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Temu makes a play for sellers' ad dollars

Article

The news: **Temu** is venturing into the advertising business, per The Information, as it looks to challenge **Amazon** on yet another front as well as protect its business from the twin threats of a de minimis crackdown and heavy tariffs on China imports.

- The platform is piloting paid search ads for merchants looking to boost their products' visibility.
- It is also planning an app marketplace to offer inventory, logistics management, and other tools to merchants—similar to existing app stores on **Shopify**, **TikTok Shop**, and, of course,

Amazon.

How it works: Under the pilot program, merchants can pay to boost their rankings on search results as well as for display ads on the marketplace.

- Sellers are charged on a cost-per-click basis, similar to Amazon's model.
- The pilot is aimed at merchants with local US inventory, although sellers based in China and other regions have also participated.

Temu hasn't yet decided how or when it will make the ad services more widely available to sellers; a spokesperson told The Information that "no official rollout decisions or timelines have been finalized."

A familiar path: Temu may be a newcomer to the advertising space, but parent **PDD Holdings** is decidedly not. The company made RMB 49.35 billion ($6.98 billion) from advertising and other services in Q3—nearly half of what Amazon generated from its ad business in the same period.

Profits from advertising could offset higher costs stemming from global crackdowns on de minimis exemptions, and potentially give Temu room to maneuver around whatever tariffs may come its way under the Trump administration. The revenues could also go toward expanding its logistics network to speed up delivery, as well as be used to fund Temu's expensive advertising habit.

The caveat: The very thing that makes Temu so attractive to consumers—its rock-bottom prices—may be the biggest roadblock to the marketplace's advertising ambitions.

- The platform's unique pricing model—where it sets both the amount it pays merchants as well as how much products retail for—allows it to keep prices low, but it also means that sellers have very little room to raise prices to offset advertising fees or other costs.
- Adding ads also complicates Temu's pitch to sellers. The marketplace has successfully wooed merchants with the promise of lower fees, but that calculus may shift if Temu deems it more profitable to follow Amazon's example and squeeze more revenues out of third-party services like advertising and logistics.

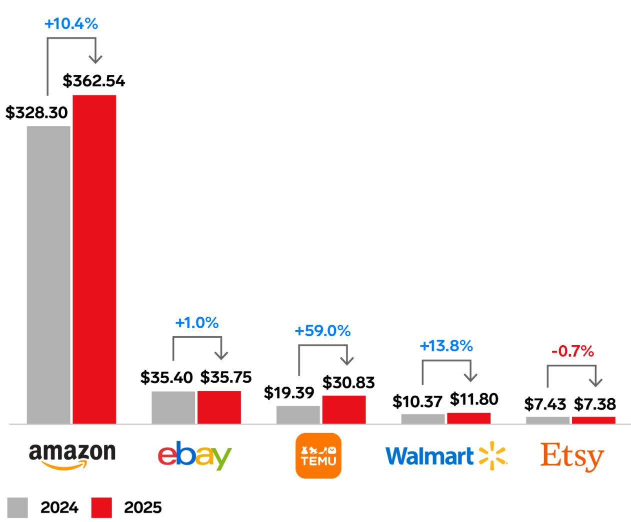
To succeed, Temu will have to find ways to balance merchant profitability with its desire to keep prices low—which could require adjusting its pricing methods to give sellers more leeway.

Our take: Temu's moves to establish a comprehensive seller ecosystem, complete with ads and the ability to plug third-party ecommerce tools into its platform, illustrate the marketplace's evolution from a bare-bones, ultra-cheap marketplace to a global juggernaut capable of challenging Amazon in its largest market.

- We expect [Temu's US marketplace sales](#) to grow 59% this year to $30.83 billion, nearly three times the size of **Walmart**'s third-party marketplace—although it should be noted our forecast excludes the impact of potential tariffs.
- While Temu faces its share of regulatory headwinds, its push to onboard more US sellers should offer it some protection—as well as create more opportunities to bolster its nascent advertising business.

Amazon Towers Over the Marketplace Competition, While Temu Is Growing Fastest

billions of US ecommerce sales of select retail marketplace platforms and % change, 2024 & 2025



Note: product sales made through a retail marketplace platform (browser or app) where a third-party seller is the merchant of record that assumes legal ownership of the inventory prior to changing hands with the consumer; excludes first-party sales on these platforms; excludes travel and event tickets
Source: EMARKETER Forecast, May 2024

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