

# Reimagining Retail: What's happening on TikTok Shop and how it compares with Instagram's social commerce

Audio

On today's podcast episode, in our "Retail Me This, Retail Me That" segment, we discuss whether TikTok Shop will face the same challenges as Instagram's social commerce efforts, how much Amazon's partnership with Meta's social media platforms will affect TikTok, and if TikTok Shop is ruining TikTok. Then in a newish segment, "Loyalty Point, Counter Point," we discuss whether Instagram or TikTok has a better overall ecommerce experience. Join our analyst Sara Lebow as she hosts analysts Sky Canaves and Blake Droesch.

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## Episode Transcript:

Sara Lebow:

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Hello listeners. Today is Wednesday, November 22nd. Welcome to Behind the Numbers: Reimagining Retail, an eMarketer podcast. This is the show where we talk about how retail collides with every part of our lives. I'm your host, Sarah Lebow. Today's episode topic is what is happening on TikTok Shop. Let's meet today's guests. Joining me for this episode, we have senior analyst, Sky Canaves. Welcome back Sky.

Sky Canaves:

Hi Sarah, happy to be back.

Sara Lebow:

Happy to have you. Also back with us, senior analyst, Blake Droesch. Hey Blake.

Blake Droesch:

Hey Sarah. Good to be here.

Sara Lebow:

Good to have you. Okay, let's get started with Free Sample, our did-you-know segment where I share a fun fact tidbit or question. I put this in a newsletter quiz last week, but it's making a resurgence in this podcast. McDonald's is collaborating with Crocs, which is huge news for people like me who spend a lot of time reading about McDonald's characters and their history in culture. My question for you both is can you name the three characters that are getting a feature in the footwear?

Sky Canaves:

I can name two because I looked at the Crocs and one of them is slipping my mind. I know Hamburglar was one and Grimace was another.

Sara Lebow:

You've got them. You've got the two most recognizable. There's a third one. There are four Crocs. One is just red and yellow, so that one is sort of its own thing. There's another one

that's, I would say, has less notoriety than the Hamburglar and Grimace. Do you know this, Blake?

Blake Droesch:

I've got nothing. I did hear about this collaboration, but I didn't look into it.

Sara Lebow:

The other character-

Blake Droesch:

There's no Ronald McDonald?

Sara Lebow:

It's not Ronald McDonald.

Blake Droesch:

Okay.

Sara Lebow:

You could argue that he's sort of the red and yellow of it all, but he's not the character. It's Birdie the Early Bird. She's making her footwear debut. I don't know if she's been in footwear before. I shouldn't say that, but I would guess she hasn't. I am sad that Mayor McCheese is not getting a feature and I'm sure his constituents are as well.

Sky Canaves:

Is that like their breakfast sandwich character?

Sara Lebow:

I really don't know about Birdie the Early Bird. I know a lot about the Hamburglar. I've looked up the original versions of all of these characters because they're really fascinating. Do you guys know Grimace used to have four arms? He was too scary, so they got rid of it, but he had an extra set of arms for stealing cheeseburgers, which was the Hamburglar's job, so sort of encroaching on territory

Sky Canaves:

Grimace has been in the news a lot recently.

Sara Lebow:

Grimace has been in the news a lot. My favorite Grimace relative is Uncle O'Grimacey, who is an Irish Grimace that used to come out during Shamrock Shake season, but stopped a while ago because it was a little offensive.

Sky Canaves:

Then Grimace got his own shake.

Sara Lebow:

Then Grimace got his own shake so we don't even need Uncle O'Grimacey.

Blake Droesch:

I've learned a lot already on this podcast.

Sara Lebow:

Yeah, thank you. We strive to educate. Okay. I think I've lost everyone listening to this episode so let's keep moving with the main event. Now it's time for our next segment, Retail Me This, Retail Me That, where we discuss an interesting retail topic.

Today's topic is what is happening on TikTok Shop. In September, TikTok announced that over 100,000 creators were using the newly launched TikTok Shop. The TikTok Shop trend is real. When I open my TikTok app, when I open the TikTok Shop tab, I immediately get a coupon for 30% off that pops up right away. I get a featured brand section that only appears to show Oreo, a post of a bootleg Taylor Swift merch, and a listing for freeze-dried rainbow crunch candy, just \$3.70. With that sort of snapshot in mind, can you tell me what the current state of TikTok Shop is? Sky, why don't you start this off?

Sky Canaves:

Right now this is still pretty new and evolving pretty quickly, so I'd say it's a bit of a free for all in terms of the user experience and who's participating. There are brands, there are third party sellers, creators, and they're all in it together. What users are seeing most is kind of a combination of shoppable short videos and live streams that are tagged as part of TikTok Shop and those are kind of flooding the For You pages. I've seen estimates of around 30% of

content coming on the feed is shop related in some way or another. To me, that jives with what I see when I open my for you page. I see a post, I see an ad, I see something from shop, a shoppable video or a live stream, and it's kind of, everything seems very mashed together and this is kind of a new experience for a lot of users. But in other ways, it really ties into how TikTok has worked all along, which is showing a lot of content from creators and brands and having it on the For You page and really driving a lot of interest in shopping and, "TikTok made me buy it," these kinds of viral products, but now it's really all happening on the app where you can buy and check out on the app in a really seamless way.

Sara Lebow:

Yeah, I think this is going to really set what TikTok is into hyperdrive, as if TikTok could develop any more rapidly, but things like the micro influencer where anyone with over a thousand followers can drive anyone to shop, that less polished content. I've been seeing a lot of lives of people showing off like little, you were talking about this, little mock Stanley Cup, I was seeing shot glasses. Things we saw on Facebook Live, things we saw on QVC are now inundating my TikTok feed. Blake, anything to add here?

Blake Droesch:

Yeah, no, I think Sky summed it up really well. It does feel like the Wild West and then also at the same time that all of these creators have been given the keys to a really fancy spaceship and now have the tools to basically to push products in a way that we've never really seen before on social media. I think it's, as far as micro influencers go and affiliate marketing, this is something that is not new, but what is new is really sort of this perfect mix of TikTok already being a very popular discovery platform, not just for Gen Z but for all its users on the platform and just a very, very seamless checkout experience. I made my first TikTok purchase on TikTok Shop about a week ago, and I was surprised by how easy the checkout process was, particularly if you already have Apple Pay set up on your phone, it's basically a one click payment and I filled out my address and that was basically it.

I'm sure that next time it's going to be even easier because my address and my personal information is already in there. I think, even though there are a lot of, there's a lot of chaos, there's a lot of counterfeit products, it does feel like the Wild West. I was surprised by how legitimate the checkout process felt and I do think that that's the most important part for getting people to buy on the platform, is knowing just that TikTok is not going to do anything sketchy with your personal information and that your credit card information is secure. Just as

a survey of one, I think it felt pretty legitimate, like no concerns there. Was I going to be given a fake or defunct product? I mean, who's to say? It hasn't arrived yet, but I do feel like the checkout process was legit, as far as I know.

Sara Lebow:

The checkout process is important for getting people to buy. The product itself is important for keeping people around and TikTok definitely has a counterfeit products issue. What did you buy on TikTok Shop, Blake?

Blake Droesch:

I bought these little pads for cleaning white sneakers, which are basically probably just the same thing as those Mr Clean Eraser sponges.

Sara Lebow:

Which are good products.

Blake Droesch:

They're good products, but I don't know. I mean, verdict's out. I guess next time I come on the podcast I'll maybe have really clean sneakers.

Sara Lebow:

Well, now you have to tell us, what piece of content on TikTok got you to make that purchase?

Blake Droesch:

Just some woman cleaning white sneakers and it looked like it was really effective.

Sara Lebow:

So Clean Tok, you're on Clean Tok and Clean Tok is working for you?

Blake Droesch:

Yeah, it's working for me and it's like a whole sleeve of them for six bucks, so the price was right as well.

Sara Lebow:



Sky, have you bought anything on TikTok Shop?

Sky Canaves:

Yeah, I've bought a couple of things to test it out. As Blake mentioned, I found the checkout process to be really seamless. I also used Apple Pay and I think my payment info is, or my address is already stored in Apple Pay, so I didn't have to enter anything, just the two clicks. That was certainly easy and I think that helps to assuage a lot of the concerns that consumers have about social commerce and not wanting to share their payment information with these social platforms. The first product I bought was a very cheap bag, probably from a Chinese seller. It was a couple of dollars and it was just to try out, see what it was like. It took a while to get to me, maybe 10 days or so, but I knew that. I think it was about \$4 and it was kind of a get-what-you-pay-for product where a similar product on Amazon might've been twice as much or- [inaudible 00:10:12].

Sara Lebow:

So \$8?

Sky Canaves:

Yeah, something like that. It was a very basic utilitarian canvas bag with a lot of pockets. One of the people who reviewed it on TikTok said it looked like a bag organizer without the bag, and that's pretty much what it was. My second purchase, I wanted to buy something from a brand, so I went to a beauty brand and bought a lip gloss that was in my shop feed that kept showing up all over my shop tab in the product listing so I gave in. It was, again, a pretty small purchase. I paid for it with Apple Pay, there was free shipping attached, which was a draw, because I looked at another beauty product from another beauty brand and there was a shipping, free shipping minimum, so that kind of kept me from buying that. I think TikTok had added a discount on top of the already fairly low price so that was another incentive. I know that as the holidays gear up, they're looking at offering some major discounts for Black Friday and beyond, probably.

Sara Lebow:

We've got Blake making a conversion from a video we saw, we've got Skye making a conversion from seeing something appear over and over again on the TikTok Shop tab, and then we have me, I have never made a purchase from TikTok Shop and I hate TikTok Shop. Go

away TikTok Shop. It is making the platform feel way less fun. That's not an objective statement, but it is an opinion I know that I share with a lot of people writing about TikTok. It feels like the platform is inundated with ads and, weirdly, it feels like it's inundated with ads when not everything is an ad. You want ads to feel like they're not ads. What you're getting on TikTok right now is things that aren't ads that feel like they're ads because they have, "eligible for commission," on the bottom in bold font or other ways that creators can, in theory, make money off of these purchases. Then I get this feed that's full of knockoff Stanley cups and knockoff Dyson hair straighteners. I guess my question for both of you, is TikTok Shop ruining TikTok? Is this cheapening effect real?

Blake Droesch:

Yeah, I think that's what we're going to have to follow very closely is, TikTok has a lot of work to do. It seems like they just sort of dropped this bomb on their platform and it really has changed the dynamic very quickly and they're really going to have to tighten it up, I think, in order to keep the quality of the user experience at the level that its users are used to. I think I would say I'm optimistic that they will though, just because of how powerful and how effective their algorithm is. I think they will probably fairly quickly be able to get a hold on what the user is going to be able to tolerate in terms of ad load and they're going to tweak that so TikTok Shop remains profitable and the user experience stays at a level of quality that's going to keep users engaged.

Sara Lebow:

Yeah, you say remains profitable, but TikTok is definitely spending a lot of money on those steep discounts to get people into the TikTok Shop funnel. It's working.

Blake Droesch:

Yeah, I do not know if they're profitable at all. They're probably hemorrhaging money, but I think, you know what I mean, to make the TikTok Shop successful-

Sara Lebow:

Sure.

Blake Droesch:

And still maintain the quality of the user experience.

Sara Lebow:

It's working. We know from our forecast that 37% of people on TikTok are social buyers. That puts it ahead of Instagram, this is in the US, where 34% of Instagram users are social buyers. TikTok is already inching up ahead of Instagram. That said, there are more Instagram users than TikTok users, but buying is definitely a more familiar behavior there.

Sky Canaves:

I think that we have to look at the origins of each platform and how they've been tied into shopping behavior and consumer behavior because we saw TikToks rise during the pandemic when people were stuck at home and e-commerce was surging. That really helped drive those trends like "TikTok made me buy it," and concurrently a lot of affiliate sales and marketing going on with creators linking to their Amazon stores. Now I think what we're seeing is kind of just a natural progression of that into direct shopping. But yes, it's becoming hard to tell what's an ad, what's part of Shop, and what's just regular creator content because so much of the creator content also seems to be driven towards influencing shopping behavior and purchasing.

Sara Lebow:

Yeah. I think that that segues us well into our second half, so let's keep moving. Now it's time for our segment Loyalty Point, Counterpoint, the segment where I pit our analysts against each other and make them debate. In this segment we'll be discussing how TikTok social commerce compares to Instagram with Skye on team TikTok and Blake playing Instagram's advocate. Our first point of contention that I'm going to have you guys discuss, debate, argue about, go head-to-head. Our first point of contention is who has the better ad potential? Blake, why don't you go first with the argument for Instagram?

Blake Droesch:

Yeah, if I was making an argument on behalf of Instagram, I would definitely say that their ads are way more dynamic than TikTok. You have the option for video ads, story ads, reels ads, and then those famous Meta carousel ads. Plus, it's more enticing for major brands and luxury brands since the aesthetic of Instagram is still a lot more polished than it is on TikTok. I feel like, as we've already alluded to in this episode, TikTok seems to be getting even more sort of unpolished and that's the point of the platform. Not to discredit it, but I think it's a place where major brands and luxury brands are going to want to be in a place where they can also

implore some more of their traditional creative, which will help attract brand budgets as well as Meta's really effective performance ads, which they've improved with these new releases with AI functionalities over the last year that's going to help keep performance budgets on the platform for the years to come as well.

Sara Lebow:

Yeah, we know that Meta just partnered with Amazon to allow people to buy without leaving the platform at all. Meta is definitely innovating to keep their ads effective. Skye, what's the argument for TikTok?

Sky Canaves:

Well, on TikTok, it looks like anything can be an ad, from the ads themselves to the shoppable content to the live streams. As more sellers and brands begin to find that consumers are buying via TikTok and shopping in the app, they're going to want to spend more money to promote their brands and their listings and their shoppable content and their live streams on the app. That's ultimately going to boost TikTok's ad revenues.

Sara Lebow:

Yeah, we traditionally delineate between paid, social, and organic social marketing. On both platforms, the ads are increasingly organic or creator content that then gets a paid social boost so I think in both places you're definitely seeing the end of ads versus creator content. They're all co-mingling. Okay. Our next point of contention, who has better purchase potential? Skye, why don't you start with the argument for TikTok?

Sky Canaves:

Well, I think we've all seen, well, Blake and I have both discussed that we've already made purchases on TikTok and directly in the app, whereas in Instagram that's not really an option and the process isn't as seamless. I looked at Instagram earlier and was looking at a sponsored ad and how I would buy a product and it was directing me outside of Instagram and it took longer to load and then there were more clicks involved, so there was more friction introduced throughout the purchasing process than on TikTok. Because so much of TikTok now is really aimed at driving shopping behavior, I think that gives it greater potential for people to buy there rather than Instagram where there's still a bit more delineation between the ads and what's shoppable and the influencer content, which is still a little higher

up the funnel, driving more awareness among consumers, while TikTok is really pushing buyers to see something and buy it right there in the app.

Sara Lebow:

Blake, what is the argument for Instagram in terms of purchase potential?

Blake Droesch:

Yeah, I think the Instagram or the Meta Amazon deal is a huge game changer and it's going to really improve the buying potential on Instagram because Amazon is really still the place for low item impulse purchases, particularly in the CPG and home goods categories. I think that it's really going to be very successful in driving purchases within the app. The caveat is obviously that most of those purchases is are go exclusively to Amazon, but you never know. This could be sort of the magic formula that helps really introduce Instagram users to that buying behavior just because it's so closely linked to a retailer or an e-commerce platform that basically all the Americans are already in tune with purchasing products on and that behavior could expand over time if they become more comfortable purchasing through "Instagram."

Sara Lebow:

Yeah, I definitely gave you the challenging task here with arguing on Instagram's behalf because we know, or at least we can make very educated assumptions, that TikTok was sort of created with this idea of commerce in its inception based on what sister app Douyin had, and we know that Instagram was more focused on ads from the inception. That sort of gave TikTok almost a headstart 10 years later. Our final point of contention, which app has a better overall experience, overall platform experience, as it relates to e-commerce? Blake, why don't you start this one off with Instagram?

Blake Droesch:

Yeah, I think there is, the more and more we talk about it, a really strong delineation between TikTok being like the Wild West and then Instagram being a bit sterile. But if you are an established brand, like I mentioned before, I think you'd probably still prefer the latter. Could that change over time? Do I believe in TikTok's ability to mature very quickly? Yeah, but I also think that Instagram and Meta is very well aware of the risk and it definitely is no surprise why this Amazon partnership has come out so quickly on the heels of the launch of TikTok Shop,

not only with Meta but also with Snapchat as well. I think that Meta is, over the last year or so, we've seen them take a little bit of a step back from e-commerce and shopping to refocus their business on advertising, but I wouldn't necessarily count them out. I think that we're actually going to see a little bit more willingness to experiment and create different partnerships to enable e-commerce on Meta platforms just because if the consumer behavior develops, whether it's on TikTok or with this Amazon partnership on other social networks, then there is going to be a lot more money to be made through social commerce.

Sara Lebow:

Yeah, I mean just last week we saw a slew of new creator tools released on Instagram including new reels tools. Meta definitely isn't rolling over to TikTok. I have seen luxury content on TikTok, in particular, Hermes bag shopping and unboxing, which is definitely fascinating, definitely aspirational. That said, if you're Hermes and your content is wedged between two pieces of content for knockoff hair straighteners, I don't know how brand safe that is. Sky, why don't you give us your thoughts on overall platform experience for TikTok?

Sky Canaves:

I think TikTok has the advantage in entertainment factor and capturing the attention of Gen Z, which according to our forecast is spending almost an hour a day on the platform. That's really what will drive the e-commerce on TikTok is that it's a fun experience, the creators are there, and TikTok with its new TikTok Shop rollout is really putting creators front and center and empowering them to become the next breakout stars of livestreaming, for example, where we've talked about livestreaming quite a bit in the US, how it hasn't quite gained the traction that it has in China. I think the new TikTok Shop format will definitely give influencers a chance to become that breakout star, where in China we see a lot of the livestreaming was driven by these big live streamers who became celebrities in their own right and then had real celebrities clamoring to be on their broadcasts to help sell products and promote other things like movies or albums that are coming out. I think this is a big potential of TikTok in driving, not just e-commerce, but a lot of other types of sales and services. Douyin in China has really been pushing into local services, like food delivery and travel and hotels and tourism bookings where those are also categories that lend themselves very well to the video formats and livestreaming.

Sara Lebow:

Yeah. If I were an American tech company, I would definitely be looking to what Douyin is doing as a crystal ball for what TikTok might explore in the US. I know I just sort of assigned you guys roles and pitted you against each other. Any final thoughts before we wrap up?

Blake Droesch:

I'd actually like to just ask Sky, since she is our resident expert on luxury, what have you seen in terms of, and what do you think the viability of, because I know I've been arguing for Instagram, but I'm genuinely curious if luxury brands are recognizing an opportunity and willing to take a risk to maybe get their hands a little bit dirty and enter, lean into TikTok even though it is sort of like a Wild West and maybe there is a little bit of a brand safety risk, but there's also a lot of upside. I'd just be curious to get your take and if you've seen any of the big luxury brands lean in yet.

Sky Canaves:

Yes, a lot of them are advertising on TikTok as well as working with some of the top creators to create content around luxury. There's so much interest in luxury content already on TikTok from users. The fashion shows, the fashion weeks are being livestreamed on TikTok. Users are very creative and putting together reviews of collections. There's a whole new wave of real time fashion critics and luxury critics emerging on TikTok. I think there are a lot of opportunities for brands there. In terms of selling on TikTok and TikTok Shop, I think they're taking more of a wait and see approach, particularly because they might not want to have their own legitimate goods intermixed with potential counterfeit goods. I think beauty brands, and not necessarily luxury beauty brands, but overall beauty brands have been jumping into TikTok a lot faster to sell on TikTok Shop.

I think that's because they know that the audience is there and that they'll be open, maybe a little more open to buying, say lower price beauty products or it's less risky to buy a beauty product if you know you're buying from the brand on TikTok. I'm also seeing a lot of luxury handbag resale taking place on TikTok. I think that's another category where individual resellers are going to move into the platform and especially through livestreaming because they can show the products and they can develop a reputation. TikTok has partnering with a couple of authenticating platforms to guarantee the luxury products being resold on TikTok are authentic.

Blake Droesch:

Yeah, I'm a big Watch Tok watcher and there's a lot of activity on the secondhand luxury watch market happening on TikTok as well. That was mainly why I asked that question because I was just curious if that was happening in other areas of luxury as well.

Sara Lebow:

Blake, you'll have to let us know when you buy a luxury watch on TikTok Shop up. I have had multiple TikTok's go viral and I still have not been sent any Coach bags from their Peanuts collection, which is what I really want, the bag with Woodstock and Snoopy on it being best friends.

Sky Canaves:

Well, Sarah, I think you've got a sign up for the TikTok Shop as a creator and stuff-

Sara Lebow:

I will never do that.

Sky Canaves:

Promotion.

Sara Lebow:

Thank you

Sky Canaves:

For research purposes.

Sara Lebow:

For research purposes. What's funny is that I only know about that collection because of Instagram ads. Okay, that is all we have time for today, so thank you for being here, Blake.

Blake Droesch:

A pleasure as always.

Sara Lebow:

And thank you, Sky.



Sky Canaves:

Thanks again, Sara.

Sara Lebow:

Please give us a rating and review wherever you listen to podcasts and follow us on Instagram at Insider Intelligence. Thank you to our listeners and to Victoria who edits the podcast and is probably prepping an amazing Thanksgiving dinner as we speak. We'll be back next Wednesday with another episode of Reimagining Retail: an eMarketer Podcast. We're off tomorrow for Thanksgiving, but we will see you bright and early on Monday for another episode of the Behind the Numbers Daily.