

Temu woos Amazon sellers as US customer base shrinks

Article

The news: Temu is wooing Amazon sellers as it tries to minimize the impact of the [Biden administration's crackdown on tax loopholes](#).

- Temu is offering US sellers a flat fee per item sold, and won't charge fees for ads or logistics when merchants manage their own shipping, per The Information.

- Merchants also have the option to fulfill orders from their own US warehouses—which could win over sellers frustrated with the high cost of Amazon’s fulfillment services.

Why it matters: Temu’s play for Amazon sellers allows the business to grow its [local seller base](#)—or at the very least, the amount of inventory available via US warehouses—as well as broaden its product selection and get items to consumers faster, all without invoking de minimis. Products shipped from US warehouses currently account for about 20% of Temu’s US gross merchandise volume (GMV), per The Information.

At the same time, merchants are eager to tap into the explosive growth experienced by Temu, **Shein**, and other Chinese ecommerce platforms—including big Amazon sellers like electronics brand **Anker** and furniture maker **Costway**, both of which can now be found on the former.

However, concerns about the retailer’s future in the US and the prevalence of cheap copycat goods on its platform are causing some sellers to keep their distance—raising questions about whether Temu’s efforts to grow its US seller network will be enough to offset the broader challenges to its business.

The big picture: Temu’s US business is at a critical juncture. While the ending of the de minimis exemption is unlikely to be its death knell, it does add to the litany of headwinds the company faces—which include scrutiny into its supply chain, concerns about [product safety](#), and slowing growth.

- **Roughly 25% fewer shoppers made a purchase on Temu in August compared with January**, per [Earnest Analytics](#)—a sign that despite the billions that parent **PDD Holdings** is spending on advertising, it’s becoming more difficult for the retailer to both attract new customers and convince existing ones to make repeat purchases.
- **The closure of the de minimis loophole could add to those challenges by forcing the retailer to raise prices by as much as 20%**, according to an estimate by the Republican majority of the House Select Committee on the Chinese Communist Party, which could significantly curb Temu’s appeal to shoppers.
- Nearly half (48%) of US consumers cite lower prices as their primary motivation for shopping on sites like Temu, with product variety at a distant second (26%), per a [YouGov](#) survey.

Our take: Temu is coming back down to earth after a meteoric rise fueled by unsustainable levels of [ad spend](#) coupled with steep promotions and giveaways—as well as the substantial

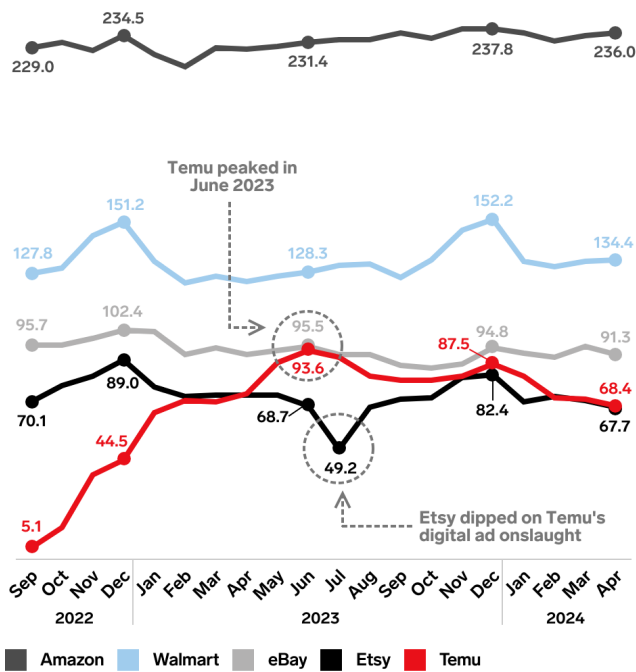
cost savings generated from avoiding import taxes.

While broadening its stable of local sellers, both in the US and in international markets, will help Temu weather changes to de minimis laws, the retailer continues to face a host of regulatory challenges that could curb its growth. Still, we expect its [US marketplace sales](#) to grow 136.5% this year to \$19.39 billion—exceeding its total GMV in 2023.

Go further: Read our report on [The US Online Marketplace Shopper](#).

Following a Spectacular Rise, Temu's Online Traffic in the US Has Contracted

millions of unique US site visitors, by digital retailer, Sep 2022-April 2024



Note: desktop ages 2+; mobile ages 18+
Source: Comscore Media Metrix Multi-Platform, May 28, 2024

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