

TikTok Shop expected to lose over \$500 million in the US this year

Article

The news: TikTok's fledgling TikTok Shop shopping service is expected to lose over \$500 million in the US this year, per The Information.

- That massive loss reflects TikTok parent company **ByteDance's** significant investments to hire staff, [build a fulfillment network](#), and [incentivize sellers](#) by offering free listings, free shipping,

zero commissions, and warehousing space.

The full customer journey: TikTok is moving aggressively to broaden the available inventory on TikTok Shop by pushing sellers onto the platform.

- **It is shuttering its Shopify-integrated “storefronts” feature next month**, per Insider. The feature, which launched in the US and UK in August 2021, enabled Shopify sellers to sync their product catalogs to TikTok where items would be featured in a dedicated tab. Shoppers could then click on linked items to purchase them on Shopify.
- **It plans to bar links to outside ecommerce sites.** As a result, TikTok users would be able to purchase items on the platform through TikTok Shop only, which mirrors the strategy that TikTok’s Chinese sibling app **Douyin** deployed in October 2020.

TikTok aims to own the full customer journey. That’s important as it looks to build an **Amazon-**like flywheel that consists of three main elements—media, advertising, and commerce.

- But while Amazon’s strength in commerce enabled it to build a flywheel that incorporates media and advertising, TikTok hopes to leverage its media and advertising know-how to build a version that weaves in commerce.

Big ambitions: Douyin had merchandise volume of over \$200 billion last year, and ByteDance executives hope TikTok can reach a similar level in the US by 2028, with roughly the same amount coming from the rest of the world, per The Information. For the sake of the comparison, that’s nearly double the revenues **Target** generated last year.

- While it is very early days for TikTok Shop, ByteDance faces a steep uphill climb to reach those heights. US consumers are currently spending around \$3 million to \$4 million per day on the platform, up from \$500,000 to \$1 million per day in June. TikTok expects that daily shopping volume to steadily rise and possibly exceed \$10 million by year-end.
- And while TikTok has reportedly overcome the early challenges it faced attracting sellers to its platform, it isn’t clear that sellers will remain if TikTok begins to charge for listing items, shipping them, and other services.

The big takeaway: It’s easy to see why ByteDance looks at TikTok’s large, engaged user base and imagines building a Douyin-like ecommerce engine.

- But its early stumbles and large expected loss this year demonstrate that the US ecommerce market represents a challenging space that won't be easy to conquer.

Go further: Read our [TikTok Commerce 2023](#) report.

Have US Digital Buyers Made a Purchase via Select Social Media Platforms in the Past Month?

% of respondents, by demographic, June 2023

	Female	Male	18-34	35-54	55-64	Total
Facebook	19.5%	21.6%	28.9%	19.3%	13.8%	20.5%
Instagram	11.7%	17.7%	31.2%	11.3%	2.5%	14.6%
YouTube	4.1%	15.3%	16.5%	8.3%	4.3%	9.5%
TikTok	6.9%	8.7%	19.2%	3.7%	1.4%	7.8%
Snapchat	2.5%	6.1%	10.2%	3.0%	0.0%	4.2%
Twitter	0.9%	5.6%	7.5%	2.3%	0.0%	3.2%
Pinterest	3.2%	2.4%	3.0%	3.3%	2.1%	2.8%
LinkedIn	1.1%	4.1%	4.1%	3.0%	0.7%	2.6%
Reddit	0.9%	3.6%	4.1%	2.3%	0.4%	2.2%
Other	0.0%	0.5%	0.0%	0.7%	0.0%	0.2%
No, I have not purchased from any of these sites in the past month	71.2%	64.1%	48.1%	71.1%	82.6%	67.7%

Note: n=849 who made a digital purchase in the past month/30 days

Source: "The Insider Intelligence Ecommerce Survey" conducted in June 2023 by Bizrate Insights, July 20, 2023

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