

3 reasons US online marketplace are growing, and what brands and retailers need to know

Article

In 2024, US consumer spending on online marketplaces will reach \$468.33 billion, according to our forecast, with a significant portion of ecommerce sales shifting to these platforms. By

2028, online marketplace sales are projected to more than double their 2021 levels, driven by the rise of new players.

“Competition in the sector has been rising over the past several years with the rapid expansion of Walmart’s third-party marketplace, and the entry of Temu and [TikTok Shop](#) has shaken things up even further,” said our analyst Sky Canaves.

Here are three factors contributing to online marketplace growth:

1. Emergence of new marketplace players

New players like Temu and TikTok Shop are rapidly gaining consumer attention and US market share by offering low prices, promotions, and free shipping incentives, Canaves said.

These three factors are the most likely to influence marketplace buyers to shop on a new-to-them platform.

In the seven months following its US launch, TikTok Shop saw over a fifth of marketplace buyers making purchases on the platform, according to EMARKETER’s June 2024 US Marketplace Consumer survey.

Temu and TikTok Shop are particularly popular among [Gen Z](#) consumers, who are more inclined toward mobile-first and digitally marketed platforms, Canaves said. Gen Z buyers are more than twice as likely to make a purchase on TikTok Shop compared with millennials.

2. Consumer behavior and marketplace preferences

“Consumers are spending strategically,” Canaves said. “Marketplace buyers are aware that lower prices can be found elsewhere, but they’ll turn to [Amazon](#) for the convenience of being able to easily find what they’re looking for and the assurance that it will get to them quickly.”

- US consumers primarily shop on Amazon for the free shipping and fast, reliable service offered by Prime rather than low prices.
- Cost-related factors drive much of the shopping on marketplaces like Temu and AliExpress, with 60.3% of Temu buyers citing lower prices as a top factor behind their decision to purchase.

3. Advertising and conversion on marketplaces

Marketplace's advertising strategies show significant differences in effectiveness, with TikTok Shop and AliExpress leading in ad visibility and conversion rates.

- TikTok Shop ads have a high rate of awareness among users, with nearly 80% of TikTok Shop buyers noticing ads while they shop.
- TikTok has amassed a great deal of power in terms of advertising effectiveness, Canaves said. More than 70% of buyers who notice ads on TikTok Shop make a purchase. Only 55.7% of Amazon shoppers notice ads.

What does it mean for brands and retailers?

- **Marketplace buyers seek deals, low prices, and free and fast shipping.** As marketplaces' share of ecommerce expands, platforms that can meet consumer needs will be best positioned to capture more of the growth.
- **Amazon will continue to dominate, largely because of Prime's appeal.** Competing marketplace retailers need to develop strategies that build loyalty and incentivize repeat purchases. This can include exclusive deals or personalized shopping experiences, which can create compelling reasons for shoppers to return regularly.
- **Gen Z consumers are taking to TikTok Shop.** Brands have a strong opportunity to leverage TikTok's attention-catching video ad formats. With video ads, brands can capture the interest of Gen Z, driving higher conversions and [loyalty](#) among a demographic that values entertaining shopping experiences.

Learn more in our [US Online Marketplace Shoppers](#) report.

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