

5 charts showing TikTok Shop's potential

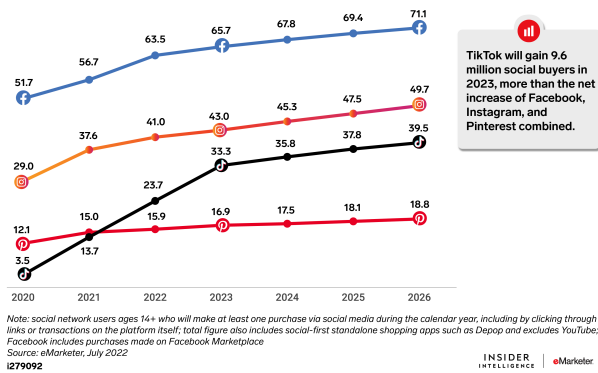
Article

TikTok Shop became available across the US last week. The social video platform has a lot to gain in retail and ad revenues, but it risks facing the same challenges Meta has had with social commerce on Instagram—users' reluctance to actually complete purchases in app. But with sister app Douyin setting the blueprint for TikTok's social commerce endeavors, the platform isn't starting from scratch. Here's a look at TikTok's social commerce strategy and potential in five charts.

1. Social commerce blew up quickly on TikTok

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.

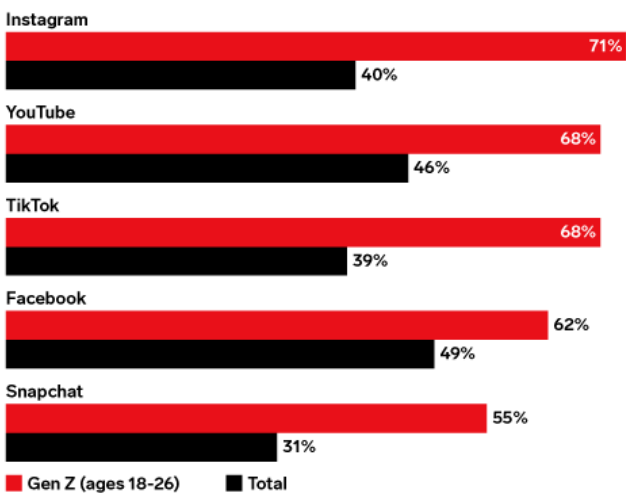
TikTok will have 33.3 million US social buyers this year, according to our forecast. That's less than Facebook (65.7 million) and Instagram (43.0) million. Both Facebook and TikTok have 37.0% of their users making a purchase on their respective platforms.

TikTok's next challenge is to boost its total number of social buyers: by gaining users and by converting users into buyers.

2. Gen Z is willing to buy on TikTok

Social Networks Where US Adults Are Likely to Make Purchases Directly, Gen Z vs. Total, Q1 2023

% of respondents



Source: Jungle Scout, "Consumer Trends Report: Q1 2023," March 21, 2023

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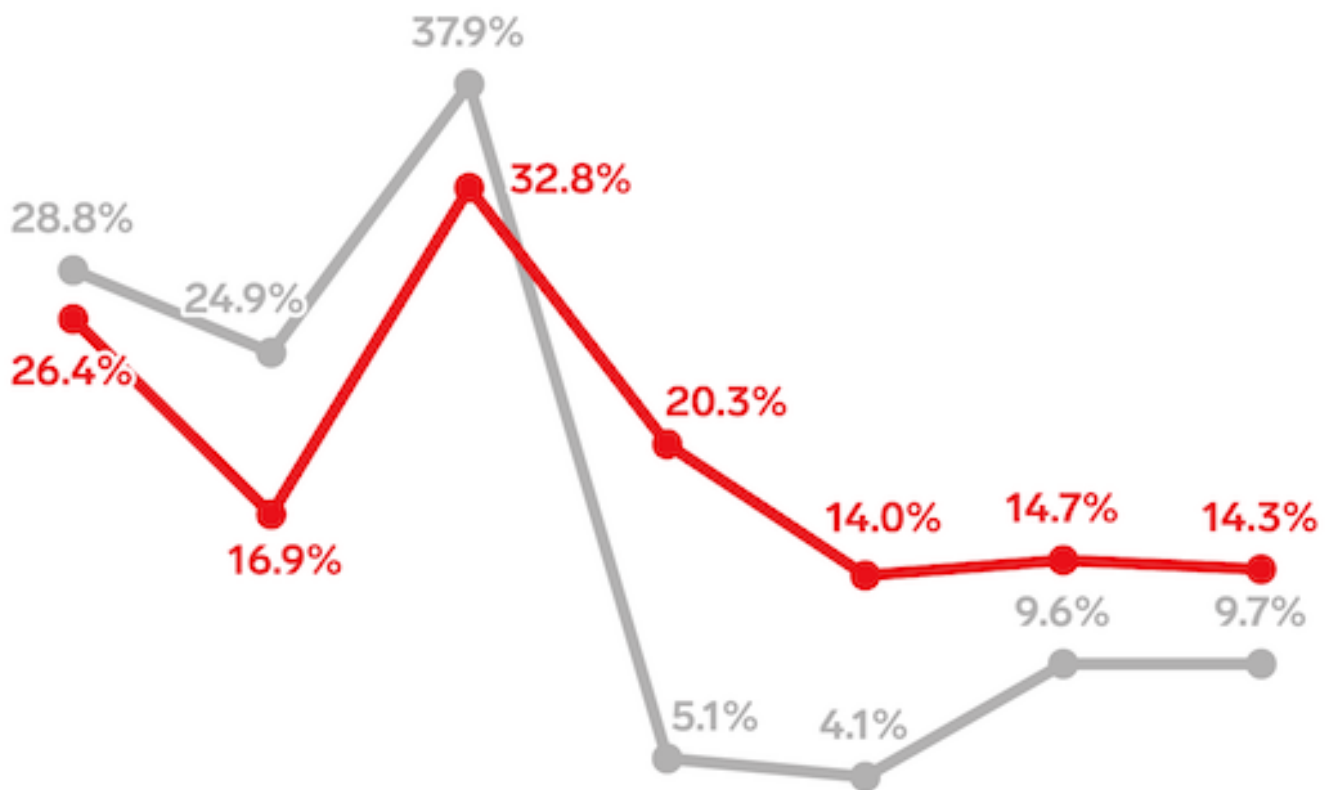
Some 68% of Gen Z adults in the US are willing to make a purchase on TikTok, putting it in line with YouTube and just behind Instagram (71%), according to Jungle Scout. While that figure is promising, it's another place where TikTok doesn't yet stand out over Instagram. Instagram itself has struggled with making social commerce take off, and **removed its own shopping tab** at the start of this year.

But adult TikTok users already spend way more time on TikTok (54 minutes per day) than adult Instagram users do on Instagram (33 minutes per day), according to our forecast. And with so much content being posted to TikTok every day, there's tons of potential for new listings. TikTok will need to turn engaged users into engaged spenders.

3. The influencer market is resilient

Influencer Marketing Has Been More Resilient Than Social Ad Spending

% change



2019 2020 2021 2022 2023 2024 2025

 Influencer marketing spending growth  Social ad spending growth

Note: social ad spending growth is the combined figure for US social network ad spending and YouTube gross ad revenues; social network ad spending includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms, such as branded content amplified as paid advertising; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms, such as branded content amplified as paid ads; influencer marketing includes payments made to influencers or their representatives to promote products and services primarily on social media and other platforms featuring user-generated content; excludes noncash payments, such as free products or trips, and branded content amplified as paid advertising
Source: Insider Intelligence | eMarketer, July 2023

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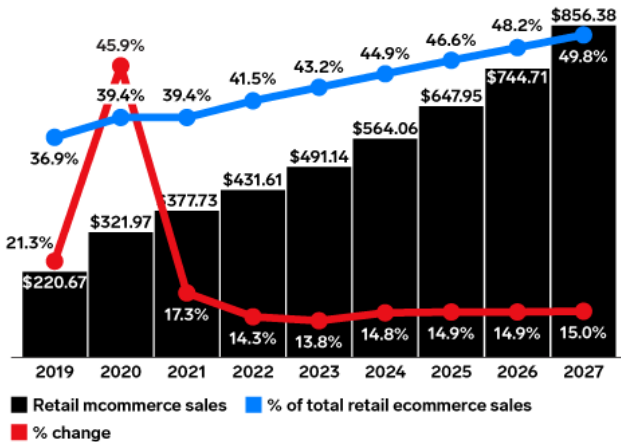
It's wise of TikTok to invest in Shop, because US social ad spending is not growing as quickly as influencer marketing spending is, according to our forecast. That means the platform can't rely on massive ad revenue growth (although TikTok's ad revenues are still growing by double digits).

Shop listings and affiliate links provide TikTok with an opportunity to capitalize on influencer marketing by being a part of that transaction. And with over 100,000 creators already using TikTok Shop's affiliate program, creators are clearly also interested in Shop features.

4. Mcommerce is boosting ecommerce growth

US Retail Mcommerce Sales, 2019-2027

billions, % change, and % of total retail ecommerce sales



Note: includes products or services ordered using the internet via mobile devices, regardless of the method of payment or fulfillment; includes sales on tablets; excludes travel and event tickets, payments such as bill pay, taxes, or money transfers, restaurant sales, food services and drinking place sales, gambling and other vice goods sales

Source: Insider Intelligence | eMarketer, June 2023

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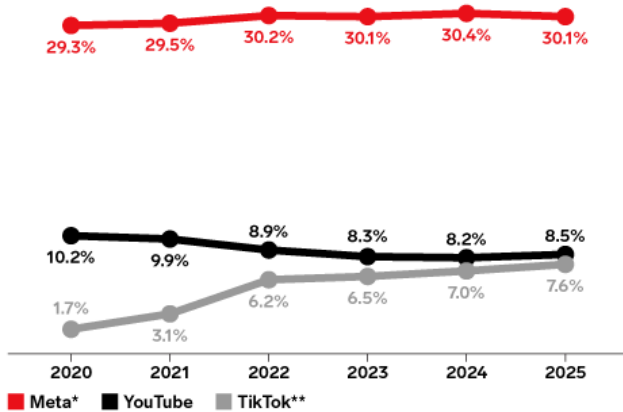
Mobile commerce (mcommerce) will account for close to half (49.8%) of US ecommerce sales in 2027, we forecast. When it comes to mcommerce, TikTok's challenger isn't just Instagram, Facebook, and YouTube—it's also Amazon.

Fortunately, **TikTok has built its own Amazon-style flywheel** consisting of media, advertising, and commerce to compete with the retail giant. That will help TikTok in its quest for a greater share of the growing mcommerce market.

5. Shop could boost ad spending on TikTok, which still has room to grow

Meta, YouTube, and TikTok Share of US Video Ad Spending, 2020-2025

% of total video ad spending



Note: paid advertising only; includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites; *includes Facebook and Instagram ad revenues; excludes payments to influencers or other creators to produce sponsored content; includes branded content amplified as paid media; excludes revenues reported under Meta's Reality Labs segment; **excludes payments to influencers or other creators to produce sponsored content; includes branded content amplified as paid media
Source: eMarketer, March 2023

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TikTok's share of US video ad spending will be 6.5% this year, putting it below YouTube's 8.3% and well below Meta's 30.1% share. Total US video ad spending will reach \$84.14 billion this year, and while TikTok's share is increasing, the platform has a ways to go if it wants to get to Meta's level.

Shop opens the potential for more ad spend as brands promote listings, but TikTok will first need to get brands comfortable with using the platform for commerce rather than moving users to their own channels.

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