

Around the World: TikTok's global ecommerce aspirations

Audio

On today's podcast episode, host Bill Fisher is joined by our researcher Man-Chung Cheung and analyst Carina Perkins to examine TikTok's ecommerce plans around the world, looking at what's driven success in some markets and held it back in others.

Subscribe to the "Behind the Numbers" podcast on [Apple Podcasts](#), [Spotify](#), [Pandora](#), [Stitcher](#), Podbean or wherever you listen to podcasts. [Follow us on Instagram](#)



Episode Transcript:

Speaker 1:

This episode is made possible by Awin. Unlock unlimited marketing opportunities that reach consumers everywhere using Awin's affiliate partnerships platform. Choose which partners

best match your marketing objectives, control your costs by defining how you pay, and customize your affiliate marketing program using Awin's tech to mirror your unique goals, whatever they may be. Visit awin.com/emarketer to learn more and get started today.

Bill Fisher:

Hello, everyone. Welcome to Behind the Numbers Around the World, an eMarketer podcast made possible by Awin.

It's Monday, September the 25th, and I'm your host, Bill Fisher, and it's my absolute pleasure to welcome you all to Around the World with TikTok's global e-commerce aspirations.

Welcome, folks, to a Behind the Numbers show that takes you around the world, looking at what various countries are doing in the world of commerce, media, and advertising. Each month, I give you a global news recap. Then, I speak with a few of our regional experts to get their take on the main theme for today's show, which this month is all about, TikTok's continued forays into social commerce, and particularly its shop product. We will be asking, which countries are proving the most fruitful for TikTok's retail aspirations?

Carina Perkins:

And I think those kind of partnerships that allow a better syncing between their TikTok operations and their existing e-commerce platforms, that's what is going to really encourage more brands to sign up.

Bill Fisher:

What is TikTok doing to try and improve its shop performance in countries where it's thus far underperformed?

Man-Chung Cheung:

By dense, the parent company did pledge to spend billions of US dollars in Southeast Asia in the coming next few years. They want to invest in training, advertising, and supporting small merchants, looking to join TikTok Shop.

Bill Fisher:

And what will success look like for TikTok in the commerce space?

Right. I'm going to kick things off today with our three in three segment. This is our regular segment where I have three minutes to cover three interesting and related news stories we've seen in Around the World towers this month. And it's obviously a TikTok edition today, you won't be surprised to hear. The timer is set. Let's go.

We are going to start an island with news of a large fine for TikTok. Irish regulators have slapped TikTok with a 345 million Euro fine for violating children's privacy. Here's RTE News with some further details on the Data Protection Commission's ruling.

Audio:

[inaudible 00:02:47] protection practices. In a decision published today, the DPC said, it found public, by default settings, meant children's accounts were automatically public, not private. While in a feature called family pairing, a child's account could be paired with a non-child user who was not necessarily a parent or guardian, and the-

Bill Fisher:

TikTok doesn't agree, of course, arguing that it made changes to its platform to remedy this issue three years ago, before the investigation was even opened. Of course, the General Data Protection Regulation or GDPR, which TikTok is judged to have breached, is more than three years old. And this isn't the first time TikTok has been fined for its handling of children's privacy or data on the platform. Maybe this latest fine, we'll put a TikTok stop to these issues.

We're in Indonesia next, where TikTok has hit a snag with its plans for e-commerce domination. TikTok's commerce expansion in Southeast Asia is going very well. According to Momentum Works, TikTok Shop is predicted to take a 13% share of the total e-commerce market in the region this year. Things are going particularly well in Indonesia, as illustrated by these comments from TikTok CEO, Shou Zi Chew.

Audio:

And we have nearly 2000 employees who are working on TikTok in Indonesia. We see our growth opportunity here to be very immense, and we look forward to investing more in this country, and of course in the region-

Bill Fisher:

But, project S, a dedicated section on the app that will allow TikTok to showcase its own versions of trending products, more akin to ASEAN, has got the Indonesian government on the defensive. It feels that such a launch would put local SMEs under pressure, and it's considering implementing specific legislation to hamper TikTok in this regard. A TikTok block, if you will.

And finally, we're in the US, and it's another TikTok story. Surprise, surprise. And the official launch of TikTok Shop there. Here's Cheddar News with more.

Audio:

The official rollout comes after months of testing. Users will now be able to link items for purchase on their feed in videos and live streams-

Bill Fisher:

Months in the making, indeed, TikTok began testing in November last year. Speaking to TechCrunch, TikTok said that it had already signed up more than 200,000 sellers on the shop product. Additionally, more than a hundred thousand creators had signed up for the affiliate program. But as our briefings analyst, Zak Stambor, wrote late last month, TikTok expects to make huge losses in the US this year as it builds out its e-commerce capabilities, and it also faced challenges early on in attracting sellers to the platform. And it's these issues which illustrate what a challenging space TikTok is entering into in the states. TikTok Shop is live, but can it survive the competition? And that's my three and three this month.

Now, it's time for my guests, of which there are two this week. And we'll start with our senior retail analyst, covering the UK and Western Europe, Carina Perkins. Hello, Carina.

Carina Perkins:

Hi, Bill. Great to be back.

Bill Fisher:

Good to have you back. And we're also joined today by our research analyst, covering China and Japan and Southeast Asia as well. Is that right?

Speaker 6:

He's at large, including India as well.

Carina Perkins:

Wow, your remit has expanded. Well, here he is, Man-Chung Cheung. Hi, Man-Chung, nice to have you on the show.

Man-Chung Cheung:

Hey, always great to be here.

Bill Fisher:

Okay. Before we get into the topic at hand, it's time for our culture shock. This is where I take you to various countries around the world, and give you some cultural facts or introduce you to some culturally specific norms. And I think we need some more niceness in the world. So, that's what I'm looking at today, expressions of kindness.

In Italy, for example, they've been paying it forward for over a century. The tradition of caffè sospeso or suspended coffee, has been around in Naples for a little over a century, and it calls for people who've had a good day to pay for two coffees in a cafe, but drink only one, leaving the other to be picked up by someone more in need.

In Southern African countries, meanwhile, there's a state of being called, Ubuntu. The long form version of this saying translates as, I am because we are, meaning that you can't exist in isolation, you need a community to prosper. You might have heard the saying, it takes a village to raise a child. Well, that's exactly what happens in many African village, with all members of the community helping to raise children, whether they are family members or not. This is Ubuntu. Very nice it's too, as well. Have you guys had good weeks?

Carina Perkins:

Yes.

Bill Fisher:

Are you feeling generous and kind and giving?

Carina Perkins:

Always

Man-Chung Cheung:

All the time.

Bill Fisher:

Good. Well, I know you've got lots to give to this show today, so let's get on with it.

Let's talk about TikTok Shop and its other commerce ventures. So, TikTok Shop has just launched in the US, as we mentioned in the news item there, but it's been around for a while, longer in other markets. In Southeast Asia, it's been on fire. While in the UK, it's had a little bit of a slow burn, and is hoping to improve its fortunes there. So, let's get a quick lay of the land from you two. Just a quick one-minute intro to the TikTok commerce state of play in your regions.

Man-Chung, let's start with you.

Man-Chung Cheung:

Okay. So, just starting from China, TikTok has its origin there, but the name in China is actually called, Douyin. It was a huge success there in China. We forecast that the number of billion users in China will actually surpass WeChat in 2025. In a couple of years. They got into short video, of course, from the start, and then they gradually move into social commerce. We forecast that its share of e-commerce in China will increase from 7.8% last year to 11.4% in 2023.

As for Southeast Asia, it has made a huge investment into Southeast Asia, is putting big bets in the region, its share of e-commerce, as you mentioned earlier. Last year, it was 4.4%, and it's projected to be a 13.2% in 2023. So, that's like a huge leap for its social commerce business in the region.

Bill Fisher:

Yeah. I think the GMV or gross merchant value was four and a half billion last year, and it's on track for 15 billion in the region this year. So, definitely, rapid growth there.

What about the UK, Carina? What's been happening over here?

Carina Perkins:

TikTok Shop launched in the UK in 2021, and as you've kind of hinted at, there was some rumors that perhaps it wasn't performing quite as well as TikTok had hoped. Live shopping has

been a little bit slower to catch on here, I think, than the platform hoped, but it's really still been pushing ahead with it. In the UK, it seems very convinced that it can make a success of commerce in the UK market. I think it decided to target the UK because the UK is quite an advanced e-commerce market, penetration is quite high, a lot of people are already shopping on their mobile, so it saw it as a market where it could potentially succeed.

At the moment, TikTok Shops available to anyone in the UK, as long as they live in the UK and they're over 18. There are three shopping formats. So, that's live shopping, a shoppable short videos, and a product showcase, which is essentially a catalog of products, and you can sell through TikTok as a seller, creator, or partner. Sellers need to sign up as a merchant with TikTok and creators. TikTok Shops, essentially, an affiliate marketing program, so creators can work with merchants and collaborate with merchants.

So, it's a little bit difficult to get a handle on exactly how well TikTok is doing. TikTok is certainly hailing it as a success in the UK. It's been very focused on SMEs and it prides itself as a platform for SMEs. There was an impact study by Oxford Economics in 2021, and it found that SME activity on the platform contributed 1.6 billion to the UK economy in 2022, but that did include advertising and marketing. Within that study, there's a survey of SMEs who used TikTok as a platform, and that found that 21% of SMEs that are using the platform had used its direct sales features. That's versus 62% had posted content on the platform, 44% who'd paid advertising on the platform, and 21% who had influencer campaigns.

TikTok claims that 60% of its users make a purchase or visit a business seen on the platform in the UK in 2022. And we have started to hear of some bigger retailers and brands, starting to sign up. So, fashion brand, pretty little things is one, and beauty brand, benefit cosmetics is another. So, I think it's starting to gain a bit of momentum, but I think, at the moment, it is still, predominantly, SMEs on a platform.

Bill Fisher:

Yeah. So, it's interesting to look at your two regions, and let's talk specifically about Southeast Asia and the UK, and how TikTok has seen its shop product develop differently.

Can we just spend a few moments discussing some of the markets, specific issues, that TikTok needs to consider? I mean, why has it been so successful in Southeast Asia and struggled a little bit in the UK? What are some of the differences in the markets that's causing that?

Man-Chung Cheung:

I think to put things in context, right? Let's compare a couple of markets, let's say Japan and Indonesia. So, we are looking at a couple of factors, like demographics. For example, in Japan, those in the population that are under 15, the ratio is 11.6%. Versus in Indonesia, that ratio is actually around a quarter, 25%. So, there's a huge difference there in terms of younger portion of the population. And if you look at the opposite side of the spectrum, we're looking at the older population. In Japan, almost 30% of the population is above 65. Versus in Indonesia, is 6.7%. So, because this type of content consumption, which is mainly centering around videos, tend to be more popular for younger generations, so there's this huge kind of adoption in Indonesia, versus in Japan is a lot slower.

Carina Perkins:

Yeah. And I think there's something similar going on in the UK. Obviously, we've got a slightly older population, and we have seen that TikTok and social commerce... It's social commerce, in general, it's not just buying on TikTok. It's more popular among Gen Z. Gen Z are much more open to things like livestream, live commerce.

I think, as well, there are certain things in the UK. Consumers are a little bit more cynical over here, they want low prices, so they're probably attracted to low price products on the platform, but they also really focus on value. I think there are still concerns over the quality of products that they might be buying on social media. There are some wider concerns around giving personal data away, and also demands around shipping. So, I think that it's just not a habit yet for UK consumers, social commerce full stop. It's not just a problem for TikTok, it's a problem for all their social platforms. But perhaps, as time goes on and more consumers start buying over social, and the platforms improve their commerce offer, then some of those issues will be overcome.

Bill Fisher:

Yeah. You mentioned shipping there, that allows me to segue nicely into another topic. What is TikTok doing to further its commerce ambitions? Because I believe, in the UK, logistics is part of that plan, right?

Carina Perkins:

Yeah. So, this is their latest development and the biggest one in the UK. In August 2023, they launched a new logistics service called Fulfilled by TikTok, which is essentially trying to make it easier for merchants to use TikTok Shop, to sell on the platform. TikTok stores picks, packs,

and shops merchants' products to buyers. They're also offering same day fulfillment on orders made by 7:00 PM, Monday to Saturday, and there's a next working day premium delivery service. So, I think this is just a sign of them really trying to improve that experience for people buying over the platform, and really simplify it for merchants.

Bill Fisher:

What about in Southeast Asia? Man-Chung, obviously, it's a different situation, it's pretty well-developed over there. Has it built off the success in China and tried to replicate that in Southeast Asia? Has it been able to do that?

Man-Chung Cheung:

Yeah. I think similar, too, in the UK, of course, they would like to have more control of the logistics over there, right? To have more control of the experience overall. So, that's an important part. By dense, the parent company did pledge to spend billions of US dollars in Southeast Asia, in the coming next few years. Although details are kind of scant, I think, they had mentioned in an event that they want to invest in training, advertising, and supporting small merchants looking to join TikTok Shop. Looking at just TikTok, overall, the usage, right? It really has been gaining a lot of momentum, and taking time spent away from other video on demand services in the region.

One study by the AMPD, which is a research firm, show that its share of video streaming minutes increase from 22% two years ago to 42% in the first half of this year. So, that's a huge jump. Usage is definitely increasing there. As we mentioned earlier, live-streaming is a big part of TikTok Shop's success. According to Cube Asia, 80% of internet users in Southeast Asia have watched, at least, one session of live shopping. And guess what? The biggest reason people use TikTok Shop is because of live-streaming and video.

So, things are going well there. There is a secondary industry of a service provider that are helping to improve their experience on TikTok Shop, namely to train influencers, teaching them how to sell stuff, helping them get better at selling stuff on TikTok Shop. And yeah, according to the company's estimate, it all goes as planned. Actually, the Southeast Asia share of TikTok Shop sales will be 75% this year. So, Southeast Asia is really a key region for TikTok Shop.

Bill Fisher:

Sounds like it. It's interesting you talk about some of the other things that TikTok does. I mean, it's a video, short video platform. On the Reimagining Retail podcast or one of the Reimagining Retail podcasts late last month, Sara Lebow was talking with Jasmine and Skye about TikTok's flywheel. So, it seems the next Amazon. It's not. Amazon was just about retail, and now it wants to be a media advertising, a whole shebang.

TikTok seems to be going in a similar direction. Obviously, it's a short video platform first, it wants to get into commerce in a big way. How can TikTok position itself? In a market like the UK, I'm thinking, specifically, because it's struggling to get a foothold here. How can it position itself as a credible commerce player?

Carina Perkins:

As I said before, I think it's definitely got the audience, it's got the traffic. I think there's no argument around that, so I think it's really going to come down to the experience that it can give the buyer, and the experience that it can give the merchants and the sellers. So, I think if it can overcome issues around how merchants can sink their inventory with their TikTok stores, for example, if it can come up with a good user experience for the buyer, and I guess this fulfillment is one step towards that, so people buying on TikTok are going to have a better experience. Because at the end of the day, if you are buying from a brand on TikTok and you have a bad experience, that's going to affect your perception of the brand, as a whole. So, I think if they can overcome that fulfillment challenge and they can give a really good user experience, then they potentially have a lot of scope for growth, because they definitely have the audience.

Man-Chung Cheung:

I think TikTok Shop is really good at triggering impulse shopping, so I don't really think it's realistic for it to become sort of like an Amazon that move volume, because it's not really where I would go for necessities, per se, but it is really good at leading to discovery awareness and things that are viral that might pop up on top of your video stream, right?

So, in that sense, I don't think it will turn into another Amazon, but I do feel like, in the long run, of course, they're selling a lot of currently cheaper stuff, but I think that they like to be able to attract more reputable brands to sell on their platform, eventually.

Carina Perkins:

From what I understand, some of the hesitancy for brands is really around that being able to sync their TikTok e-commerce with their existing e-commerce platforms. So, if you are selling something on TikTok, is that then going to be communicated to your existing commerce platform with your inventory and so on? What happens if someone buys something on TikTok and they need to then return it? How does that process work?

I think TikTok has just recently announced a partnership with CommerceHub, and I think those kind of partnerships that allow a better syncing between their TikTok operations and their existing e-commerce platforms, that's what is going to really encourage more brands to sign up.

Bill Fisher:

Interesting stuff. Great conversation, guys. But now, it's time to move on to our recap stats quiz.

This is where we recap today's theme with a few related stats questions from our guests. There's no prize, it's all about bragging rights. And there are only three questions, so it's nice and quick, and it's multiple choice.

Okay. First question. We're going to start in the US, given the official launch of TikTok Shop there. And the question is this, according to Jungle Scout, what percentage of US adults begin their online product searches on TikTok? What percentage of US adults begin their online product searches on TikTok? Is it A. 8%, B. 19%, or C. 43%?

Man-Chung, I'll ask you first.

Man-Chung Cheung:

Definitely, eight.

Bill Fisher:

8%. Carina?

Carina Perkins:

Yeah. Sorry, eight as well.

Bill Fisher:

There's a lot of confidence in that answer. Well, the answer, according to Jungle Scout, is actually 19%.

Carina Perkins:

No way.

Man-Chung Cheung:

That's really high.

Carina Perkins:

Yeah, I'm surprised by that.

Man-Chung Cheung:

This a surprise.

Bill Fisher:

Well, option C, 43%, and this might explain the 19% figure. 43% is actually the percentage of Gen Z who begin their online product searches on TikTok. So, they're probably inflating that, the overall figure. 43 is remarkable. But yeah, 19% is much bigger than I expected as well.

Okay. So, zero each, to begin with. Good start.

For our second question, we've spoken about the popularity of TikTok in Indonesia. It's got more users there than in any other country in Southeast Asia. 50 million, this year, according to our estimates. But which country in Southeast Asia is next on the list with 30 million users? Is it A. the Philippines, B. Thailand, or C. Vietnam?

Carina, you can guess first this time.

Carina Perkins:

Thailand?

Bill Fisher:

B. Thailand. Man-Chung, what do you think?

Man-Chung Cheung:

Man, it would be a shame if I get this one wrong. I'm going to go with the Philippines. I think it's a close one between Thailand and Philippines, but I'm going to go with the Philippines.

Bill Fisher:

Well, we're on a great run here. Apparently, according to our figures, it's Vietnam. I don't have an interesting comment view on this. It was just, I can give you the order. It was Vietnam, then Thailand was next with 26 million, so quite close, and then Philippines was next with 20 million. So, quick check of the scores. Oh, zero all. Let's see if we can get a winner in this last question.

Let's lean away from e-commerce for a moment and look at TikTok's superpower to help music go viral. According to TikTok's 2022 roundup, the most popular songs on its platform, which do you think took the gong? And I'm going to ask you to sing these if you know them. I'm not. So, we have A. Ginseng Strip 2002 2022 by Yung Lean. I've never heard of that guy. B. Cool for the Summer by Demi Lovato. I've heard of her, but not the song. Or C. Jiggle Jiggle by Duke & Jones and Louis Theroux. I've heard of both them and the song.

So, what do you think? Which was the most popular song, i.e. used on its videos in 2022? Ginseng Strip, Cool for the Summer, or Jiggle Jiggle? Man-Chung, what's your guess?

Man-Chung Cheung:

I've only heard of one song, and that's C, so I'm going to put on my bet on that one.

Bill Fisher:

Okay. Carina, what do you think?

Carina Perkins:

Well, I was going to say C, but that's boring if we go for the same one, so I'm going to go for B.

Are we wrong again? It's A, isn't it? It's A.

Bill Fisher:

It's A, it's Ginseng Strip.

Man-Chung Cheung:

I knew it.

Carina Perkins:

We are experts, I promise.

Bill Fisher:

Yeah. It was a tough quiz this week. What can I say? Ginseng Strip 2022 by Yung Lean. This actually went viral, originally on YouTube, in 2013. I presume it didn't have the 2022 in the title then. Remix caught fire again on TikTok last year, and it was used in 11 million videos. And I know I talked about being nice, but you should look this up. It's not very good, in my opinion. Anyway.

Okay. So, if I just tot up the scores very quickly, it's zero play zero. The good news is that, I get to use my tie-break. Okay? And I always like to use a tie-break, and there will be a winner.

So, Yung Lean may have had the most used song in 2022, but Mexican singer Kim Loaiza was the most viewed artist on TikTok in 2022. How many followers did she have on the platform, as of December last year? So, it's a number in millions. And the closest wins. What do we think folks? Who's going to be brave and guess first?

Man-Chung Cheung:

All right, I'm going to go first.

Bill Fisher:

Good man.

Man-Chung Cheung:

I'm going to say, 15,000,000. 1-5.

Bill Fisher:

Okay. Carina, what's your guess?

Carina Perkins:

I'm going to go 10.1.

Bill Fisher:

Ooh, quite specific.

Carina Perkins:

For some reason, that was calling.

Bill Fisher:

You didn't fancy going for 14.9?

Carina Perkins:

No.

Bill Fisher:

No? Okay. Right. Well, again, I want to be nice today, but you're both a bit rubbish at this today. The answer is 70 and a half million followers on TikTok last year.

Carina Perkins:

Wow.

Man-Chung Cheung:

But there's a winner. There is a winner.

Bill Fisher:

There is a winner. You're right, yeah. You're quite right, Man-Chung.

Man-Chung Cheung:

I'm way off, I'm still the winner.

Bill Fisher:

And that winner is you. Well done, Man-Chung, you are the winner. And it's always great to end with a winner, right? Congratulations, Man-Chung, and thanks for speaking with us today.

Man-Chung Cheung:

Hey, always a pleasure. Thank you so much.

Bill Fisher:

And Carina, sorry you lost, but it's great to have you on the show again.

Carina Perkins:

Always good to be here. Thanks, Bill.

Bill Fisher:

And thanks to all of you for listening in today to Around the World, an e-Marketer podcast made possible by Awin. Tune in tomorrow for our Behind the Numbers daily show, hosted by Marcus. If you want to ask us any questions in the meantime, you can of course email us at podcast@emarketer.com.

I hope to see all of you next month for another edition of Behind the Numbers Around the World. And if you want a coffee in the meantime, I've left one in the cafe for you. Bye for now.