

# New Chinese retailers have several advantages that their predecessors lacked in the US

Article

China's ecommerce giants Alibaba and JD.com never gained substantial traction in the US, partly due to their lack of spending to acquire customers. US-based Wish spent heavily on

digital ads and rode the pandemic-driven ecommerce boom to an IPO—but has since lost its way.

- **Deep pockets and deep ties to China will sustain competition.** Wish was unable to sustain growth once it pulled back on its marketing. But Temu's parent company, PDD Holdings, has demonstrated a willingness to spend whatever it takes to get ahead of established rivals with its other platform, Pinduoduo. In addition, the company has pledged a \$1.4 billion investment to help Chinese manufacturers sell more overseas.
- **Chinese apps have extensive social commerce experience that offers a blueprint for experimentation.** These apps prioritize product discovery—through personalization and influencer marketing—over search. Temu's name means “team up, price down.” That suggests a rollout of social commerce features similar to Pinduoduo's in China: discounts or free products for shoppers who persuade friends to sign up for deals.
- **US consumers will remain price sensitive.** Four-fifths of US consumers are trading down to save money, according to a March 2023 McKinsey & Company survey. Among both Gen Zers (ages 18 to 25) and millennials (ages 26 to 41), the share is closer to 90%. But those cohorts are also most likely to spend on nonessential goods such as apparel and accessories. Gen Zers do more of their shopping online and via mobile apps, making them a natural fit for Temu and Shein.

### **But Chinese firms also face rising scrutiny from US lawmakers and regulators.**

TikTok's rapid rise brought attention to the influence of popular Chinese apps in the US. TikTok now faces a potential ban, and scrutiny is spreading to ecommerce players Shein and Temu. In April 2023, the U.S.-China Economic and Security Review Commission (USCC) published a report highlighting various challenges to US interests posed by Chinese fast-fashion platforms.

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# Chinese Ecommerce in the US

