

Why is TikTok looking to build out US fulfillment centers?

Article

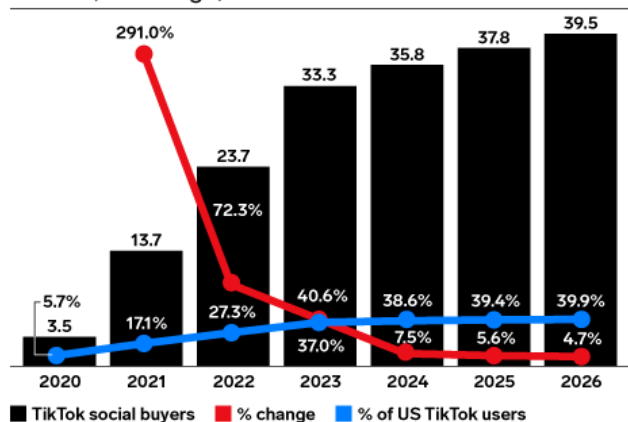
The news: TikTok is doubling down on social commerce by hiring staff for its own US fulfillment centers, per an Axios report based on job postings on LinkedIn.

- TikTok has significant momentum with its recent social commerce initiatives. The platform last year launched a suite of commerce tools for businesses called TikTok Shopping, which helped it nearly quadruple the number of social buyers on its platform.

- We expect TikTok will add another 10 million social buyers this year, which would enable it to surpass Pinterest in terms of US social buyers.
- TikTok has proven adept at driving its large, young user base to buy. **27.3% of TikTok users will buy on the platform this year** and we expect that share to increase to 38.6% by 2024. That would enable it to overtake Facebook's 37.6% of its users buying on its platform.

US TikTok Social Buyers, 2020-2026

millions, % change, and % of US TikTok users



Note: ages 14+; social network users who have made at least one purchase via the TikTok platform, including links and transactions on the platform itself, during the calendar year; including online, mobile, and tablet purchases
Source: eMarketer, July 2022

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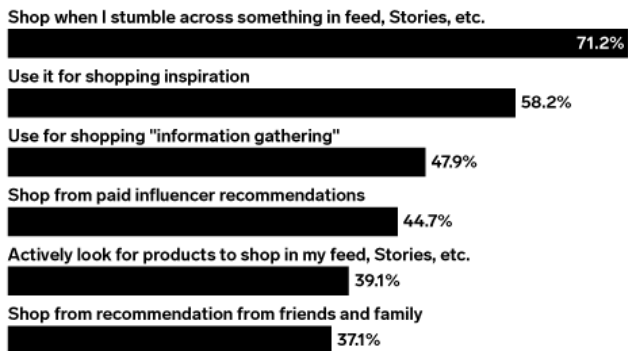
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Why TikTok wants to open fulfillment centers: By offering warehousing, delivery, and returns, TikTok aims to remove barriers that may be standing in the way of retailers selling on its platform.

- That dovetails with the selling features that it has already rolled out, including a program that enables retailers to have Shopify-connected storefronts on its platform.
- TikTok is already a major driver of trends and purchase intent signals. If it can build an effective retail ecosystem—including in-app checkout, product tags, shipping, and returns—around its ability to fuel purchases using hashtags such as #TikTokMadeMeBuyIt, it could unlock significant revenues.

How Do TikTok Shoppers Worldwide Shop on TikTok?

% of respondents, Jan 2022



Note: n=3,613 ages 13+

Source: Bazaarvoice, "Social Shopping Survey," Feb 23, 2022

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Will the model work? TikTok parent ByteDance has a strong track record of ecommerce success with **Douyin**, TikTok's sister app, in China; over 10 billion items were sold on the platform in the fiscal year that ended April 2022 and gross merchandise value increased 320% year-over-year (YoY) in the same period, the company said.

- However, **Western retail ecosystems are dramatically different from China's**, which means what works in China may not translate to other markets. For example, TikTok's UK foray in liveshopping was hampered by poor sales, causing influencers and brands to lose interest even when offered incentives and cash benefits.
- **That hasn't stopped TikTok from continuing to experiment.** TikTok is set to partner with **TalkShopLive** to bring liveshopping to the US just months after **abandoning** a similar initiative.

The big takeaway: TikTok is making a risky bet on logistics. While the lure of control and unlocking a new revenue stream is enticing, building out an ecommerce supply chain is a capital-intensive, challenging endeavor for even the most sophisticated companies.

- Take **Amazon**, which built its business around its ability to efficiently store and ship items, and now has **excess capacity** after aggressively expanding its warehouse footprint throughout the pandemic in response to the surge in ecommerce demand.
- TikTok might be better off focusing on expanding and iterating on its **shopping ad offerings** rather than building out a new business unit.

Go further: Read our new [Social Commerce Forecast 2022](#).

*This article originally appeared in Insider Intelligence's **Retail & Ecommerce Briefing**—a daily recap of top stories reshaping the retail industry. Subscribe to have more hard-hitting takeaways delivered to your inbox daily.*

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