

Inside TikTok's Amazon-inspired flywheel strategy to boost social commerce

Article

TikTok's rapid ascent in **social commerce** is drawing comparisons to Amazon's flywheel strategy. The platform is taking multiple steps to achieve its goal of quadrupling its global ecommerce business to a potential **\$20 billion in annual merchandise sales through TikTok Shop**.

“TikTok is really using Amazon’s strategy to try and dominate, not only ecommerce but pretty much everything. And that’s where this flywheel idea comes from,” our analyst Jasmine Enberg said on the **“Behind the Numbers: Reimagining Retail”** podcast.

Although the platform faces challenges establishing a shoppable ecosystem, TikTok’s growing creator community and its unique appeal to Gen Z—a cohort whose shopping habits and retailer loyalties are still forming—make it the platform to watch in the social commerce space.

The makings of a flywheel: Similar to the system fueling Amazon, TikTok’s flywheel consists of three elements—media, advertising, and commerce.

- “Amazon’s flywheel is based primarily on commerce, then building out media and advertising later. And TikTok has started with media, which it has already mastered, and its ad business is also already in full swing,” said Enberg. “Commerce is really the final component that it needs to crack.”
- Only 17% of US adults **start their online shopping journeys on TikTok**, lagging behind YouTube (23%), Facebook (21%), and Instagram (18%), according to Jungle Scout.

The multipronged approach: TikTok is determined to make social commerce work by experimenting with different innovations.

- **Influencer-led livestreaming:** TikTok initially focused on replicating the successful model from China, where influencers encourage viewers to make purchases in real time. However, this approach has faced challenges gaining traction outside of Southeast Asia.
- **Private label brands:** A **“Trendy Beat” shopping section** launched in the UK sold viral products under TikTok’s parent company, ByteDance. “It hasn’t gotten as much attention, or drawn as much interest from consumers,” our analyst Sky Canaves said. More recently, ByteDance filed a trademark for its own publishing label, 8th Note Press, which could help the app monetize the success of its #BookTok videos.
- **Incentivizing sellers:** TikTok Shop hasn’t taken off in the US, as it has reportedly struggled to bring in merchants. In June, in a bid to grow its online marketplace, **TikTok offered merchants free listings**, free shipping, zero commissions, as well as warehousing space, according to Bloomberg.

“TikTok is, in its favor, at the forefront of the cultural zeitgeist,” Enberg said. “And I think that will give it more reason for users to click the ‘buy’ button much more quickly than they do on other social media platforms.”

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