

Case Study: Analyzing Temu's Market Impact with Credit Card Transaction Data

March 2024



Online discounter Temu launched in the US late 2022 with the promise of ultra-low prices on everyday home goods and clothes. Its digital marketing blitz and Super Bowls ads have helped further accelerate growth. Earnest Analytics clients wanted to know:

- How fast is Temu growing and among which customer profiles?
- What was the impact of marketing spend at Super Bowls?
- Which brands is Temu disrupting?

They turned to **Earnest's Orion transaction data** in the online **Dash platform** to answer these questions. The data includes sales records for individual, anonymous households across their credit and debit card accounts that can provide a holistic view of subscribers' behavior. This data is ideal for customer cohorting based on income and brand preference, which allows clients to gain a full understanding of what is driving performance among AI companies. [Start using Dash for free today.](#)



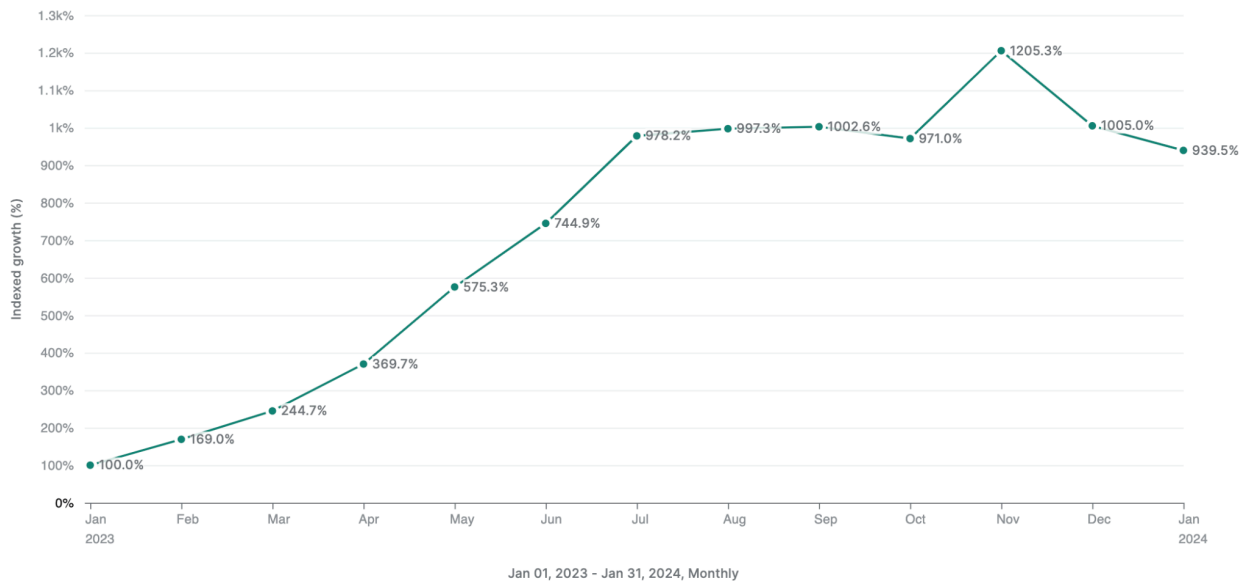
Step 1: Highlight Market Dynamics

From late 2022 onwards, Temu’s US sales grew triple and quadruple digits as it became a household name known for deep discounts and gamified shopping. Its early viral and paid marketing successes pushed it into the orbit of Chinese fast fashion brand Shein in a matter of months in terms of sales and active customers. Around 18% of US households have shopped at Temu since its launch according to Earnest credit card data. Nevertheless, Temu has yet to make meaningful inroads with the largest online brands.

Explosive sales growth from September 2022 to January 2024

Temu sales grew 840% between January 2023 and 2024, topping 1100% during the [holiday 2023](#) season. Despite a deceleration following this peak, the overall trajectory remains significantly positive. In its first three months, the online discount marketplace had roughly half as many [weekly active users](#) in the US as the largest fast fashion brand, Shein, and within a ten months had [surpassed Shein](#) in sales. After 12 months of operation, Temu’s average customer lifetime value tracked higher than [Walmart](#).

Temu monthly indexed sales growth



Temu



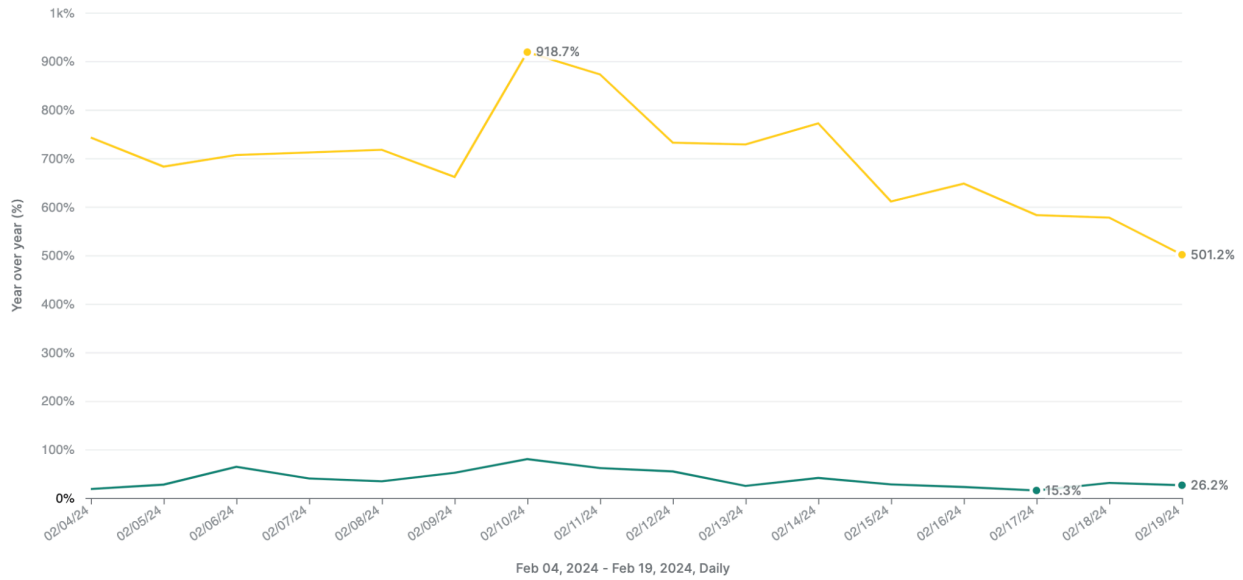
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Temu's 2024 Super Bowl ad blitz failed to accelerate growth

Part of Temu's growth strategy has been aggressive marketing spend on digital platforms and major events like the 2023 and 2024 Super Bowls. However, Earnest credit card data suggests that Temu's multiple February 11, 2024 Super Bowl ads did not meaningfully boost sales to new customers nor existing customers, where Temu gets the majority of its sales growth. In fact, there was a noticeable deceleration in sales growth from existing customers following the event.

Impact of Super Bowl ads on Temu's YoY daily sales, new vs existing customers



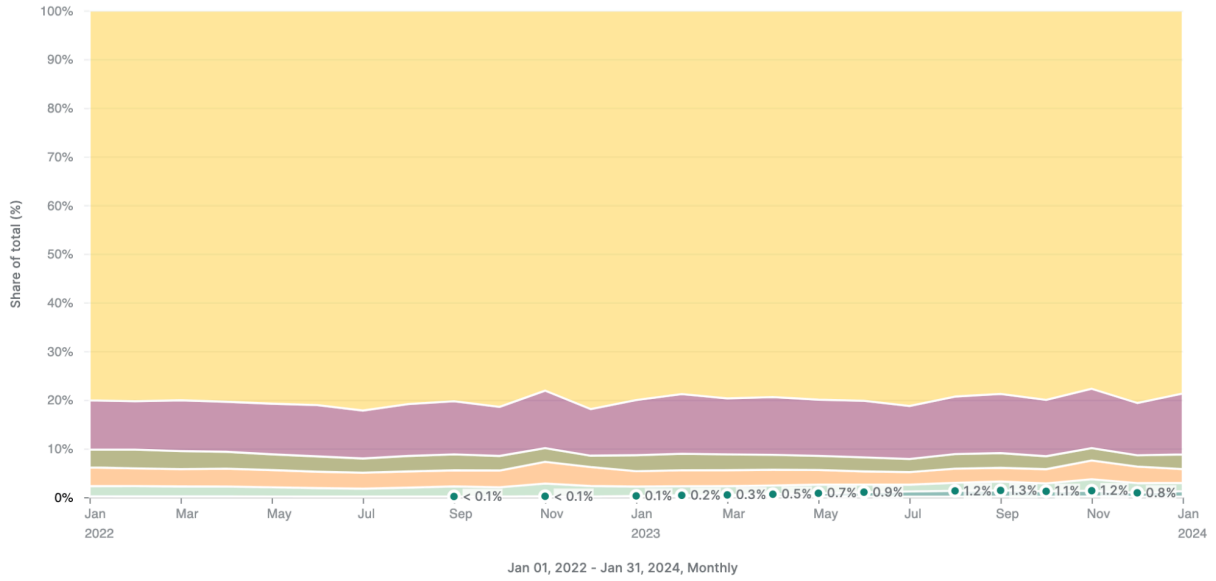
New Existing

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Amazon, Walmart lead mass retailer share online, Temu makes inroads
 Between September 2022 and January 2024, Amazon dominated the online retail market with nearly 80% market share, while Walmart and Target trailed. During that time, Temu grew from zero to nearly 1% online retail and marketplace share. Temu remains a small player in terms of total online gross merchandise value (GMV) sold, but is already having a meaningful impact on several other brands.

Online retail platforms market share



- Amazon
- Walmart
- eBay
- Target
- Etsy
- Temu
- AliExpress
- Wish

Powered by Earnest's Orion transaction dataset. Access chart in [Dash](#).



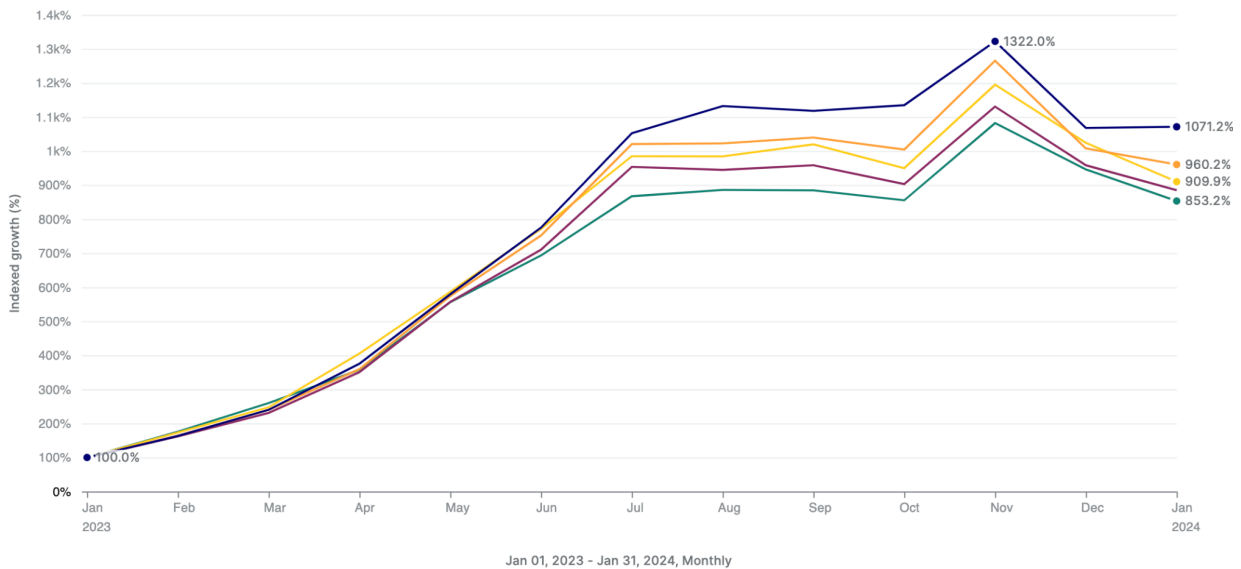
Step 2: See Customer Demographics and Behavior

Despite low price points and gamified discounts, Temu’s US customer base skews middle to high income. Sales among customers earning over \$190k per year grew faster than any other income bracket between May 2023 and January 2024. Sales to customers earning less than \$55k per year grew the slowest. This affluent shopper is also relatively loyal, returning more frequently than Walmart and Target customers, and becoming more loyal over time.

Income-Based Sales Distribution and Growth for Temu

Over 44% of Temu's sales come from earners making over \$130k per year (see chart in [Dash](#)). Not only do high income earners account for the largest share of sales, but they continue to outgrow lower income earning segments. The gap between sales growth rates of high and low income earners widened in January suggesting Temu continues to resonate most with consumers with more disposable income. Nonetheless, lower-to-middle income earners are also increasing their spend on the marketplace.

Indexed Temu sales growth performance by income



Quintile 1
Quintile 2
Quintile 3
Quintile 4
Quintile 5

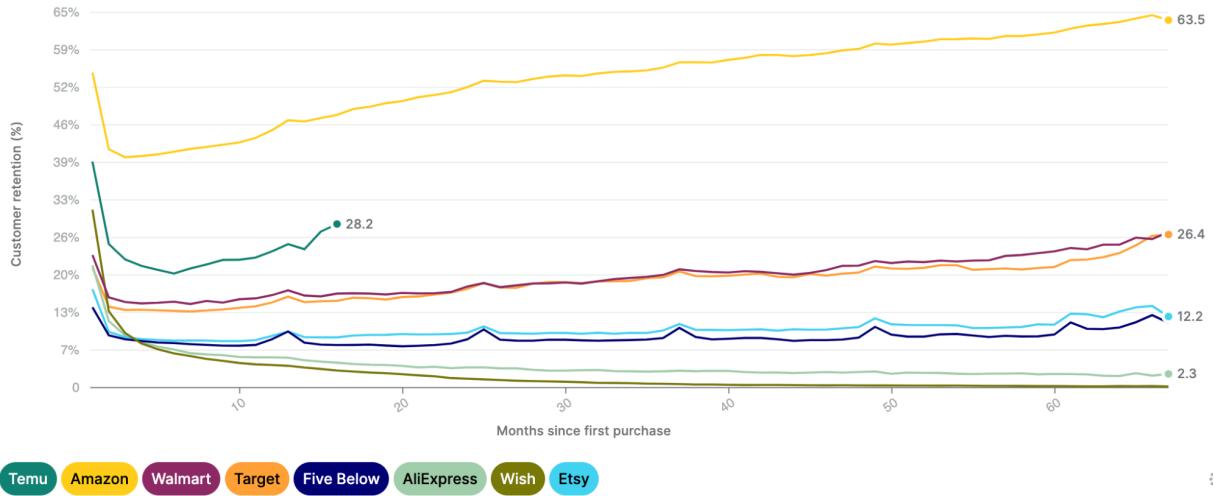
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 Quintile 1: \$0-55k. Quintile 2: \$55k-90k. Quintile 3: \$100k-130k. Quintile 4: \$130k-190k.
 Quintile 5: \$190k+.



Temu's retention grows over time; leads Walmart, trails Amazon

Over 28% of Temu customers made a transaction on the platform 16 months after first purchase. Temu's retention is nearly double Walmart and Target in the same period, but around half of Amazon's. Temu's gamified shopping and extensive marketing distinguish it from low retention discounters [Wish](#) and AliExpress, and niche marketplace [Etsy](#).

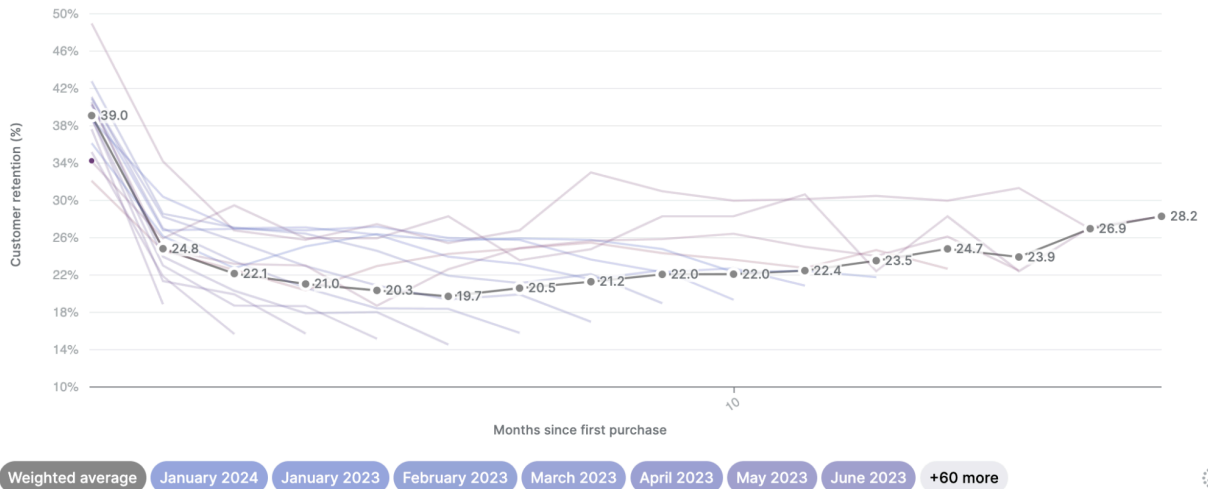
Temu customer retention vs other online mass retailers



Powered by Earnest's Orion transaction dataset. Access chart in [Dash](#).

Temu's retention curve bends upwards after 6 months into the coveted "retention smile" indicating customers become more valuable each month. Newer cohorts show lower initial retention than older ones, but still demonstrate the same eventual upward trajectory.

Temu customer retention by acquisition month



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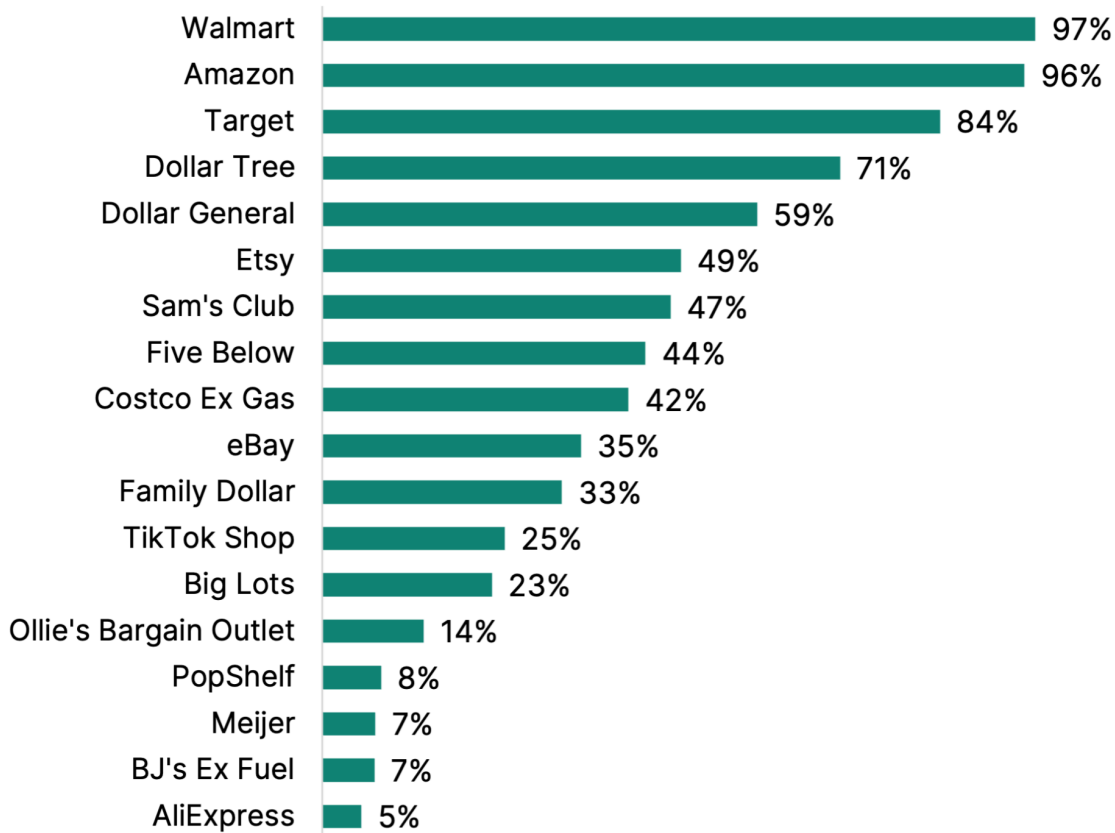
Step 3: Measure Competitive Impact

Temu's late 2022 market entrance had varying impacts across online and brick-and-mortar mass retailers. Despite sharing nearly all of its customers with Walmart and Amazon, Temu has had minimal impact on the largest retailers in the US. Instead, the Pinduoduo-owned discounter is driving the biggest disruptions at online discounters Wish and AliExpress, and to a lesser extent brick-and-mortar dollar stores where a higher percentage of customers are transacting at Temu.

Temu customers overlap most with Walmart and Amazon

Over 96% of Temu customers shop at Walmart and Amazon, with over 84% also shopping at Target. Among other General Merchandise retailers, Temu's customer base has the highest overlap with dollar stores, Etsy, Sam's Club, Five Below, Costco, and eBay. Temu has less than 5% overlap with rival ecommerce discounters AliExpress and Wish (not pictured).

Percentage of Temu's customers shared with each brand, Trailing 12-months



Powered by Earnest's Orion transaction dataset. Access chart in [Dash](#).

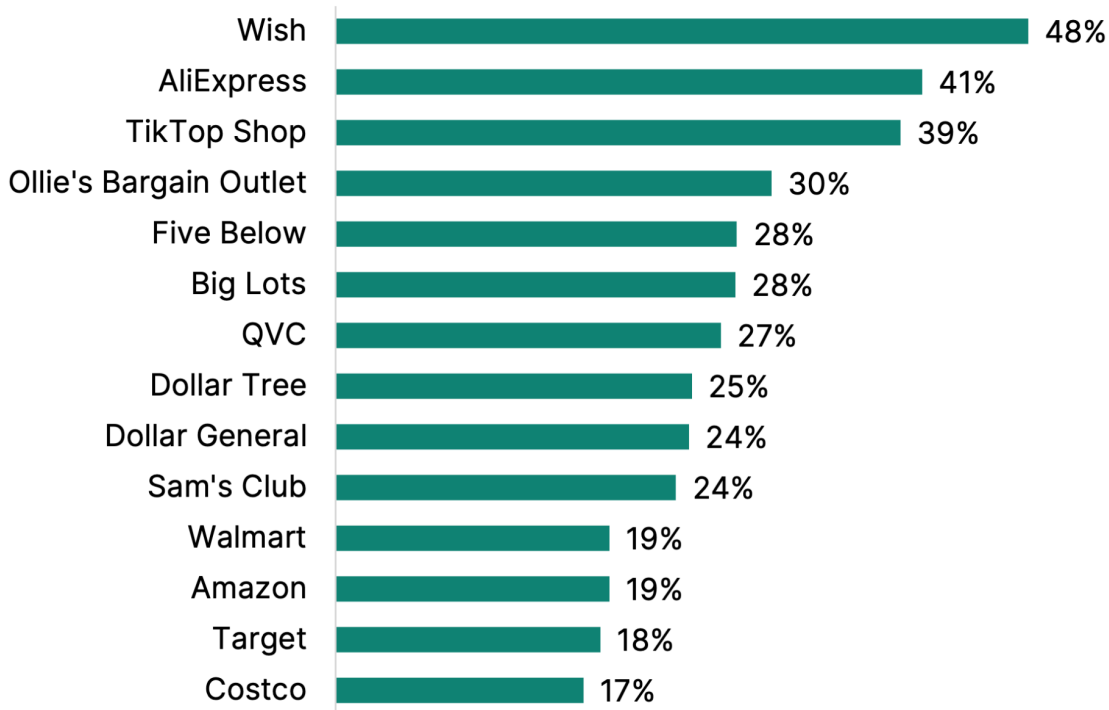


Almost half of Wish, AliExpress customers shop at Temu

Despite not comprising a large percentage of Temu customers, almost half of customers at ecommerce discounter Wish, and over 40% of AliExpress customers also shop at Temu. Other discounters with a high percentage of customers who shop at Temu include TikTok Shop (39%), Ollie's Bargain Outlet (30%), Five Below (28%), Big Lots (28%), QVC (27%), and the dollar stores (24-25%). Brands with a higher percentage of customers shopping at Temu are more likely at risk of disruption from Temu. Wish and AliExpress are at especially high risk of disruption from Temu given their similar ecommerce channel, relatively small user base, and discount product mix. Costco has the lowest percentage of Temu users among major national General Merchandise stores at 17%.

Less than 20% of Walmart, Amazon, Target, and Costco customers shopped at Temu in the past 12-months, suggesting that they are less at risk from Temu disruption.

Percentage of each brand's customers shared with Temu, Trailing 12-months



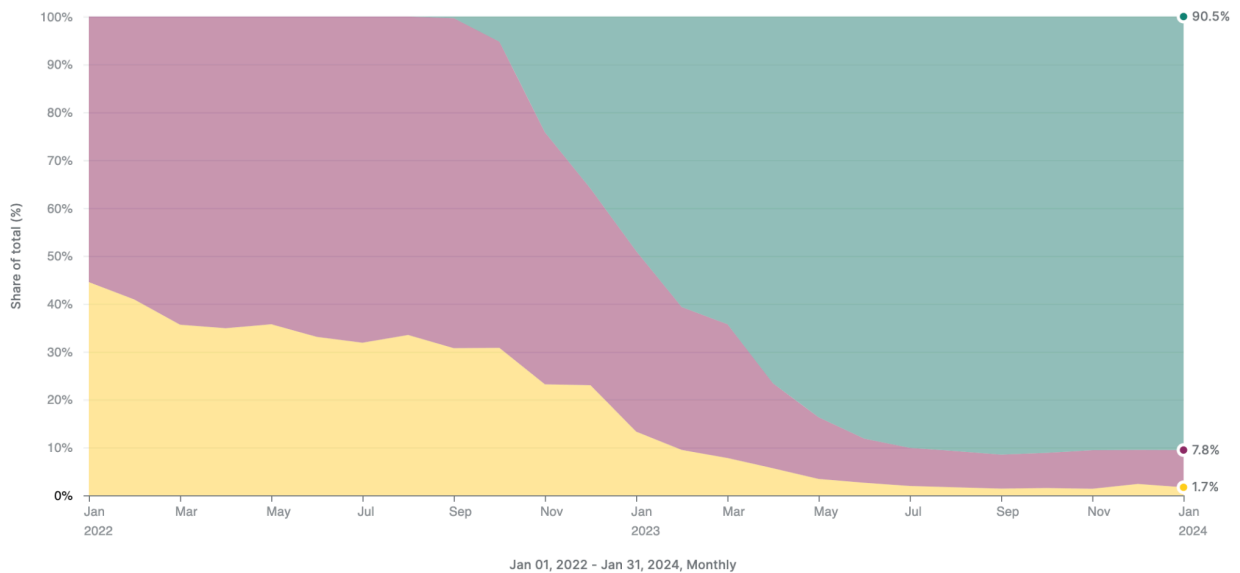
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Wish, AliExpress sales are highly impacted by Temu

Prior to Temu's arrival, Wish customers in the US were already shifting online discount spend to AliExpress. Wish's share of customers' online discount wallet declined from 45% to 30% from January to September 2022. Temu's market entrance accelerated Wish's decline, drawing over 90% of Wish customers' online discount spending in January 2024. Wish's share of customer spend fell 11% between January 2023 and January 2024, while Temu's share grew 40% in the same period (access chart in [Dash](#)). Results suggest that Temu has had a large and sustained impact on both AliExpress and Wish.

Wish's share of online discount wallet



Temu
AliExpress
Wish



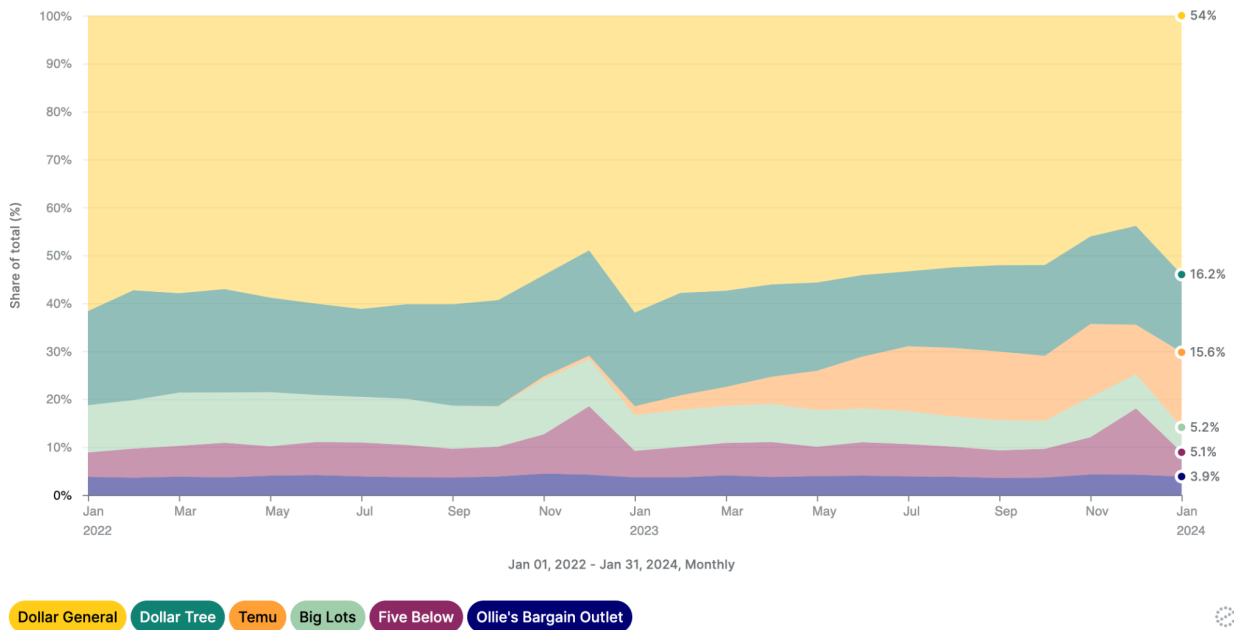
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Dollar General losing some share of wallet to Temu

Over 54% of Dollar General customers' discount wallet went to the retailer in January 2024, down from 62% in January 2023. Dollar stores, including Dollar Tree and Dollar General, both seem to be somewhat impacted by Temu's rise given a similar assortment of non-food discount goods. Dollar General sales were flat January 2024 vs 2023, a deceleration from mid-single digit growth in the 12 months prior, while Temu sales to Dollar General customers grew 885% YoY in the same period.

Dollar General customers' share of discount wallet at Ollie's Bargain Outlet and Five Below remained roughly the same from 2022 to 2024, possibly due to the retailers' differentiated respective focus on larger home goods and young buyers.

Dollar General share of discount wallet

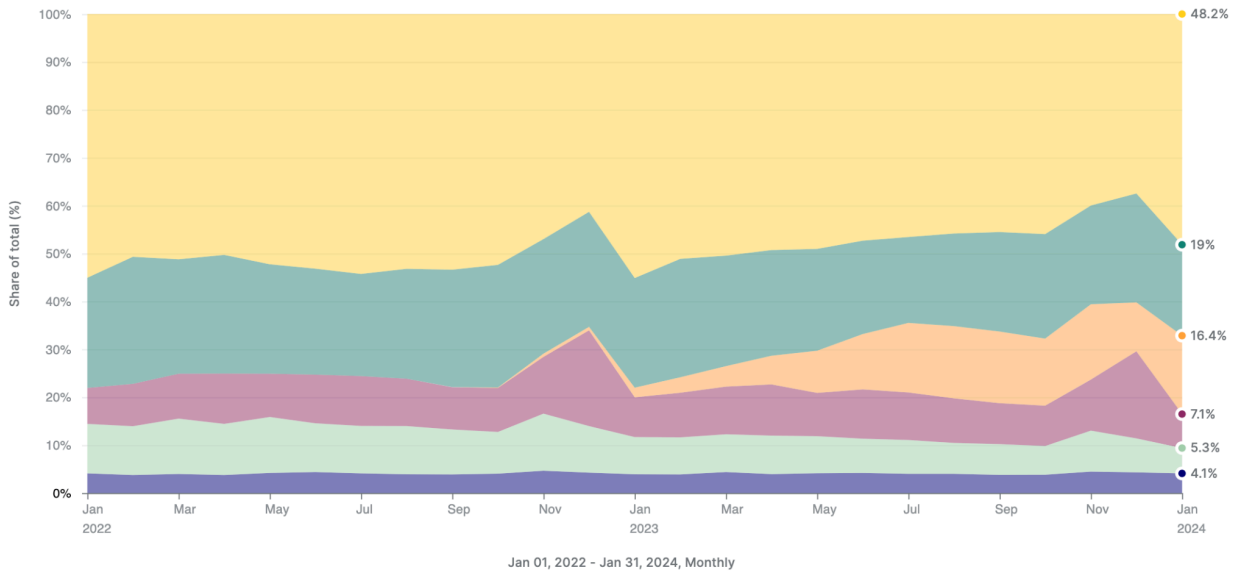


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Five Below largely holding on to share of wallet

Brick-and-mortar discount retailer Five Below commanded over 18% of customers' share of discount wallet in December 2023, only a slight decrease from 20% in December 2022. The highly seasonal brand has managed to retain most of its share of wallet and still grow sales in the face of Temu, but sales growth slowed in December 2023 and January 2024 to mid-single digits YoY from mid-teens earlier in 2023, while Temu sales to Five Below customers grew over 800% YoY in January 2024.

Five Below share of discount wallet



- Dollar General
- Dollar Tree
- Temu
- Five Below
- Big Lots
- Ollie's Bargain Outlet

Powered by Earnest's Orion transaction dataset. Access chart in [Dash](#).

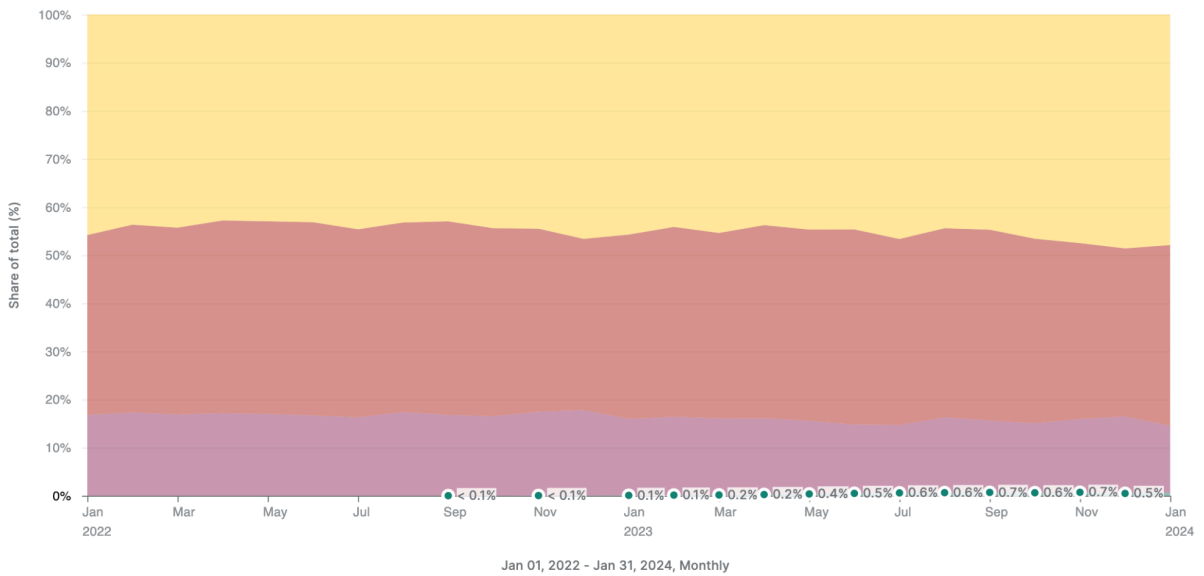


Walmart not experiencing major Temu impact

Around 19% of Walmart customers shop at Temu, making it one of the least penetrated mass retailers, but nearly all Temu customers shop at Walmart. Temu spending comprised less than 1% of Walmart customers' share of mass retailer spending in January 2024. Still, Temu's ability to garner nearly 1% of sales against such entrenched mass retailers in less than two years suggests it has found a foothold among the broader market.

In fact, Amazon appears to be the bigger threat to Walmart's share of wallet than Temu, growing it's share of Walmart customers' mass retailer spending over 2% YoY in January 2024 to 48%, while Walmart's share declined 0.7% YoY to around 38%.

Walmart customers' spending YoY growth across mass retailers



Amazon Walmart Target Temu

Powered by Earnest's Orion transaction dataset. Access chart in [Dash](#).



Conclusion

In its first 18 months, Temu carved out a niche for itself as a convenient place for middle and upper income earners to find deals on everyday items they could have otherwise purchased as mass retailers and discounters. Temu successfully took sales from value-focused ecommerce incumbents Wish and AliExpress, and made some inroads with brick-and-mortar dollar stores. Still, the Pinduoduo-owned marketplace has yet to make a serious dent in Amazon or Walmart sales. Other brick-and-mortar discounters with niche business models, like Five Below catering to young buyers and Ollie's Bargain Outlet specializing in larger home furnishings, have so far avoided much impact from Temu.

The question remains if Temu can continue to add customers at its early clip, as lackluster results after their Super Bowl ads attest. Beyond online retailers Wish, AliExpress, and TikTok Shop, only 20-30% of major retailers' customer base has tried Temu. That suggests they are less likely to face imminent disruption from the brand than the more easily replaced online only retailers and marketplaces. For Temu, growth will be increasingly difficult as it competes with omnichannel mass retail behemoths.

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