

What's happening with TikTok Shop? The opportunity, the advantage, and the drawbacks

Article

TikTok has rolled out TikTok Shop to all 100 million US users (per our May forecast). TikTok Shop is an in-app commerce experience, including several features: Live and short-video commerce, an in-app marketplace, a logistics arm, Checkout and Shop ads, and an affiliate arm for creators. Here's an overview of what will—and will not—work for TikTok's new features.

The social commerce opportunity and competition

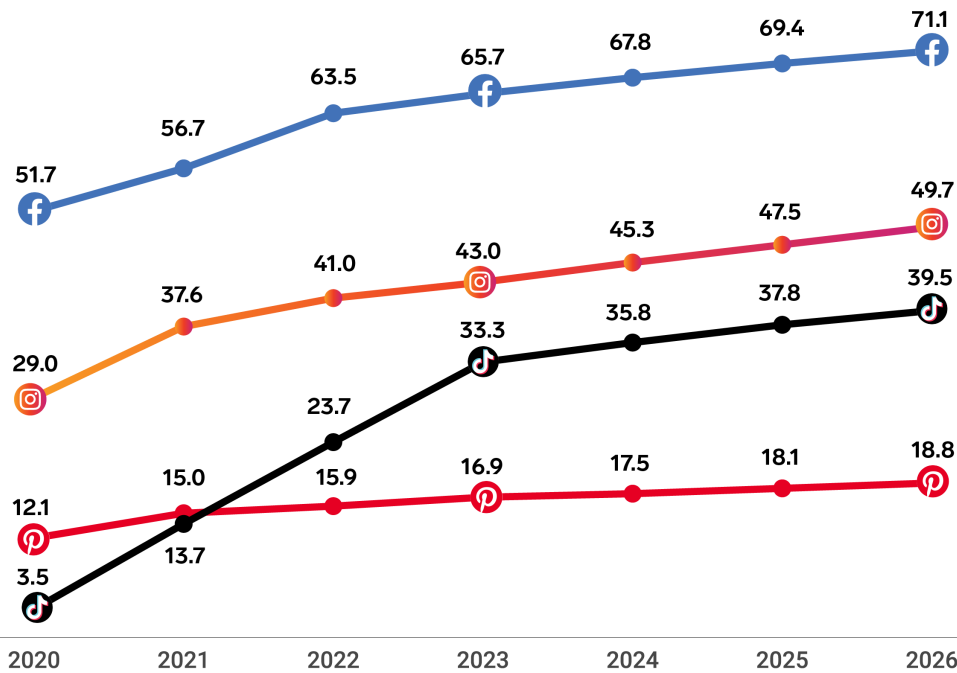
Mcommerce is driving ecommerce growth in the US, and will account for close to half (49.8%) of US ecommerce sales in 2027, according to our June forecast.

- Social commerce in particular will account for 5.9% of US retail ecommerce sales this year, and 7.8% come 2026, according to our July 2022 forecast.
- Social commerce on TikTok is alive and well—and being driven by Shopping Ads, the platform's shoppable media format.
- Close to 4 in 10 US TikTok users will make purchases on the platform this year, per our July 2022 forecast.
- By 2024, TikTok will eclipse Facebook and Instagram in percent of users who are buyers, according to our July 2022 forecast.

The social commerce opportunity for TikTok is massive, but it risks facing the same challenges as Instagram and Facebook. “Just because TikTok builds it, doesn't mean that buyers will come,” said our analyst Jasmine Enberg.

TikTok Is a Rising Force in Social Commerce, 2020-2026

social buyers by platform, millions



TikTok will gain 9.6 million social buyers in 2023, more than the net increase of Facebook, Instagram, and Pinterest combined.

Note: social network users ages 14+ who will make at least one purchase via social media during the calendar year, including by clicking through links or transactions on the platform itself; total figure also includes social-first standalone shopping apps such as Depop and excludes YouTube; Facebook includes purchases made on Facebook Marketplace

Source: eMarketer, July 2022

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What's working in TikTok Shop's favor?

Gen Z is ready to buy on TikTok. Some 68% of Gen Zers are likely to make a purchase directly on the platform, putting it just behind Instagram (71%), in line with YouTube (68%), and ahead of Facebook (62%), according to Jungle Scout data from March. A willingness to buy will help TikTok Shop out of the gate, but it will need to innovate to rise above YouTube and Instagram.

TikTok users are ready to be influenced.

- **Viral products like the pickle sweatshirt** popular with Gen Z have had explosive popularity on the app as users see videos of people wearing the merch, buy it themselves, and then create their own similar content.

- **TikTok Shop has been financially incentivizing creators** for months to help with its initial launch.
- Influencer marketing, especially on TikTok, is thriving. US influencer marketing spend is growing faster than social ad spend as brands lean into the more dynamic and authentic form of marketing, per our forecasts.

Impulse buying is easy on TikTok.

- Without users needing to leave the platform, buying with just a few clicks can **cut down time to purchase**.
- “It makes it so much easier for my viewers to buy something without having to go to my profile, click the link in my bio, visit my Etsy store, and make a purchase,” said a TikTok creator who sells his own products under the handle @sliced.nyc.
- Shortening the path to purchase didn’t prove revolutionary for Meta, which has pivoted back to social ads. But with over 100,000 creators already using TikTok Shop’s affiliate program—which allows them to become sellers on the platform—and with viral trends happening at lightning speed on TikTok, it may rise above the pack.

Where TikTok Shop will struggle

TikTok Shop is losing money. The service is **expected to lose over \$500 million** in the US this year, per The Information. Initial loss is to be expected as TikTok invests in its major ambitions, but it’s still an expense (albeit one TikTok can certainly afford).

Products already feel repetitive, cheap, and counterfeit.

- That same viral pickle sweatshirt mentioned above got stale very quickly after it went viral so quickly, leaving users sick of seeing it on their For You pages. Virality can be a good thing, but it can also lead to fatigue.
- Many of the other **products on TikTok Shop are cheap** or fake, claiming to be from **big names like Apple, Crocs, and Stanley**.
- Users are already fatigued with the volume of affiliate links appearing on their For You pages, according to users on the app and on Reddit, which make TikTok feel more like a product catalog than an entertainment app.

For cheap goods, Temu and Shein already exist. Temu overtook TikTok as the most downloaded app in the US in Q1 2023, per Sensor Tower, and has extended its lead since then. Shoppers looking specifically for cheap Chinese goods can stick with apps like Temu and Shein.

Livestream ecommerce still hasn't taken off in the US.

- **Livestreaming made TikTok's sister app Douyin a retail success in China**, where we forecast shoppers will spend \$234.75 billion on livestreaming social commerce in 2023, accounting for 45.4% of the country's social commerce sales.
- But US consumers don't yet share that interest, with just 7% of US adults saying they use livestream shopping regularly, according to an Insider Intelligence survey conducted by Bizrate Insights.
- That said, sales are already coming from short videos, so TikTok may be able to make Shop work without making livestream a success.

Users have their own concerns.

- Creators are concerned about TikTok Shop's reliability with phantom orders and incomplete purchasing information. Some are also concerned about needing to rely on TikTok Shop to stay relevant. "If you have a product linked to TikTok Shop, those videos have seen big performance boosts," said @sliced.nyc.
- Users are concerned about privacy with regard to shipping and payment, as well as the glut of Shop videos already taking over their feeds.

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