INSIDER INTELLIGENCE | eMarketer

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How companies with ties to China, like Temu, Shein, and TikTok, are influencing US ecommerce

Article

“Shopping apps and marketplaces that specialize in ultralow-cost goods from China are gaining a foothold among US consumers—with broader implications for the future of ecommerce,” our analyst Sky Canaves wrote in our Chinese Ecommerce in the US' report. Canaves expanded on what’s driving this US retail opportunity for companies like Shein, Temu, and TikTok and how it will impact the greater US market on a recent “Reimagining Retail” podcast episode.

The retail opportunity:

- The US has a larger total retail market than China, with $7.303 trillion in US sales this year compared with China’s $6.380 trillion, according to our forecast.
- However, China has a larger ecommerce market, reaching $2.931 trillion this year versus the US’s $1.137 trillion.
- Because of that lower penetration, ecommerce sales growth is faster in the US—only 15.6% of US retail sales occur online compared with China’s 45.9%, per our forecasts. Retail ecommerce sales in the US won’t cross the 20% mark until 2027.

Analyst insight: “I think the appeal of the US market and the fact that ecommerce is continuing to grow here is really the big opportunity [for these companies with ties to China],” Canaves said. “China’s a much more highly competitive market for retail, and there’s also that slowdown in the consumer economy there. So it’s really pushing the companies, the ecommerce players, and the brands and manufacturers to look overseas for their next stages of growth.”

The advantages:

- Companies with manufacturing in China have a pricing benefit. “As inflation remains top of mind among price-sensitive US consumers, the low prices from ecommerce apps like Shein and Temu are a top draw, with offers of big savings over competitors,” Canaves said.
- Production speed is another factor. “Spotting an idea and turning it around within three days—that’s the speed advantage. But when it comes to shipping from China, you talk about perhaps a week, two weeks, or even longer,” said our analyst Man-Chung Cheung.

Can these companies with ties to China take share from Amazon’s US dominance?

“It comes down to pricing again,” said Cheung. “They are selling products at a ballpark price of 25% or 20% of what I expected to pay for a similar product that might be sold with a branded retailer.”

“[Marketplace Pulse] reported that Amazon is now taking more than 50% of seller revenues, and that’s a combination of their take rate and fees for fulfillment and advertising, and it’s up from about 40% five years ago,” said Canaves. “That’s really made more sellers feel dissatisfied because they’re not able to even get the money that they’re selling products for, and so maybe look to other channels to sell on.”

Amazon is also looking at delivery speed, particularly with its Prime membership, as a way to stave off competition from the likes of Shein and Temu, Canaves said.

The impact on US retail:

- Shoppers in the US could see an influx in products with Chinese characteristics, like a rice cooker you can control from your phone, Cheung said.
- Temu could influence the way goods are bought in the US by integrating a group-buying concept similar to its sister app, Pinduoduo. “I think this commerce and group-deal hunting has enormous potential to take off in the US among younger consumers,” Canaves said.
- Canaves is not as optimistic about TikTok’s efforts to manufacture its own products or develop its own brands, “unless they really pick up a winning Shein-type of formula of connecting with thousands of manufacturers.”

Listen to the full episode.

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