

Is TikTok's ecommerce bet making TikTok worse?

Article

The correlation: TikTok's user growth began to slow around the same time that the social app leaned into ecommerce, per Sensor Tower data reported in TechCrunch.

- TikTok's monthly active user growth fell from an average of 12% year-over-year (YoY) per quarter in 2022 to 3% YoY per quarter in 2023, per Sensor Tower. Our [TikTok user forecast](#) features a similar, but more modest, trend line with user growth slowing from 10.2% YoY in 2022 to 6.7% YoY last year. We expect growth to slow to 5.4% this year.

- That user growth deceleration came around the same time the video app began focusing more efforts on ecommerce; it began to test **TikTok Shop** in the US in November 2022, adding more brands throughout last year, before officially launching in September.

However, it's worth noting that TikTok couldn't sustain the massive growth rates it generated in 2020 (87.6%) and 2021 (30.0%) as it enters a more mature growth phase.

Finding the right balance: TikTok parent company **ByteDance** lost roughly \$500 million on TikTok Shop in the US as it spent heavily to hire staff, build a fulfillment network, and incentivize sellers by offering free listings, free shipping, zero commissions, and warehousing space.

- **Recent reports suggest those investments are starting to pay off.** TikTok Shop aims to generate as much as \$17.5 billion in US GMV this year, which is 10 times what it pulled in last year, per Bloomberg. That massive growth is particularly notable given that TikTok's goal in 2023 was to reach \$20 billion in GMV worldwide—most of which was expected to come from markets outside the US.
- **That strong growth is convincing TikTok it can drive more revenues from sellers.** It is reining in its use of seller subsidies, per The Information, and also increasing its seller fees.
- **But that revenue growth comes at a cost.** The marketplace has been riddled with low-quality and counterfeit goods, turning off some users. Meanwhile, many creators complained that the platform's emphasis on ecommerce turned the social app into an "ad-filled wasteland," per Business Insider, with Redditors arguing TikTok Shop "ruined" the app.

Our TikTok forecast suggests that the average time spent per day on the platform is starting to plateau, which may stem in part from its greater emphasis on ecommerce.

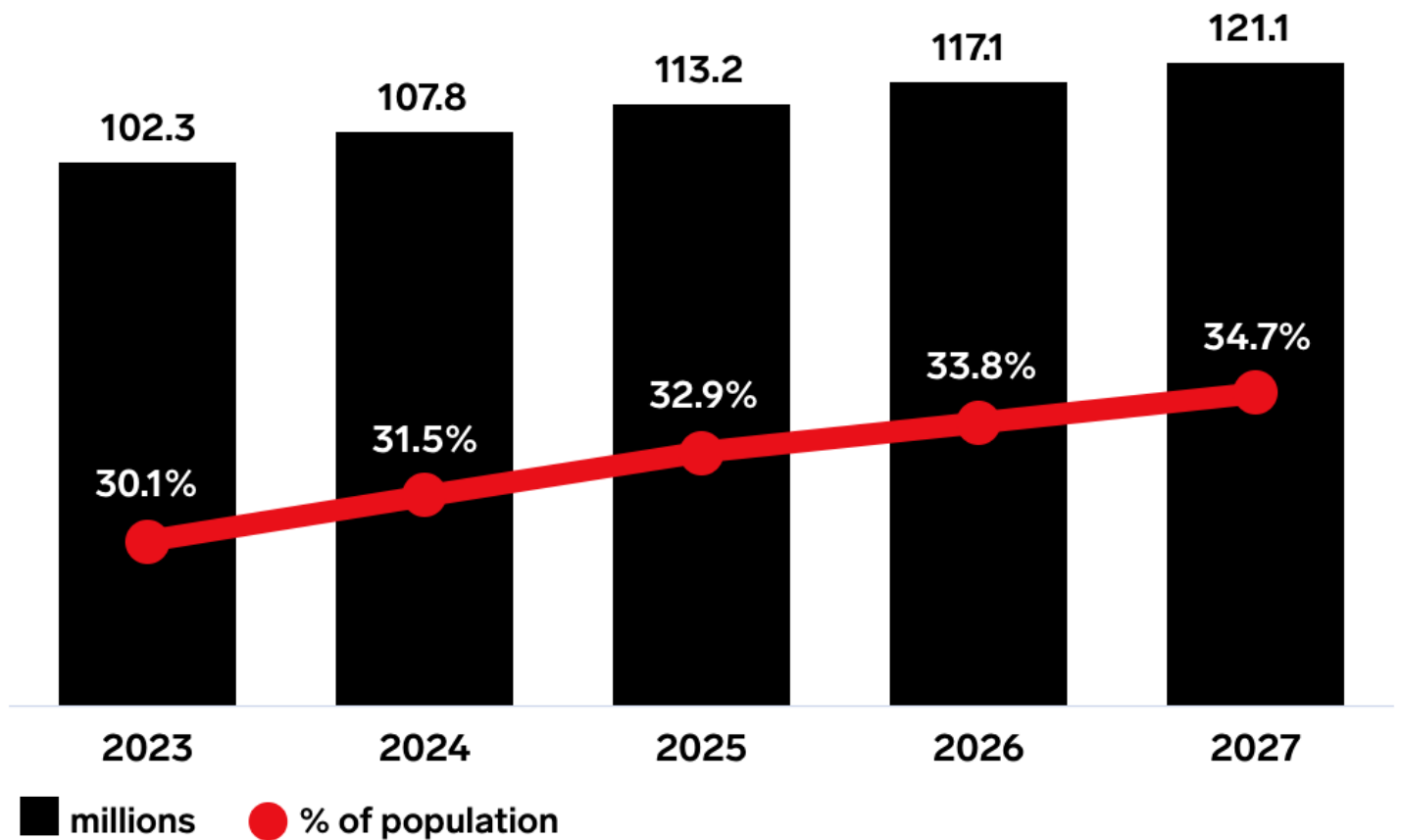
The big takeaway: While TikTok is increasingly confident that TikTok Shop may be able to dominate discovery-based buying—especially as its popularity as a search platform grows—prioritizing shopping features and ads puts the app in conflict with users.

- TikTok's plateauing time spent and complaints about ads echo **Instagram's** 2022 woes, when power users like **Kylie Jenner** criticized the app for prioritizing ads and Instagram Reels. Just as the strong backlash prompted Instagram head **Adam Mosseri** to slow down its video rollout, TikTok might also lighten up on Shop to appease users.

Go further: Read our [Social Commerce Forecast 2023](#) report for an in-depth analysis of the key trends shaping social commerce.

TikTok Users

US, 2023-2027



Note: internet users who access their TikTok account via any device at least once per month

Source: Insider Intelligence | eMarketer, May 2023

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