

Reimagining Retail: TikTok's flywheel, ecommerce offering, and copycat platforms

Audio

On today's episode, in our "Retail Me This, Retail Me That" segment, we discuss what TikTok's flywheel looks like, its latest efforts to build out its own shopping platform, and what the

social network has that Meta doesn't. Then, for "Pop-Up Rankings," we rank our top four existing TikTok copycat apps. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Jasmine Enberg.

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Episode Transcript:

Sara Lebow:

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Hello, listeners. Today is Wednesday, August 2nd. Welcome to Behind the Numbers, Reimagining Retail, an e-Marketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sara Lebow. Today's topic is Social Commerce on TikTok. Let's meet today's guests. Joining me today we have senior analyst Sky Canaves. Welcome back, Sky.

Sky Canaves:

Hi Sara, nice to be back.

Sara Lebow:

Nice to have you. And also with us, over from our social media desk, we have principal analyst, Jasmine Enberg. Hey, Jasmine.

Jasmine Enberg:

Hi Sara. Hi everyone.

Sara Lebow:

Okay, let's get started with a new segment we're calling Free Sample. Our "Did you know" segment where I share a fun fact, tidbit, or question. Today's tidbit. The number two trending hashtag on TikTok right now is hashtag girl dinner, with 24,000 posts and 118 million views. Do either of you know what girl dinner is?

Sky Canaves:

So I do, because I read about this hashtag earlier in the week. And it really resonated with me because I have been eating girl dinners without knowing it for a long time. When I'm at home by myself, I usually just make a dinner out of whatever I find that appeals to me in the fridge. And I see that a lot of other women do the same. I don't know that I love seeing the videos on

the hashtag so much. I'm not getting that much inspiration just seeing what other people put on their plates. I prefer to watch the TikTok cooking videos where they make fun new recipes, like a quesadilla that you fold in four parts.

Sara Lebow:

Yeah, I mean that's sort of what it is. It's like a collection of snacks that you eat instead of preparing a "real dinner". I think it started as more of an aesthetic thing, but now it's just sort of a collection of snacks. Kind of a pushback on meal prep. Jasmine, are you familiar with girl dinner?

Jasmine Enberg:

Yes, I actually, I had a friend of mine send me a TikTok video with Girl Dinner recently because she said that it reminded her of me because I am guilty of having girl dinner quite frequently. But I don't really see a problem with it. I agree with Sky though. It's not really inspirational, but it makes you feel less alone when you're eating a bunch of snacks for dinner, to know that other people are doing it as well.

Sara Lebow:

Yeah, I think it's on par with this sort of anti influencing trend we've seen. Let's jump into our next segment, which is "Retail me this, Retell me that" where we discuss an interesting retail topic. Today's topic is Social Commerce on TikTok. Let's start with a bird's eye overview of the state of social commerce. Retail social commerce sales in the US will grow about 30% this year to a total of nearly \$70 billion, according to our forecast. Facebook leads in terms of social buyers, followed by Instagram, and then TikTok. So Sky starting off with you, what should we be watching in terms of social commerce right now?

Sky Canaves:

I think right now with the softer retail economy, we're seeing a little bit of a slowdown in new trending innovations across the board from tech players, the social companies, the retailers, and brands. I think they're pulling back on their willingness to experiment a little. So we're hearing less about trends like live-streaming commerce, and more about deals as consumers are really looking for value to stretch their dollars. At the same time I think this creates opportunities for new players to step in and innovate. And I think as we'll talk about today,

TikTok is really the one to watch, because they are really trying to hit on social commerce from all angles.

Sara Lebow:

Yeah, TikTok is definitely the one to watch. Jasmine, you've suggested that TikTok is building out a flywheel. That framework really resonates with me. Can you expand on what you mean by TikTok's flywheel?

Jasmine Enberg:

Sure. I mean, we talk so much about how TikTok is taking on Instagram, Snapchat, YouTube, Netflix, you name it. But for the entire time that I've been following TikTok, the way that I've really been thinking of it unfolding is, it's really TikTok versus everyone else. And as I was reading the latest moves into e-commerce, I realized that TikTok is really using Amazon's strategy to try and dominate, not only e-commerce but pretty much everything. And that's where this flywheel idea comes from. So the framework that I use for Amazon's flywheel that is actually borrowed from one of our colleagues, Andrew Lipsman. Is that it has three parts, media, advertising, and commerce. Now, Amazon's flywheel is based primarily on commerce and it's built out media and advertising later. And TikTok of course has started with media, which it has already mastered. We have time spent on TikTok by users in the US at about 54 minutes this year, according to our latest estimate of time spent per day. Which is just six minutes shy of Netflix and well ahead of any other social app.

So it's clearly strong in media. Its ad business is also already in full swing. It's not as big of course as Meta or Google, but it is growing significantly faster. And commerce is really the final component that it needs to crack. It hasn't been easy for TikTok. Those struggles have been well-documented, but it is determined to overcome those challenges and really make commerce work. Just in the past couple of months, we've seen it roll out TikTok shop. And recently it has started to build out, or there's been reports, that it's starting to build out its own e-commerce platform selling goods that are trending on TikTok.

Sara Lebow:

Yeah. Building out its own e-commerce platform, that definitely makes TikTok feel more like an Amazon than a Facebook or an Instagram which really thrive on advertising dollars. What are you both watching in terms of TikTok building out its own e-commerce platform?

Sky Canaves:

I think what I'm looking at is which of its approaches is going to stick, because it's really taking a multipronged approach right now. It started, I think, with wanting to replicate what's been most successful in China, which is a influencer-led brand-led live-streaming e-commerce. And that hasn't gained much traction for them apart from in Southeast Asia. The UK rollout has been pretty slow. TikTok shop's adoption among brands in the US has reportedly not met a lot of interest. So the next one it's worked on is developing its own private label brands, which I think it's something it's doing in Europe. It's had its own retail brands before under its parent ByteDance. And those aren't TikTok brands specifically, but it's tried out being a brand. That also hasn't gotten as much attention, or drawn as much interest from consumers.

And now I think it's looking to the marketplace approach, which may be inspired by a team who's very rapid, skyrocketing success in the US and now globally as it's expanding overseas. And I think that's interesting because TikTok's shop hasn't been open to those Chinese manufacturers and suppliers. And now TikTok may be looking for another way to bring them on board, and to be able to get their products to US consumers and consumers around the world.

Jasmine Enberg:

Yeah. And so what I'm watching too, is that this is really the first time that any social app in the US has ever tried this. And what makes this so interesting for me is that, Sky mentioned already, that TikTok's shop has reportedly struggled to sign up merchants here in the US. I think that if TikTok can prove itself as an Amazon-like marketplace, it might actually spur more interest in some of its other offerings. I mean, because this is unproven territory for any social app, there's going to have to be some evidence of it working, especially in this economic climate, to get more merchants on board. And why I see TikTok really having a shot at doing this, it's obviously not guaranteed, but it clearly has a pathway to do this. Is because it has a ton of resources, and money, and a roadmap in China that it can follow to make it work.

Sara Lebow:

Do you think that China is setting the blueprint here? Should we be looking at what sister app Douyin has done and expecting TikTok to do that next? Or are the markets too different?

Jasmine Enberg:

I think we can take some learnings from it in terms of where we think TikTok is going, but the US market and the Chinese market are very different. And social commerce has developed in a very different way in both of these markets. Live-streaming is huge in China. It really hasn't taken off here for a lot of different categories. But another thing I think TikTok has working in its favor is the fact that it is at the forefront of the cultural zeitgeist. And I think that will give more reason for users to click the buy button much more quickly than they do on other social media platforms. And of course, it's primarily a Gen Z audience whose shopping habits and retailer loyalties are still forming.

Sara Lebow:

Yeah, there's definitely a coolness factor that Instagram maybe once had, or perhaps still has with millennials and Gen X, but...

Jasmine Enberg:

I still think Instagram is cool. I shop a lot on Instagram.

Sara Lebow:

Definitely a coolness factor that's sort of transitioning to TikTok though. Especially for Gen Z.

Jasmine Enberg:

I mean, I'm a millennial, so maybe that's why I'm saying.

Sara Lebow:

Do you shop on TikTok at all, Jasmine?

Jasmine Enberg:

I have shopped on TikTok, but Instagram is my go-to.

Sara Lebow:

What about you Sky?

Sky Canaves:

I don't think I've shopped on TikTok. I've looked for products on TikTok and I've found things I've thought were cool, but I don't think I've clicked the buy button. Or I've looked at the

shops, but I haven't found anything I wanted to buy.

Sara Lebow:

Yeah, I've never shopped on Instagram or on TikTok, but I have found inspiration on both platforms for sure. Something that I'm super curious about here is that TikTok has all of these resources to build out a marketplace, but I don't feel like they have distribution in place and I haven't seen anything saying they do. It sounds like they're still looking for partners, they're still building out logistics. What can we expect from TikTok's distribution strategy? Do you have any ideas, Sky?

Sky Canaves:

Well, we heard late last year that TikTok was planning to build out distribution centers in the Seattle area, and it was hiring for roles in Seattle. So that gives you an idea of who they're kind of looking for. Amazon executives. Logistics can get very expensive even at scale. And for them to be able to rapidly build this out, they might have to look for partners. Third-party logistics partners. And I think that's probably a strategy that they'll take in tandem with building out their own network. That's going to take time. And it really raises a question of how, if they're going for this low cost marketplace approach, how important fast shipping and very efficient distribution is? Because I think we know that for Amazon, it's a key part of its prime membership.

That's something that consumers do pay for is that unlimited two-day shipping. And now it's moving further into same day and one day. But with the other low cost Chinese players like Shein and Temu, we know that their shipping is coming from China, so it takes longer. But they've had great success just being so competitive on price that consumers don't mind waiting when it's not something essential that they need right away.

Sara Lebow:

Yeah. So it's a trade-off, is what it sounds like.

Sky Canaves:

Yeah. And I think in these cases something like free returns are more important. Because they really reduce the risk associated with purchasing on an unfamiliar platform.

Sara Lebow:

And then moving back into comparing TikTok to existing platforms. Facebook and Instagram are still way ahead of TikTok in the US in terms of buyer numbers. Facebook has 66 million US buyers. Instagram has 43 million. And TikTok is still at around 33 million. But TikTok is way ahead of both these platforms in terms of how many people on the platform are buyers, it just still has fewer users. So I guess my question is, how should we be thinking about TikTok in comparison to Instagram, Facebook, Meta on the whole?

Sky Canaves:

So I think it comes down to what Jasmine mentioned. Those users on TikTok are predominantly, there are a lot of Gen Z users. And so those are the ones that don't have established buying habits. So that's why the penetration of social shopping will be higher among them. And there's also the importance of influencers. With creators on TikTok, they have much stronger engagement via video than say on a platform like Facebook where influencers don't really play a role.

Jasmine Enberg:

Yeah, I was just going to say, I think Sky is spot on. Influencers are key here. I was looking at some data recently from Morning Consult that was really trying to understand what type of influencer content Gen Z buy from. And some of the top ones were haul videos, or Get Ready with Me videos, or routine videos. And those things really were born out of TikTok. So it's understandable that that would be sort of what gives it an edge over some of these other platforms that may have bigger overall shopper and buyer audiences.

Sara Lebow:

TikTok also has the magical factor, of maybe not so magical, maybe just algorithmic, that anyone can go viral. So your micro influencer, your everyday person on TikTok can still be a huge resource for a brand working with that person because that video can still reach a huge audience.

Jasmine Enberg:

And I also, just to close out this comparison from my point of view is, I don't necessarily think that it's one or the other, right? I mean, social media isn't necessarily a zero-sum game. We've talked already about how the audiences are different, but the habits are different. And

perhaps even the products will be different. So I think there is room in the market for multiple players to serve different purposes and different types of shopping habits.

Sara Lebow:

Absolutely. And it's entirely likely that as a consumer, you're following the same creator on TikTok that you're following on Instagram, and YouTube, and everywhere else. Okay, let's keep moving. Now it's time for pop-up rankings, where we take a look at specific examples and we rank them. Today, Jasmine and Sky will be ranking four TikTok copycat platforms by how promising they think they are for shopping. We're going to start with the least promising of the TikTok copycats here. So Sky, what's number four?

Sky Canaves:

So I'm going to talk about Amazon's Inspire Feed, which is a very TikTok-like feed accessible only in the Amazon app. And it presents, right now it's mainly videos from creators, influencers who are getting affiliate commissions from Amazon. When people buy the products featured in their videos, Amazon says it's also open to brands and even customers. So making them micro influencers, though I haven't seen that. Now, I actually think this feature has so much potential because I've looked at it and within minutes I found things that I wanted to buy. Things I didn't know I needed that I wanted to buy. Like a human sized inflatable dog bed that I could snuggle with my daughter in. There was some putty for cleaning crumbs in my car, which I can never get those little crumbs out.

So it's very much like TikTok videos, but just focused on shopping on Amazon. Now, I think the big challenge of this feed is that it's not very visible. It's hard to find. Maybe it's because me and Amazon knows that I'm not Gen Z, so it's not putting it up in my personalized shopping feed when I open the app. But I've had to go search for it in the browser and then click on it that way. So they're not really promoting it, I think, as much as they could be. Which is going to then not make it as impactful as it could be.

Sara Lebow:

I just opened my Amazon app to go looking for this feed. It's easy to find on my app. It's a little light bulb right next to the home screen. And I have never, ever, ever clicked on this light bulb. It's never occurred to me to click on this light bulb. It's never occurred to me to open the Amazon app unless I had a reason to do it. So I think they're going to have trouble adopting users.

Jasmine Enberg:

I have opened accidentally. And then I looked at it.

Sara Lebow:

That seems exactly like how you would get here, is by accident.

Sky Canaves:

Did either of what the light bulb was?

Sara Lebow:

I was opening the app to find Inspire. So I thought maybe a light bulb is Inspire, but if I were not on this recording with you right now, I would have no clue.

Jasmine Enberg:

Yeah, I don't think I knew either Sky. I think my thumb looked and I clicked on it within the Inspire feed if... I mean it looked great and I spent some time there, but I don't think I would've ended up on it otherwise.

Sky Canaves:

Yeah.

Sara Lebow:

Yeah. I mean, the only way I can see Amazon getting user adoption, and maybe I'm speaking way too big picture here, is somehow leveraging sort of Prime Video where people are already ready to consume into almost like YouTube shorts like Inspire. But I really don't see it. Okay. Let's keep moving to another TikTok copycat platform in terms of how promising it is for shopping. Jasmine, can you give us number three?

Jasmine Enberg:

The number three is Snapchat's Spotlight, which is its TikTok-like feed embedded into the main Snapchat app. So Snapchat released earnings recently and they gave some positive news for Spotlight amidst struggle to gain traction. Snap of course, is primarily used for messaging and for stories. And Spotlight is a departure from those kinds of activities. They reported some really impressive time spent growth year over year from this Q2. That said,

Snapchat is still not a very shoppable platform in comparison with some of its competitors. I think one area where they have an edge in shopping though of course is an augmented reality, but that isn't seeing as much uptake that would make Snapchat a stronger player in the space. So Spotlight seems to be growing, but it's growing from a pretty small base. And the lack of shoppability of Snapchat compared to the other players is what's putting it in third place.

Sara Lebow:

Yeah. Okay. Sky, can you give us the number two TikTok copycat in terms of shopability?

Sky Canaves:

Sure.

Sara Lebow:

Or in terms of how promising it is for shopping?

Sky Canaves:

Sure. And this one is probably closest to TikTok in being really a copycat, and that's YouTube's shorts. Which has been around for now almost three years. It was one of the earlier TikTok copycats. And it's recently announced that it's hit 2 billion monthly users, which is more than TikTok and Instagram's reels. And I think that's partly because YouTube has such an enormous audience worldwide, and it's been able to put shorts right in front of them on their mobile phones when they access the app or watch YouTube videos. And YouTube shorts has tried to become more shoppable. It allows creators to make shoppable videos. Brands can make shoppable videos. And it started rolling out increased commissions for creators to tag products in their videos when there's a sale. And it also pays them to have ads that run in between shorts. So it's really been moving towards monetization and making this more viable for creators who want to be on the platform to try to draw them away from TikTok, or just relying solely on TikTok.

Sara Lebow:

Yeah, I think YouTube shorts is really promising, especially as an ad platform. I do wonder how many of those 2 billion monthly users are really engaged users versus users that sort of ended up there by accident because they were looking for longer YouTube videos.

Sky Canaves:

Or that are just getting videos put in front of them and they click on them because they're going to YouTube in the first place.

Sara Lebow:

Absolutely. Okay. Jasmine, can you give us our number one TikTok copycat?

Jasmine Enberg:

Our number one TikTok copycat is Instagram Reels. Now, Instagram is already one of the biggest players within social commerce. Almost all of its content including Reels is Shoppable. It has a large user base. And Meta's earnings report, which also just came out recently, also had some really positive signs for Instagram Reels. It has an annual run rate of about \$10 billion now, which is actually slightly ahead of what we had forecast for TikTok's ad revenues in 2022. And Meta also said that about 75% of their advertisers are now also using Instagram Reels. It also has a strong influencer hold. Instagram is the top influencer marketing platform. We're about to actually release a new forecast on the number of marketers in the US who are using Instagram Reels, and I can tell you that it is higher than you might expect. And higher than TikTok, in fact. So for those reasons, it's in number one place.

Sara Lebow:

Cool. Pro-users should keep an eye out for that forecast on insiderintelligence.com. Instagram, Facebook, Meta is not particularly good at original ideas in my opinion. We have reels, we have threads, we have copycat platforms, but that doesn't mean that they're not fruitful ideas in terms of ad dollars and shopability. And I think we see that in Instagram Reels. It looks just like TikTok, but you have it there for people who already have Instagram downloaded.

Jasmine Enberg:

Meta might be a copycat, but it knows how to execute.

Sara Lebow:

It's a great note to finish off on. Thank you for joining me today, Sky.

Sky Canaves:

Thanks Sara.

Sara Lebow:

And thank you, Jasmine for joining us all the way from Finland.

Jasmine Enberg:

Thanks so much for having me.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram @behindthenumbers_podcast. Thank you listeners, and to Victoria who edits the podcast when she's not watching farm animal TikToks. We'll be back next Wednesday with another episode of Reimagining Retail, an e-Marketer Podcast. And tomorrow, you can join Marcus for another episode of the Behind the Numbers Daily.