inspiration to reality.

To fulfill our mission to bring everyone the inspiration to create a life they love, we hope to have an equal opportunity to compete in our sector, together with other new entrants and companies of all sizes. Such an environment will empower us to continue to create innovative products, cultivate a strong user experience, and support our advertising partners. Accordingly, we welcome the Digital Platforms Services Inquiry and appreciate the opportunity to contribute regarding the subject areas most relevant to Pinterest.

II. Supply of social media services to users

Similarly to other app developers, Pinterest creates separate versions of its app to make it accessible across different operating systems, app stores, and devices. Despite the costs incurred for designing, building, maintaining, and performing quality assurance on apps across multiple operating systems and device types, developing apps for multiple platforms enables Pinterest to engage with a wider range of users.



In terms of how Pinterest acquires users for its platform, we have mostly grown our user base organically through search engine optimization (“SEO”) and app store discovery . In addition, Pinterest uses most of the large paid ad channels.

From our perspective, the factors influencing a user’s choice of a social media service may include the presence of communities of people the user wants to engage with (e.g. friends, family, celebrities/influencers), the presence of content that the user wants to engage with, and/or functionality that allows users to share, create, or express themselves in the way that they want.

Each social media service offers its own combination of these factors, resulting in a use case that may overlap with that of other platforms, but which represents distinct value for its users. “Personal” versus “professional” is one axis of differentiation: the networks people build on platforms like Facebook tend to be oriented toward family, friends, and social acquaintances whereas the networks people build on LinkedIn are very much focused on professional contacts. Platforms may also be differentiated by the type of content frequently consumed by users, such as news and current events, celebrity/influencer posts , or entertainment . Some platforms may be further distinguished by being designed to connect users in a certain location or by offering anonymity.

Unlike many other services, Pinterest aims to deliver inspiration and utility. Our mission is to bring everyone the inspiration to create a life they love. We want to inspire users to live a better life and provide the means for them to bring that inspiration into their lives in a tangible way, whether it’s through cooking, fashion, home decor, travel, gardening, or other interests. Fundamentally, Pinnerers are trying to get something done—plan an event, buy a product, take a trip—so we surface personally relevant and visually rich possibilities for consideration and eventual action. We think of this as discovery: a rich experience that combines some of the utility features of search with some of the enjoyable features of media.

While Pinterest is differentiated from other platforms, we do compete with them for the finite time and attention of users (as well as in the digital advertising space), and as detailed below in Section IV., Pinterest and other small- or medium-sized platforms face multiple barriers to market entry and expansion which impact our ability to attract users.

III. Supply of advertising on social media platforms to advertisers

The factors that influence an advertiser’s selection of an online advertising platform may include the size and value of the platform’s audience, the perceived relevance of its



content, the ability to target the advertiser's key audience, anticipated ad performance on the platform, and ease of use. The relative importance of any of these factors may vary based on the advertiser's objective and the advertising product they use to achieve it.

On Pinterest, businesses of all sizes and from many industries can achieve a diverse set of goals, from building brand awareness, to increasing online traffic, to driving sales. Pinterest provides a suite of advertising products, including brand and performance-based advertising. Pinterest is also a platform where Creators can create authentic, inspiring content and be rewarded through tagging shoppable products, adding affiliate links, including brand partnership tags, and participating in Pinterest's Creator Rewards program.

Pinner often embark on a discovery journey when they want to purchase something but have not yet decided which product or service best suits their needs and taste. While this fundamental alignment between Pinner and advertiser objectives differentiates Pinterest from other services, we also face multiple barriers to market entry and expansion, as detailed in Section IV., below.

IV. Barriers to market entry and expansion

The digital advertising market contains several large, well-resourced incumbent platforms which, compared to Pinterest and other small- and medium-sized platforms, have significantly greater financial, technical, and operational resources and materially larger user bases. Furthermore, we rely on some of these competitors to operate our service, so that changes they make in the products or services offered, or the terms upon which they are offered, can have a significant impact on our business and on our ability to compete effectively.

In light of this state of competition, it is indeed difficult to launch and expand a new social media service, particularly where it is aimed at competing with major incumbents. The particular challenges faced by a given competitor may vary based on its use case, financial strength, and other factors, but the following are examples of notable barriers to market entry and expansion.

A. Investing in developing a product and attracting users

In order to operate in a given market, a digital advertising platform must have access to places where it can display advertisements to consumers, as well as advertising inventory, so its primary investment will be in building a service that is attractive to



users. Attracting a critical mass of users is essential to delivering a viable social media platform, as there is no reason for users to start using the platform in the absence of other users to connect with or content to consume. In order to attract a critical mass of users, a platform might rely on organic growth via word of mouth, discovery in search engine results or app stores, or paid promotion. The first option is slow, the second option can be unreliable, and the third option is expensive.

For all of these things, a company must invest in talent: it must hire the designers, data scientists, product managers, and engineers that build its product. It must also invest in sales and marketing, business development, and operations employees to sell their product in a competitive market place, to develop strategic partnerships, and to scale their business.

Other IP and technology investments are also important: notably investments in the software for the advertiser experience, and in machine learning and modeling to power ad delivery and measurement. To integrate with the rest of the advertising ecosystem, such as advertisers' existing 3rd-party ad campaign management software and ad measurement and targeting services, a company must invest in APIs and related technology.

The costs of regulation may also serve as a barrier to entry. For example, compliance obligations related to data processing or content moderation can make it significantly more expensive for a new or smaller market entrant to operate in the space, further entrenching dominant players' positions.

B. Countering data advantages of larger platforms

As stated in Pinterest's Response to ACCC Discussion Paper for Interim Report No. 5, dated 15 April 2022, larger platforms possess a data advantage that serves as a barrier to market entry and expansion by smaller competitors.

The user data collected by digital services platforms, including first-party data collection through app signup and features, as well as third-party data collection through purchase and website / app activity, allows platforms to serve relevant content to users so that they can easily find interesting and useful information and products. User data also enables platforms monetised through digital advertising to compete effectively by allowing advertisers to easily create content and buy, forecast, optimize and measure the performance of their advertisements.



Larger, multi-property digital advertising platforms have vast networked user bases among each of the apps in their families, which they use to grow the user base of each of their services. These networks improve the size and engagement of the total audience, which allows these platforms to access larger volumes of data, which is in turn used to better understand their user base to develop engaging features that are used on a frequent basis. This yields more data, and the cycle continues.

These platforms' large user bases and data sets not only attract users on the consumer-end of the market, but also makes them a very attractive partner for online advertisers who get tremendous reach, audience segmentation, and measurement from them. Their superior access to user data enables them to develop and measure more targeted advertising to advertisers, which can improve the engagement of their audience (the time they spend using the service), and can improve the targeting of ads which improves those ads' performance (the users' engagement with those ads). Third-party purchase and site visitation data also allows them to offer advertisers clear measurements of ad performance, which contributes to advertisers' perception that ads served by these platforms are superior to competitors' offerings.

This scale is self-reinforcing, making these platforms a "must-have" for advertisers. Thus they collect an increasingly greater share of data, and by extension strengthen their position in the digital advertising market. As a result, new entrants and small to medium-sized platforms have a greater challenge in providing advertisers with a compelling, measurement-based reason to shift their budgets.

C. Larger platforms' gatekeeping role

Some of the largest platforms occupy dual roles as competitors and gatekeepers by offering their own social media and digital advertising services, as well as products that competing platforms derive substantial value from, such as operating systems, web search results, app store search results, app store rankings and suggestions, and single sign-on (SSO) tools.

The potential competitive harms that arise from larger platforms' dual roles as gatekeepers and competitors are detailed throughout Pinterest's Response to Interim Report No. 5, so we will not repeat them here. To provide a few examples, though, these harms include platforms self-preferencing their own downstream services by making them more discoverable to users via Web search results, app store search results, app store rankings, and pre-installation and default settings in operating systems; as well as causing disruptions to smaller developers' business plans and product launches due to unexpected rejections of app updates in the app review



process. Furthermore, since we allow users to access our service through SSO tools provided by larger platforms, our user growth or engagement could be impacted if these third parties discontinue these tools or change the terms on which they are offered.

Accordingly, larger platforms' dual role as competitors and gatekeepers represents a possible barrier to entry or expansion, as the largest platforms possess the ability to reduce or eliminate the value of existing social media products, or to impede market penetration by new platforms or features.

V. Conclusion

Thank you again for the opportunity to contribute to the important work being done in the DPSI. Pinterest welcomes further engagement on these issues, and if it would be of assistance, we would be happy to elaborate on or discuss any of the points we have raised in this response, or any other matters of interest to the ACCC.

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