

Temu is seeing unprecedented ecommerce growth—how seriously should we take it?

Article

Temu, the recent entrant to the US ecommerce market, has taken the ecommerce world by storm since its September 2022 launch. The retailer went from zero to 44.5 million unique visitors by December 2022, according to Comscore—a virtually unprecedented growth in traffic in just four months.

What's driving Temu's growth?

- **Price-sensitive shoppers love a great deal for the holidays.** Temu's launch was timed perfectly to get some awareness right before the holidays, filling a need for inflation-wary consumers looking to save on gifts and stocking stuffers.
- **A heavy paid media strategy.** Like other well-funded internet companies, Temu appears to be spending heavily for app installs and on search ads. Search for almost any commodity product—especially if your search includes the word “cheap”—and you're likely to find a Google result for Temu. Temu also gained attention with multiple Super Bowl spots, putting it on the map for many US consumers for the first time.
- **Visibility on TikTok.** Temu appears to be riding the TikTok wave with an active influencer strategy that includes unboxing videos, try-on hauls, and promo codes. Given the social commerce prowess of parent company PDD Holdings, Temu should know a thing or two about amplifying efforts through social.

How fast is Temu actually growing?

- **Temu was No. 12 in 2022 holiday traffic, topping retailers like Kohl's and Wayfair.** With an average of 41.0 million visitors in November and December, Temu surpassed major ecommerce sites like Kohl's, Wayfair, and Nordstrom, and was within striking distance of Macy's.

Top 15 US Digital Retailers, Ranked by Unique Visitors, Nov-Dec 2022

millions and % change

	Unique visitors	% change vs. 2021 holiday season	% change vs. 2020 holiday season
1. Amazon	231.4	3%	7%
2. Walmart	148.1	6%	9%
3. eBay	100.5	0%	-5%
4. Etsy	85.4	19%	16%
5. Target	81.5	-3%	-6%
6. Apple	78.9	-2%	-6%
7. Best Buy	55.4	-3%	-13%
8. The Home Depot	53.7	-6%	10%
9. Ticketmaster	52.7	24%	799%
10. Macy's	43.0	-17%	-2%
11. CVS	42.8	-9%	30%
12. Temu	41.0	-	-
13. Walgreens	37.5	-20%	11%
14. Shein	36.6	87%	180%
15. Kroger	32.7	15%	43%

Source: Comscore Media Metrix Multi-Platform; Insider Intelligence calculations, Jan 13, 2023

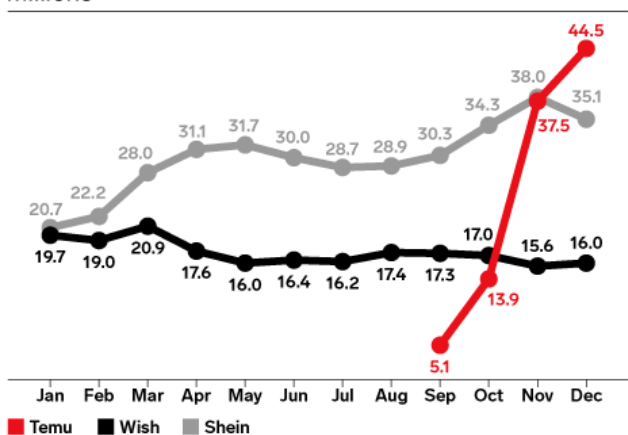
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- **Temu surged ahead of low-price Chinese goods sellers Shein and Wish.com in dramatic fashion.** Not only did Temu quickly surpass Wish.com amid its recent downswing, it also managed to leapfrog Shein's impressive recent gains. The question is whether these recent gains can be sustained or if they are more of a short-term high.

US Unique Visitors to Shein, Wish, and Temu, Jan-Dec 2022

millions



Source: Comscore Media Metrix Multi-Platform, Dec 2, 2022

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How seriously should we take Temu as a business?

- **Is Temu the next Shein or the next Wish.com?** Shein's steady rise has the company now looking to raise capital at a **reported \$64 billion valuation**, per Reuters. Wish.com, by comparison, is hemorrhaging money and has plummeted 98% from its **peak stock price**, with a market cap below \$400 million. Using cheap wares to attract customers can work, but profitability is a challenge when operating under tight margins. High acquisition costs can be a killer, and there will also be a need to pivot into higher-margin goods.
- **Temu must use its early paid advertising rocket fuel to reach escape velocity.** There is a common Chinese company strategy to blitzkrieg US markets with paid ads, as Wish.com, Shein, and TikTok have all done. While Shein and TikTok converted this early attraction into ongoing relationships with its users, Wish.com has flamed out in spectacular fashion. Temu has taken just a few months to grab a lot of traffic, but converting these visitors into loyal users may prove challenging without a steady support of paid ad spend.
- **Temu is keying on its mobile app for loyalty.** Temu's bargain-basement prices make purchases low consideration in most cases. Its best use case is when customers realize a need ("Shoot, I left my iPhone charger at the hotel and need another one") and can buy quickly and cheaply. The app can drive habit formation around this, and the more that shoppers rely on the app the less likely Temu will have to pay for ads to drive conversions.

Our take: Temu exploded out of the gates and its rapid rise warrants attention. As something of a Wish.com clone, there's reason to be skeptical it can find long-term profitable growth when its early stage capital eventually rationalizes. Whether Temu avoids a similar fate will come down to whether it can improve upon the Wish.com playbook to build a loyal and engaged user base and drastically reduce customer acquisition costs over time. A killer TikTok strategy and sticky mobile app will be the keys to achieving what its predecessor could not.

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