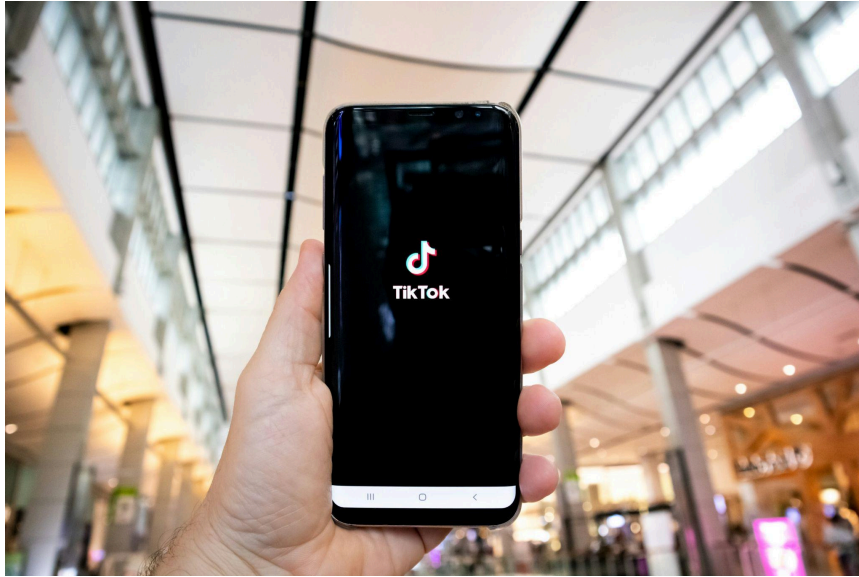# Case Study: TikTok Shop Disruption Analysis with Credit Card Transaction Data

April 2024

Since launching in the US in September 2023, TikTok Shop has sought to expand its social media and advertising platform into a full-fledged shopping destination. A large, loyal audience and 100 minute per day usage average could mean disruption for hundreds of other retailers and direct sellers. Earnest Analytics clients wanted to know:

- Who is the typical TikTok Shopper compared to the broader user base?

- How fast is TikTok Shop growing and among which customers?

- Where do TikTok Shoppers buy and who could be disrupted?

They turned to Earnest's Orion and Vela 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 customers' 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. Start using Dash for free today.

Step 1: Highlight Market Dynamics

TikTok Shop is one of three major Chinese ecommerce firms disrupting US retailing in the past several years. First, Shein took the [top fast fashion spot](#) during the pandemic era shutdowns. Then, Temu overtook Shein in sales and forced a [sea change](#) in the discount retail market in a matter of months. Now, the ubiquitous social media platform TikTok, which had already left its mark on retail through the rise of influencer driven short video advertising, is changing the retail landscape. Since its launch in September 2023, over 11% of US households made a TikTok Shop purchase according to credit card data (see count in [Dash](#)). TikTok's already market-leading social media position gave its Shop the ability to quickly scale by taking advantage of its extensive advertising reach and promotions during the 2023 holiday season.

Black Friday 2023 drove early sales growth

TikTok Shop sales scaled rapidly after launching in September 2023, peaking at 145% higher in November 2023 compared to its first month. The platform's [Black Friday Sale](#) drove its highest growth month, with each subsequent month smaller than the last. TikTok Shop was able to grow faster than many ecommerce competitors as the app had a broad usage base already, with over [150 million](#) US users as of March 2023.

TikTok Shop monthly indexed sales growth, US Sales

Sep 01, 2023 - Feb 29, 2024, Monthly
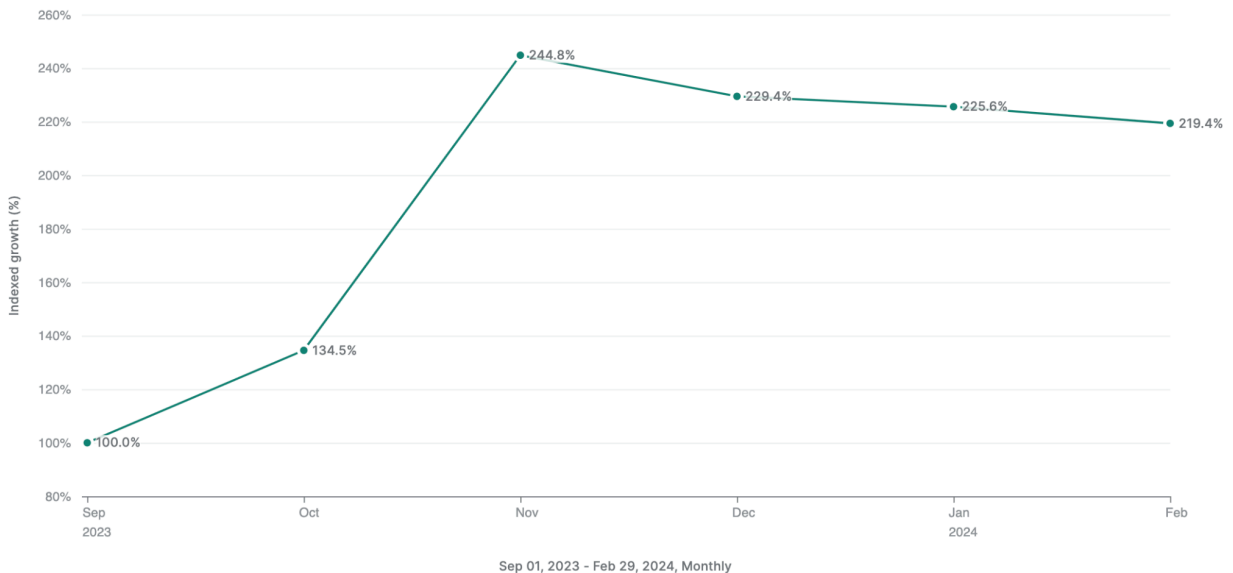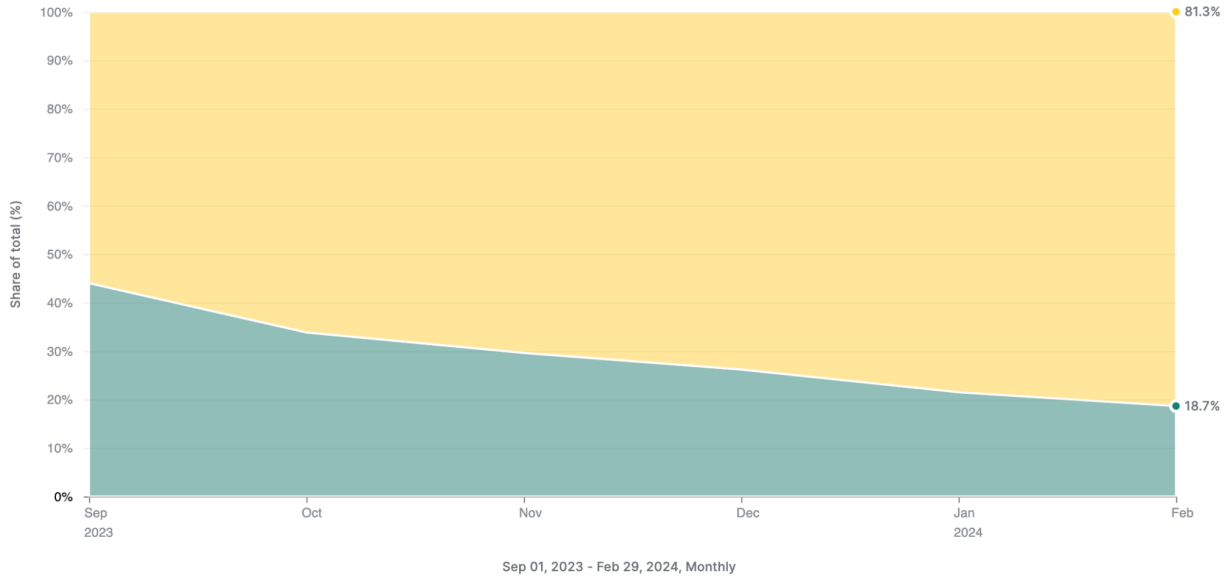
TikTok Shop

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

Most sales are already coming from repeat customers

Since launching, TikTok Shop's sales quickly skewed to repeat customers. Over 81% of sales came from existing customers in February 2024, up from 64% in November. This high percentage of sales to existing customers is linked to a relatively high retention rate (see Step 2), which suggests the TikTok Shop is resonating more with early adopters than other ecommerce platforms so far.

TikTok Shop sales, new vs existing customers

Existing New

Powered by Earnest's Orion transaction dataset. Access chart in Dash.
Customers can be both new and existing in same month

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TikTok Shop is dominating social shopping

Social shopping platforms marry aspects of social media like commenting and following, with shoppable sales experiences. Facebook and Instagram both moved from strict social and advertising platforms into the shopping space, but were eclipsed in gross merchandise value by livestream shopping app Whatnot. More recently Flip App, billing itself as a social shopping network, made waves with its generous referral program, which turbocharged customer growth.

Still, TikTok Shop stands out in the nascent social shopping space due to the speed with which it took share. By February 2024, TikTok Shop sold over 68% of social shopping gross merchandise value. Instagram Checkout, Facebook Shop, and Flip App's combined gross merchandise value amounted to less than 1% of the market.

Social shopping platforms market share

Jan 01, 2023 - Mar 18, 2024, Monthly

TikTok Shop Whatnot Instagram Checkout Facebook Shop Flip App
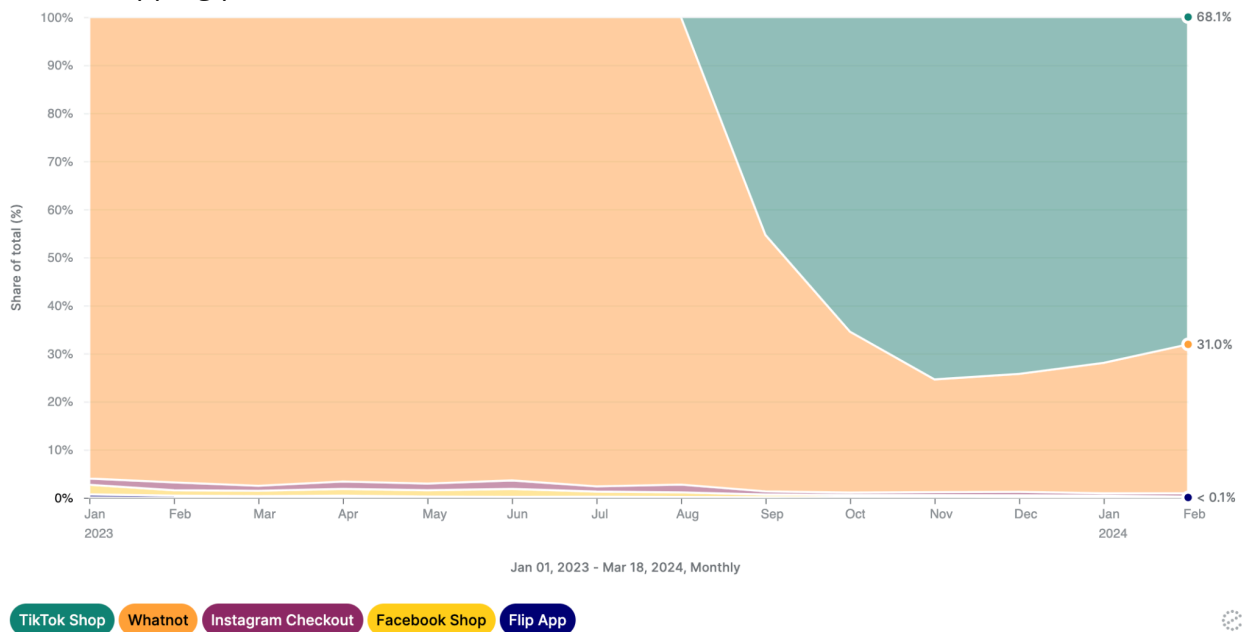
Powered by Earnest's Orion transaction dataset. Access chart in Dash.

Step 2: See Customer Demographics and Behavior

Since TikTok's 2016 US launch, it developed a reputation as the buzzy app for young Millennials and Gen Z, with 56% of US adults aged 18-34 reporting to have used the app. However, only 52% of users have ever posted themselves, suggesting a minority of users make most of the TikTok media consumed–which amounts to about 100 minutes a day for the typical user. Around 66% of Gen Z and 53% of Millennials say they would choose to watch TikTok over traditional TV or streaming. This strong preference and high screen time is giving TikTok Shop leverage vs traditional shopping platforms among young, middle income users.

Median-earning US households spending the most so far

TikTok Shop sales grew fastest among shoppers earning between $55k-$90k a year during its first 6 months, a range that roughly straddles the US median household income. This middle to high income range suggests TikTok Shoppers skew slightly more affluent than the average TikTok user, who is likely a Gen Z.

Earners with little to median income ranges are the second fastest growing segment, more in line with expectations for younger users. Top earning shoppers making over $190k a year are the slowest growing segment of TikTok Shop users.

Indexed TikTok Shop sales growth performance by income
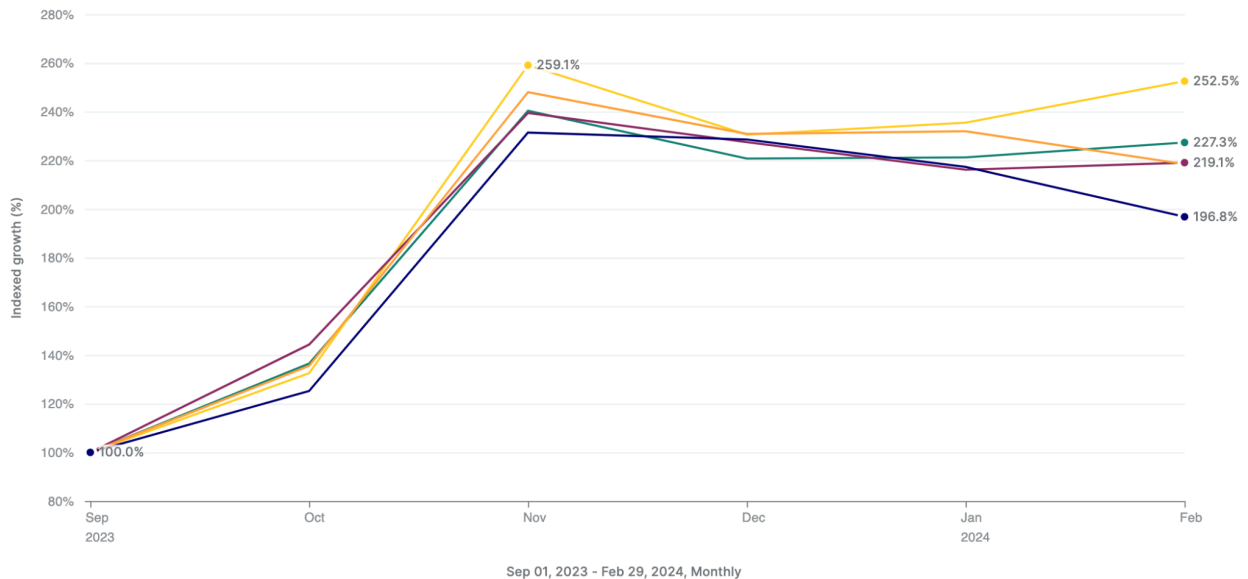
Powered by Earnest's Orion transaction dataset. Access chart in Dash.
Quintile 1: $0-55k. Quintile 2: $55k-90k. Quintile 3: $100k-130k. Quintile 4: $130k-190k.
Quintile 5: $190k+.

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Customers skew young, but not just Gen Z

TikTok Shop could be part of brands' strategy to get younger shoppers spending on apparel and accessories, a spending segment in which they lag other cohorts. Gen Z adults between 18 to 24 are 3.2x as likely to spend at TikTok Shop than the average shopper, eclipsing the next highest ranking age group, 25-34, at 1.8x. However, the youngest shoppers are not the only ones spending. 34-44 and 45-54 year olds slightly over-index to TikTok Shop vs the general population.

As cohorts age, they are less likely to shop at TikTok Shop. Customers between 55-64 and over 65 are 0.7x and 0.3x as likely to buy at TikTok Shop.

Shoppers "x" times as likely the average shopper to spend at TikTok Shop, 2023


1 = As likely as the average shopper

3.2x	1.8x	1.3x	1.1x	0.7x	0.3x
18-24	25-34	35-44	45-54	55-64	65+
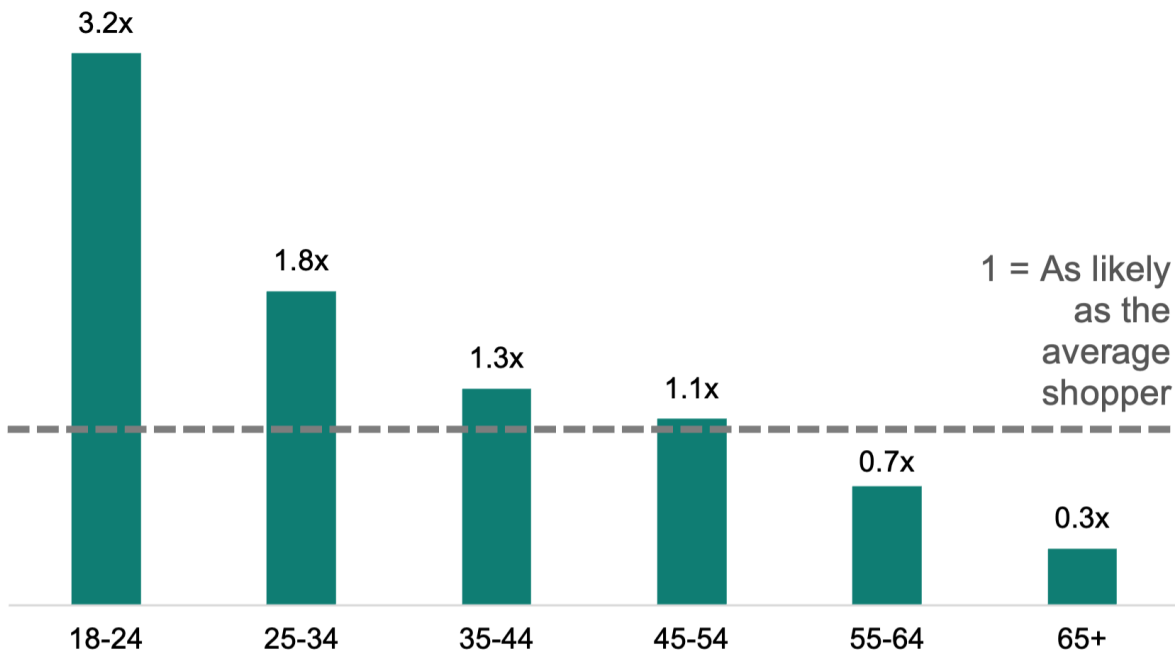
Powered by Earnest's Vela transaction dataset. Access chart in Dash.

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TikTok Shop customers spend more at lower ticket apparel retailers

TikTok Shop customers spent 26% of their apparel wallet on Off-Price Department Stores and 11% on Fast Fashion in the 12-months ended February 2024, compared to 24% and 7% for the average shopper. Conversely, TikTok Shop users spent less than their peers at middle-to-higher end apparel retailers, with 22% of their apparel dollars going to Mid-Tier Department Stores, 14% to General Apparel, and 5% to High-End Department Stores compared to 25%, 16%, and 7% for the average shopper. This dynamic suggests brands selling lower average ticket apparel items may stand to benefit most from this new shopping outlet.

TikTok Shop customers' share of apparel wallet, 12-month period ended February 2024
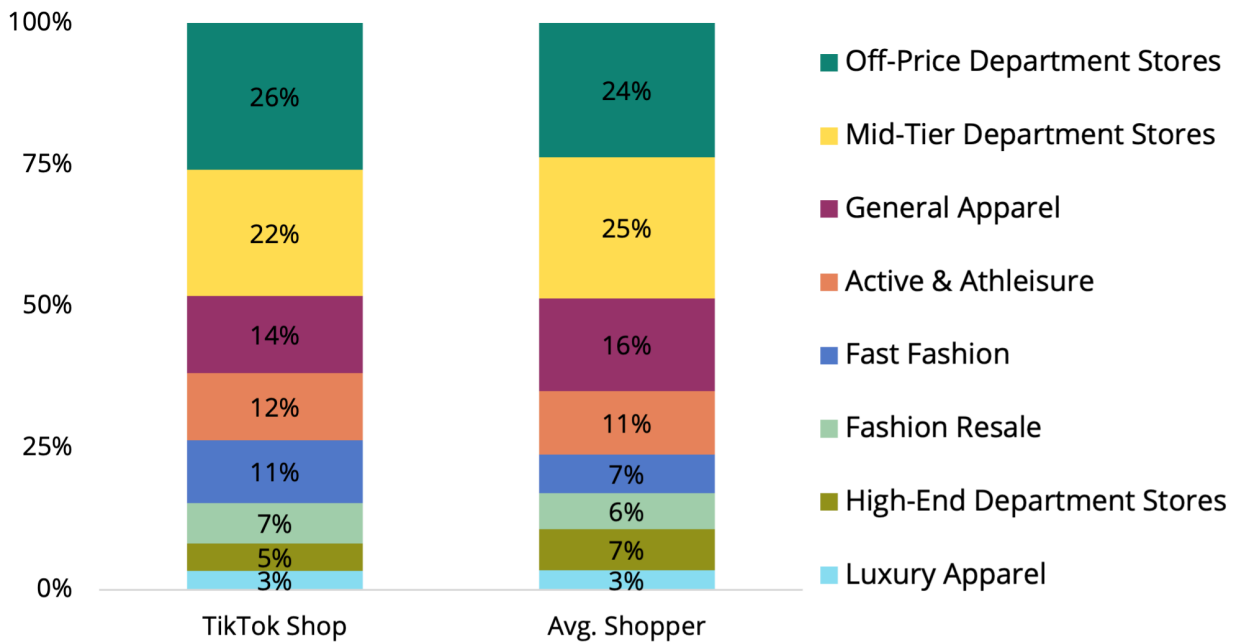
Powered by Earnest's Orion transaction dataset. Access TikTok and Panel data in Dash.

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Industry leading retention, loyalty from early adopters

Over 27% of TikTok shoppers returned 5 months after their first purchase. This retention leads ecommerce platforms Temu (20%), Shein (10%), and Etsy (8%). TikTok Shop also leads Whatnot (22%), Flip (3%), and Instagram Checkout (1%), suggesting that even among fellow social shopping platforms it has a more effective formula to get customers back to the app.

**TikTok Shop customer retention vs social shopping apps and mass retailers**
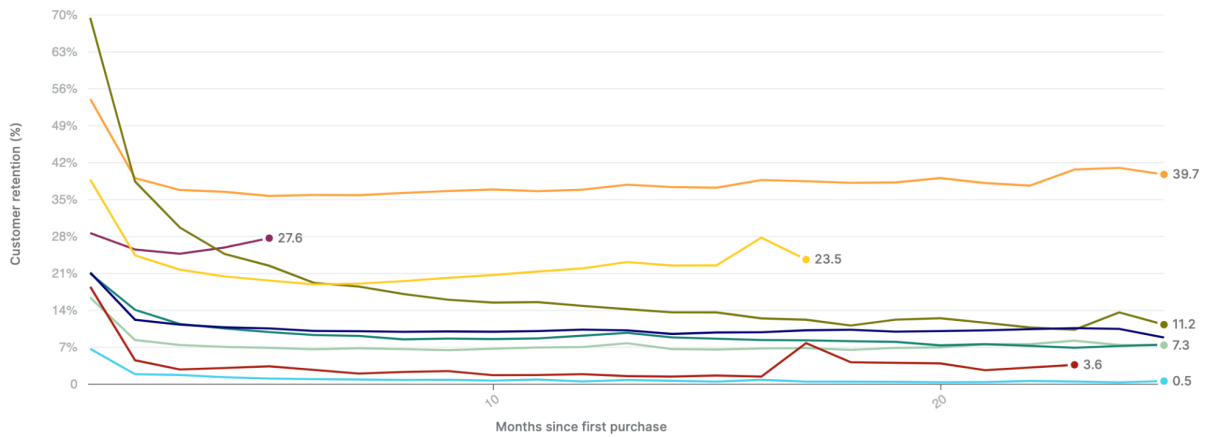
Powered by Earnest's Orion transaction dataset. Access chart in Dash.

Over 35% of TikTok shoppers who first purchased in September 2023 returned 2 months later, compared to 19% from December 2023. In this case, the increasing weighted average "smile" is driven by the outperformance of early cohorts added during the 2023 holiday shopping period.

TikTok Shop retention by acquisition cohort
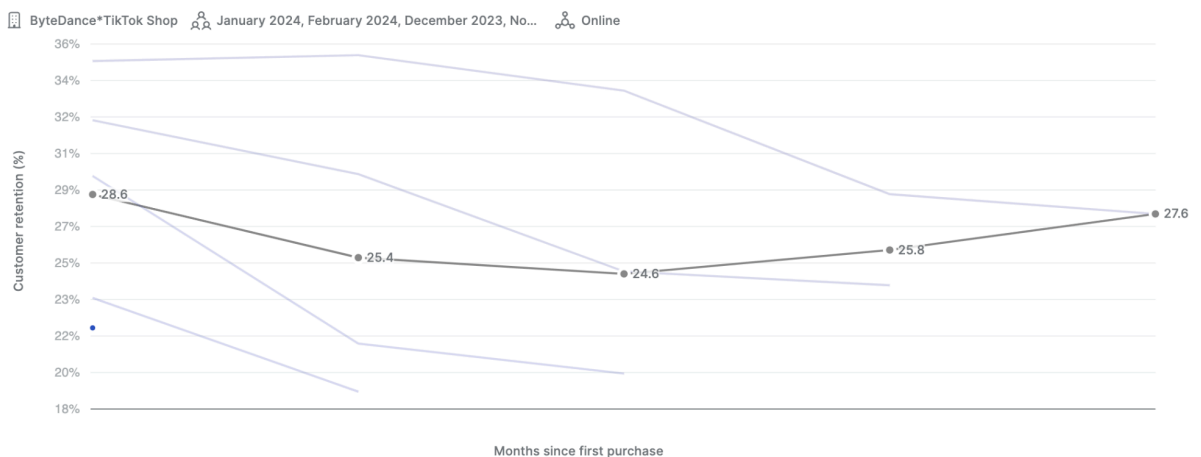
Powered by Earnest's Orion transaction dataset. Access chart in Dash.

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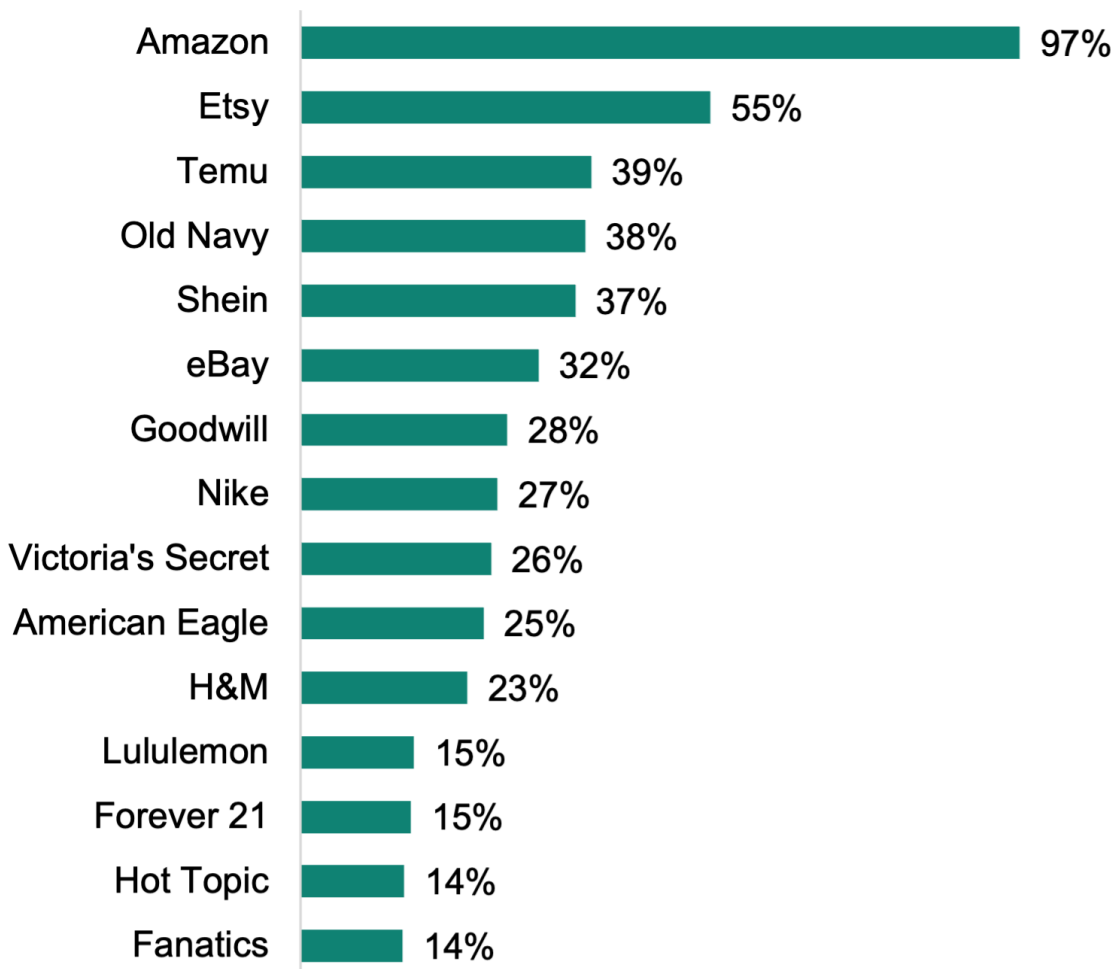
Step 3: Measure Competitive Impact

TikTok revolutionized how tech savvy customers discover products through its short video format. Now, TikTok Shop could disrupt those customers' buying journeys further by shortening purchase times, reducing abandonment, and redirecting direct sales.

TikTok shoppers prefer Etsy & Temu, like Nike more than Lululemon

Around 97% of TikTok shoppers also shopped at Amazon in the trailing 12 months ended February 2024. Across major ecommerce and apparel brands, TikTok Shoppers also use Etsy (55%), Temu (39%), Old Navy (38%), and Shein (37%). They are not likely to have shopped at mall brands Fanatics (14%), Hot Topic (14%), and Forever 21 (15%). Interestingly, they also under-index to Lululemon (15%), one of the fastest growing athleisure brands in the country, instead preferring Nike (27%).

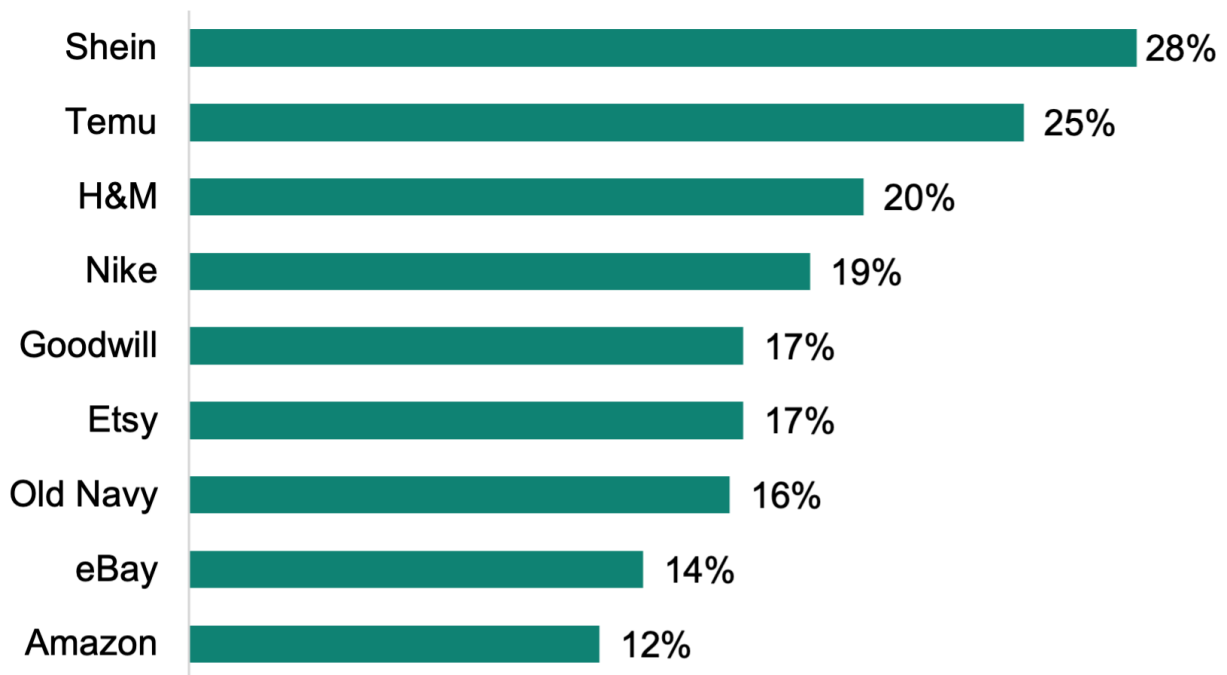Percentage of TikTok Shoppers customers shared with each brand, Trailing 12-months

Powered by Earnest's Orion transaction dataset. Access chart in Dash.

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Shein, Temu share highest percentage of customers with TikTok Shop

Higher percentages of brand customers shopping at TikTok Shop could suggest TikTok Shop may disrupt sales to those brands, but not necessarily. Around 28% of Shein customers shopped at TikTok Shop in its first months, one of the highest overlaps of any fast fashion or general apparel brand. A quarter of Temu's customers also shop at TikTok Shop, leading other ecommerce sites like Etsy (17%), Ebay (14%), and Amazon (12%). H&M has the next highest overlap after Temu, with 20% of its customers also shopping at TikTok Shop.

Nike is the favorite athleisure and athletic brand for TikTok shoppers (see above), and 19% of Nike customers have made a purchase on TikTok Shop, higher than most other athleisure brands.

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

Brand	Percentage
Shein	28%
Temu	25%
H&M	20%
Nike	19%
Goodwill	17%
Etsy	17%
Old Navy	16%
eBay	14%
Amazon	12%

Powered by Earnest's Orion transaction dataset. Access chart in Dash.

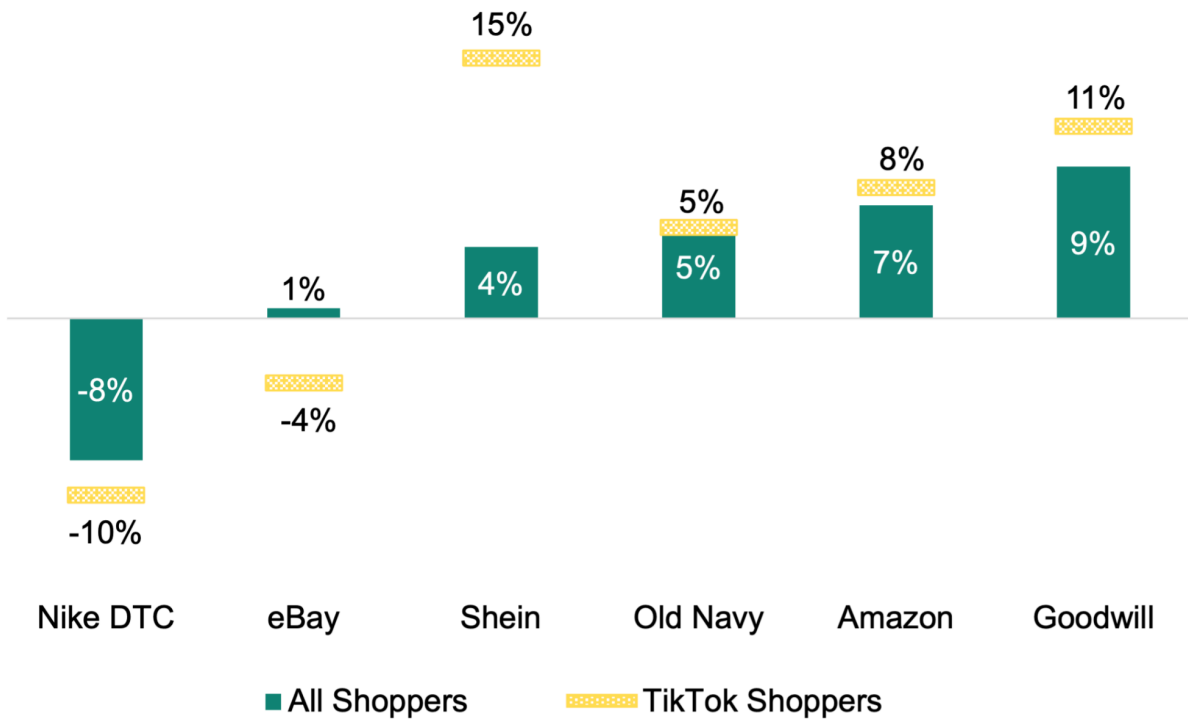Better decisions through data | https://www.earnestanalytics.com/

TikTok shoppers outspent at Shein, underspent at Nike

TikTok shopper customers spent 15% more from January 1-March 23 2024 than they did the year prior, meaningfully faster than the 4% YoY growth across all Shein shoppers. This suggests that despite a relatively high 28% overlap between their customer bases, TikTok Shop has not yet had a negative impact on Shein sales. TikTok Shopper spending at Old Navy, Amazon, and Goodwill also all outperformed the general shopper base.

The opposite is the case for other high overlap brands eBay and Nike. TikTok Shop customers spent 10% less YoY during the same period through Nike DTC channels, compared to an 8% decline across all Nike DTC shoppers. EBay shoppers increased their spend 1% YoY during the first several weeks of 2024, while TikTok Shoppers' spending at eBay fell 4% YoY. This suggests TikTok Shop could be having a negative impact on those brands.

Spending at each brand by all shoppers vs TikTok Shoppers
YoY Growth for Jan 1-Mar 23, 2024 period

	Nike DTC	eBay	Shein	Old Navy	Amazon	Goodwill
All Shoppers	-8%	1%	4%	5%	7%	9%
TikTok Shoppers	-10%	-4%	15%	5%	8%	11%

■ All Shoppers   ▨ TikTok Shoppers

Powered by Earnest's Orion transaction dataset. Access chart in Dash.

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Conclusion

Since its US launch in September 2023, TikTok Shop made waves in US retailing, with over 11% of households already making a purchase on the platform. Sales through the platform rapidly scaled, peaking at 145% September 2023 levels in November 2023 as TikTok Shop leveraged its leading social media position by taking advantage of its extensive advertising reach and promotions. This aggressive launch campaign helped TikTok Shop capture a 68% share of the nascent social shopping market and drove strong new customer growth in early months, but sales already skew to repeat customers thanks to strong retention among early adopters, with existing customers accounting for over 81% of sales in February 2024.

Among its customer base, shoppers earning between $55k and $90k annually have grown the fastest, followed by those earning under $55k. These lower to middle income cohorts align with the earning potential of its core user base of younger Millennial and Gen Z adults, who are 1.8x and 3.2x as likely to make a purchase on TikTok Shop than the average consumer. TikTok Shoppers also have a propensity to spend more of their apparel wallet at lower ticket apparel retailers, which suggests brands selling lower average ticket apparel items may stand to benefit most from this new shopping outlet. Despite high overlap with some low ticket apparel brands like Shein, TikTok Shop usage does not appear to negatively impact spending at the brand so far. In the long term, certain brands may be able to reach a wider audience through this channel, while others may be at risk of losing consumer dollars altogether as more consumer attention/time shifts towards the platform.

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