Marketplace Pulse Year in Review 2024

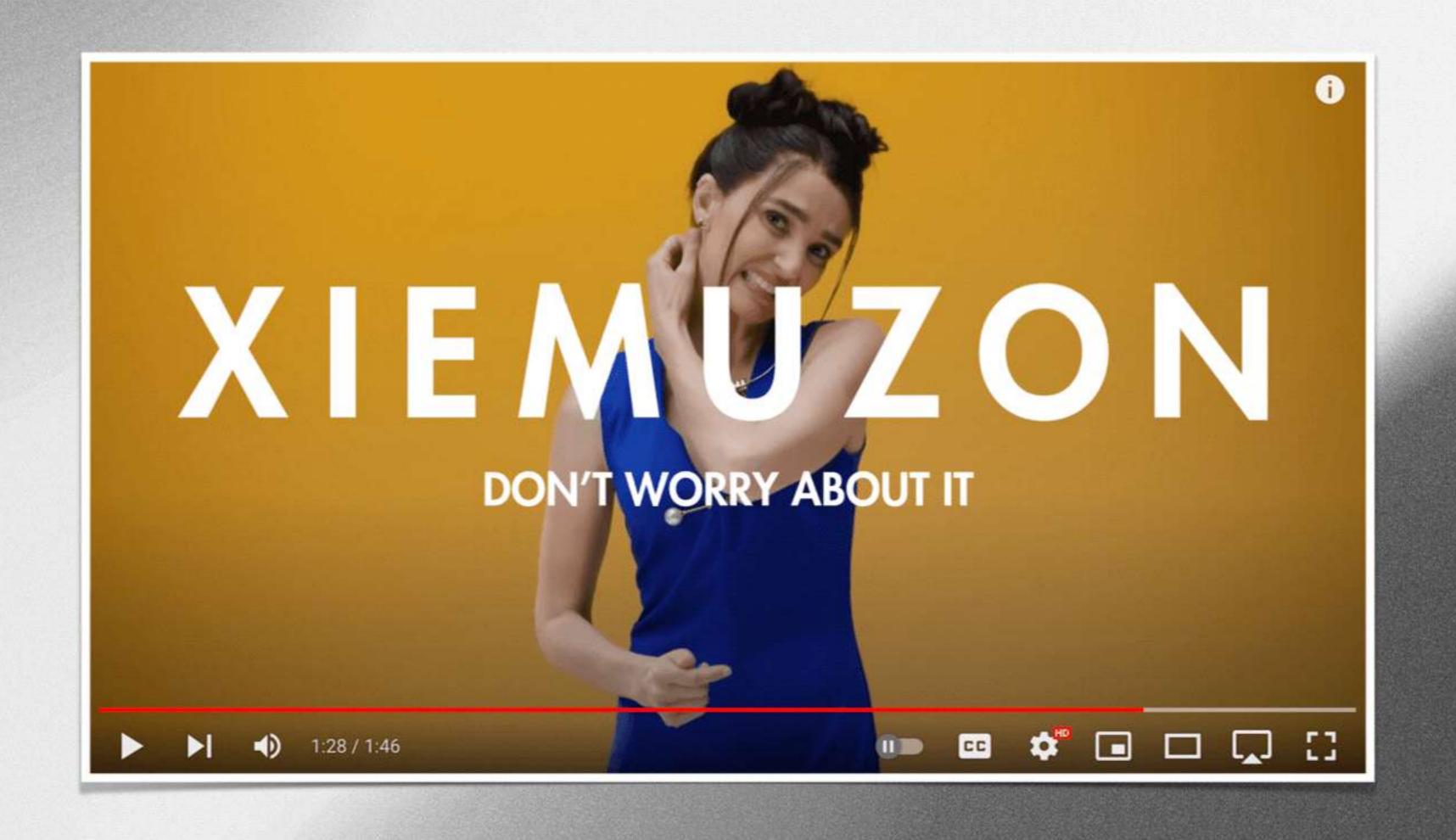
Every year, for seven years, I put everything I thought, talked, and wrote about into a report.

There is an endless stream of news, yet so little that asks, "So what?" This is an attempt to tie the trends into a narrative that answers that.

Like always, there is so much more to e-commerce than this report focuses on. These are the topics Marketplace Pulse researched this year.

— Juozas Kaziukėnas, December 2024



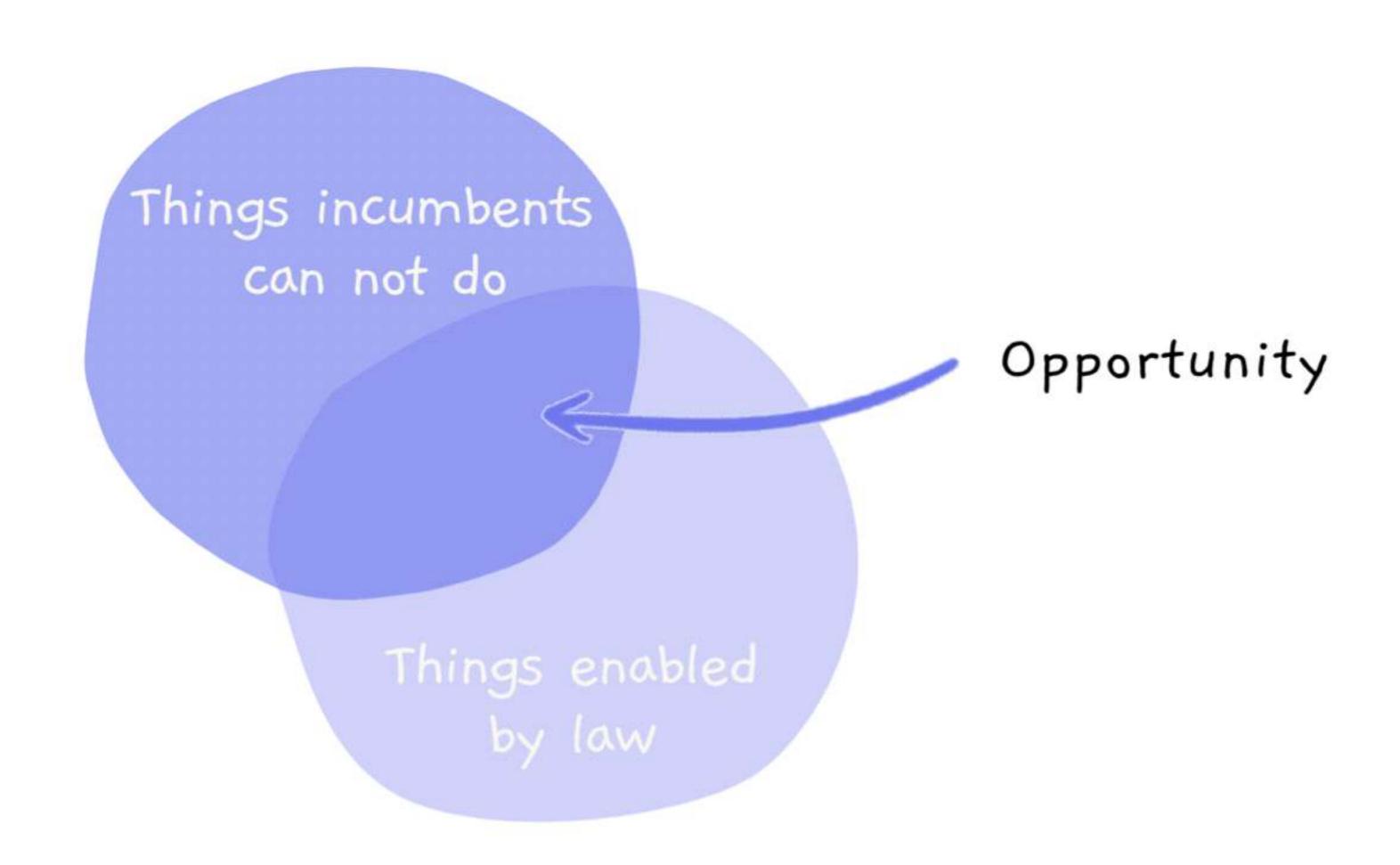


If you know, you know.

China dominated the conversation.

Chinese retail apps, Super Bowl ads, the fake SNL ad, advertising billions, TikTok ban, de minimus thresholds, customs tariffs, sanctions, and elections.

Shein and Temu made us pay attention. But we've been buying more goods made in China and sold directly by Chinese companies **for years.** They made us *angry* because of the **de minimis threshold**, which allows them to ship goods to shoppers without paying duties and/or taxes. As long as the order is below \$800 in the U.S.

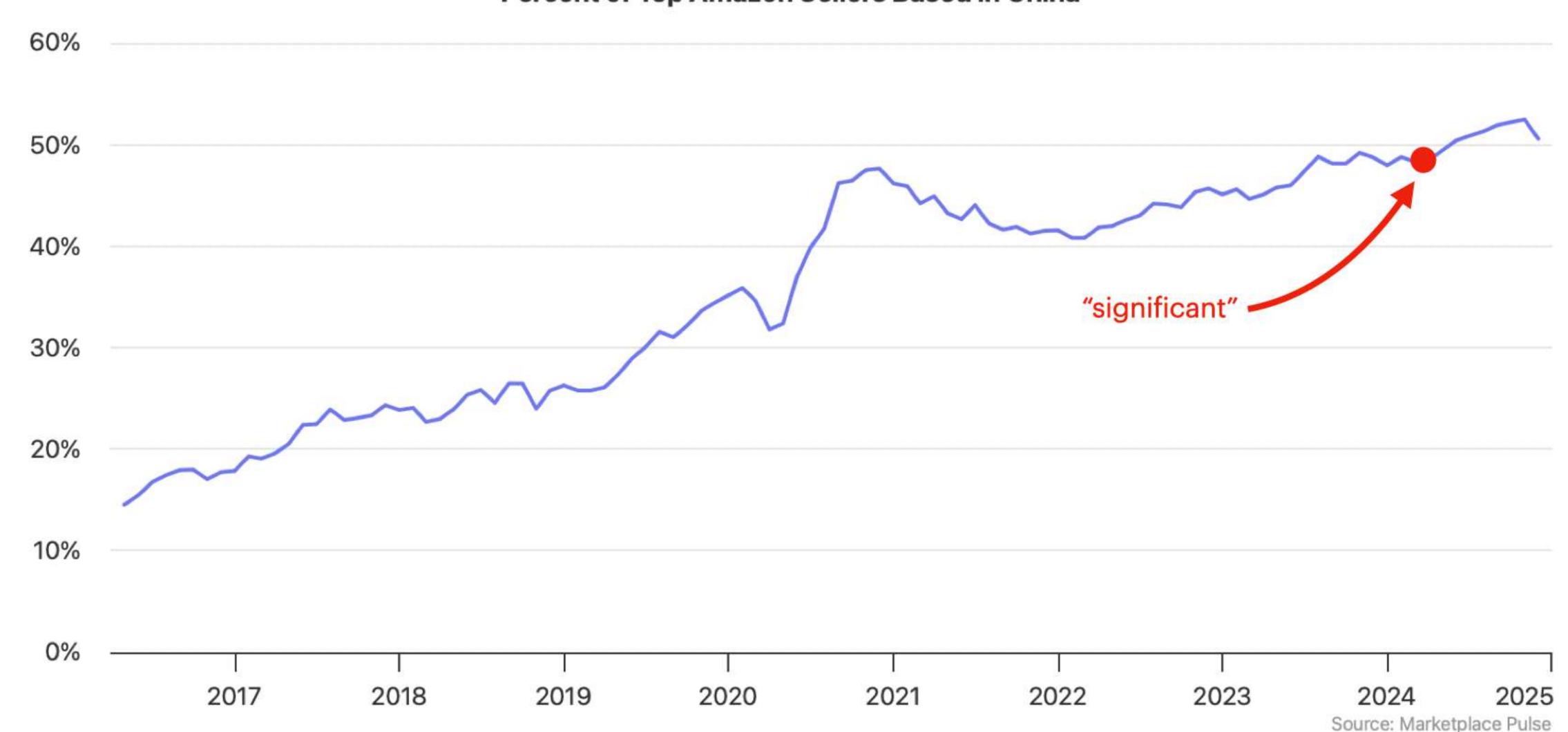


Long before Shein and Temu, Amazon marketplace has been the biggest online channel for Chinese sellers to sell to the West. An open secret the company only **admitted** in 2024. "Because China-based sellers account for significant portions of our third-party seller services and advertising revenues, and China-based suppliers provide significant portions of our components and finished goods [...]"

Annual Form 10-K filing with the SEC filed February 2024

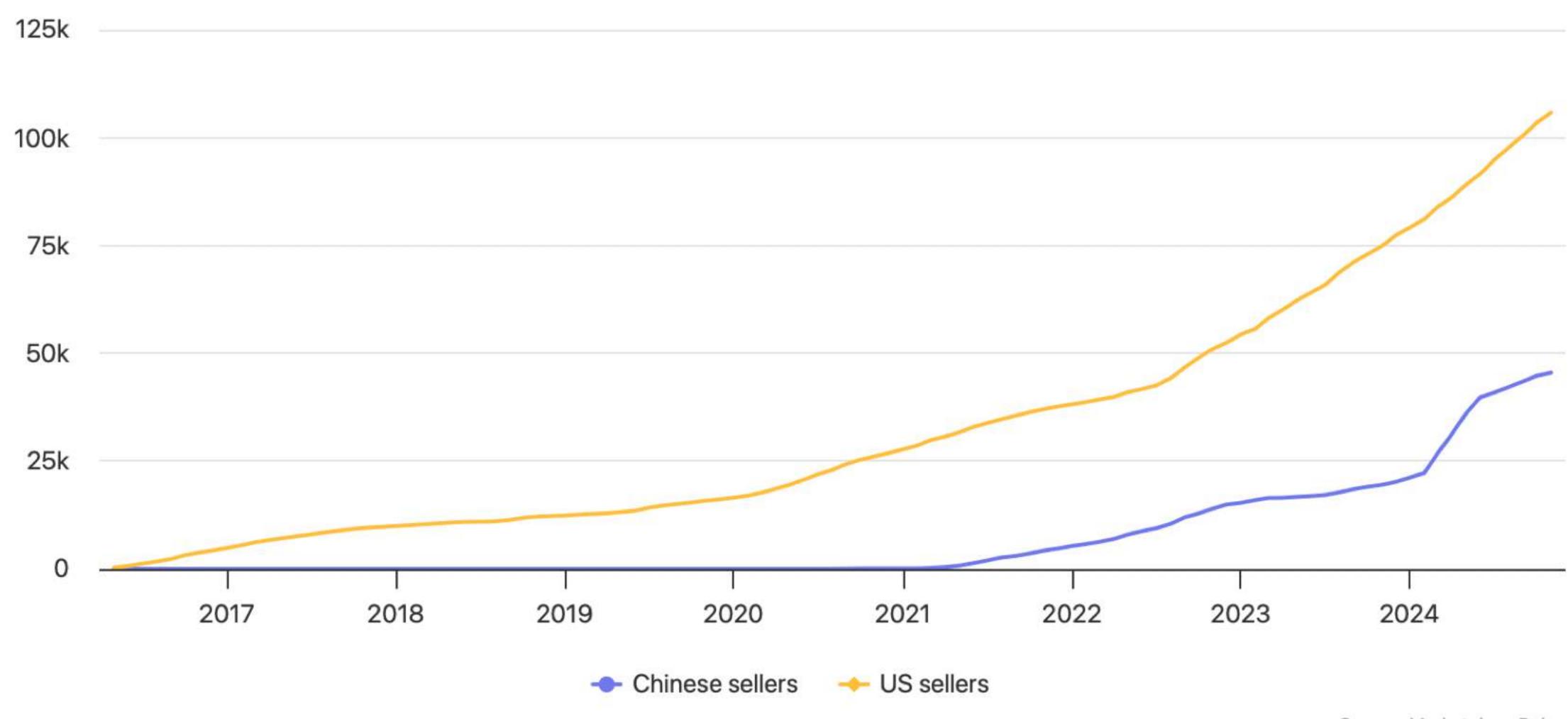
Amazon disclosed the "significant" reliance on Chinese sellers only once it reached nearly 50%.

Percent of Top Amazon Sellers Based in China

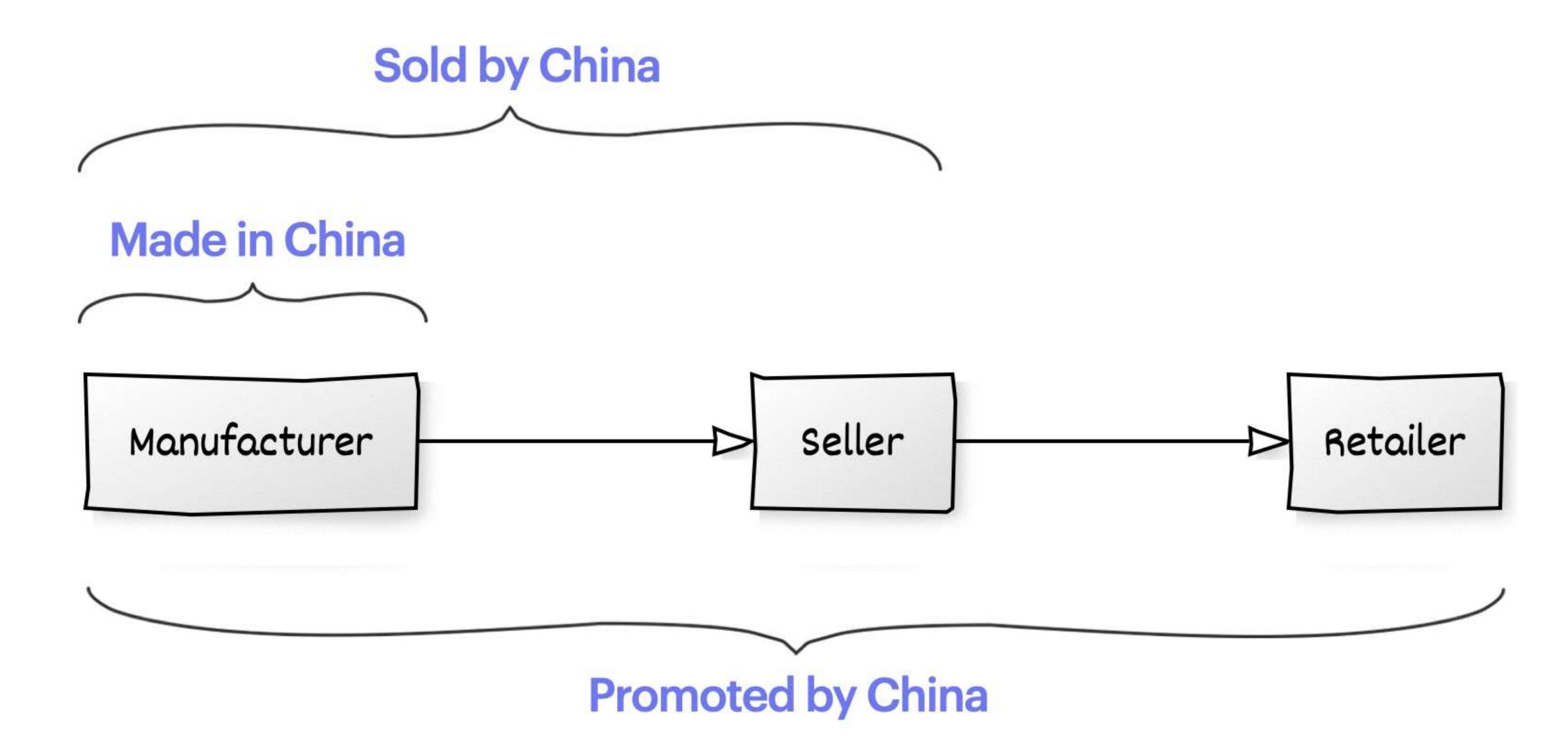


Walmart marketplace is adding Chinese sellers, too. They now represent 30% of active sellers, up from 20% a year ago.

Walmart Marketplace Active Sellers

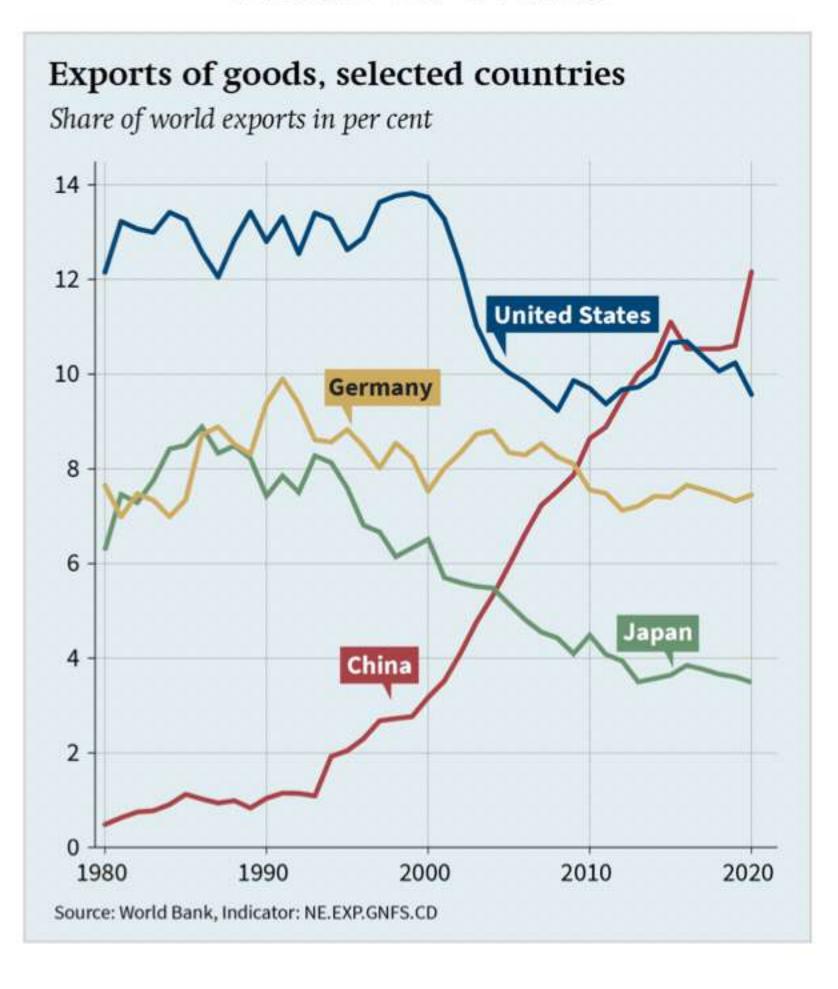


"Made in China" began in the 80s; Amazon was the next evolution. The new Chinese retail apps are the third.

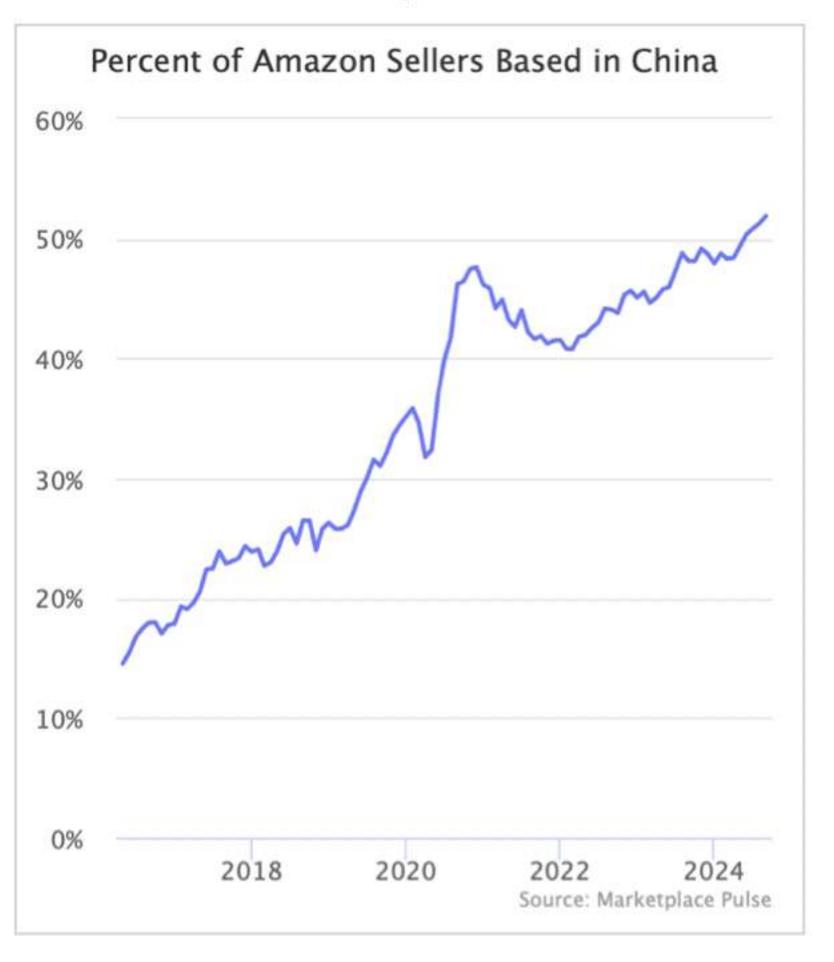


Three charts that align almost perfectly.

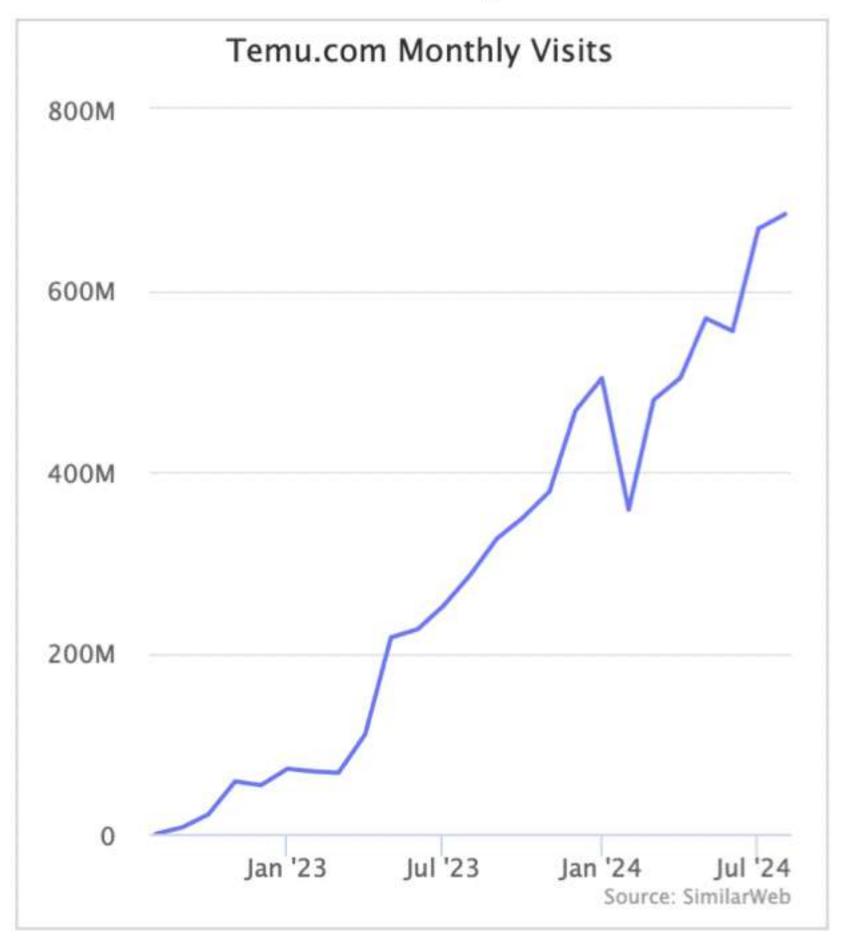
Made in China



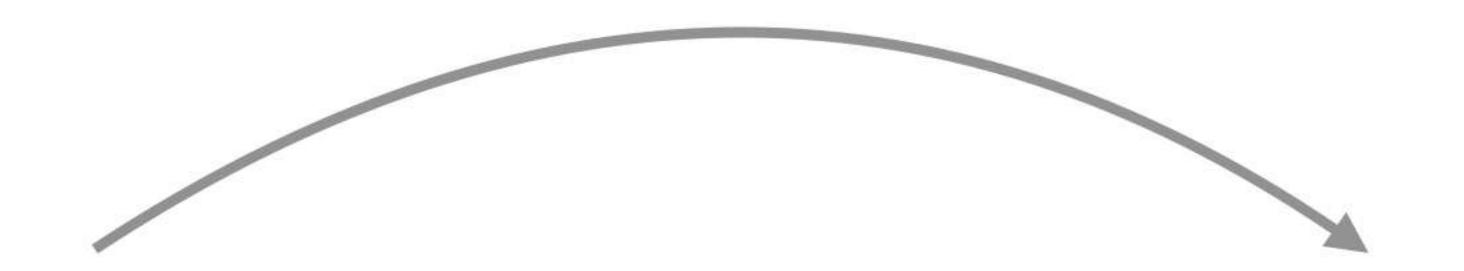
Sold by China



Promoted by China



Promoted by China



China is no longer the world's factory. The world is China's marketplace.



"Promoted by China" means paying less and waiting longer. While often used in the same sentence, Shein and Temu are different.

SHEIN

Faster than fast-fashion.

Mostly a retailer, does their own sourcing.
Thousands of new designs every day.
Huge social following and name recognition.
A replacement for Zara or H&M.



General merchandise.
A fresh take on AliExpress.
A marketplace of 500,000+ sellers.
Little following.
An incomplete replacement for dollar stores and Amazon or other retailers.

Temu is now 2nd most-visited e-commerce website in the world. It didn't exist 2 years ago.

Rank	Website
1	amazon.com
- 2	temu.com
- 3	ebay.com
4	aliexpress.com
5	amazon.co.jp
6	R rakuten.co.jp
7	* walmart.com
8	amazon.in
9	etsy.com
10	amazon.de

As fast as they've grown, they are morphing even faster.

Both started with shipping 100% of orders on-demand from China.

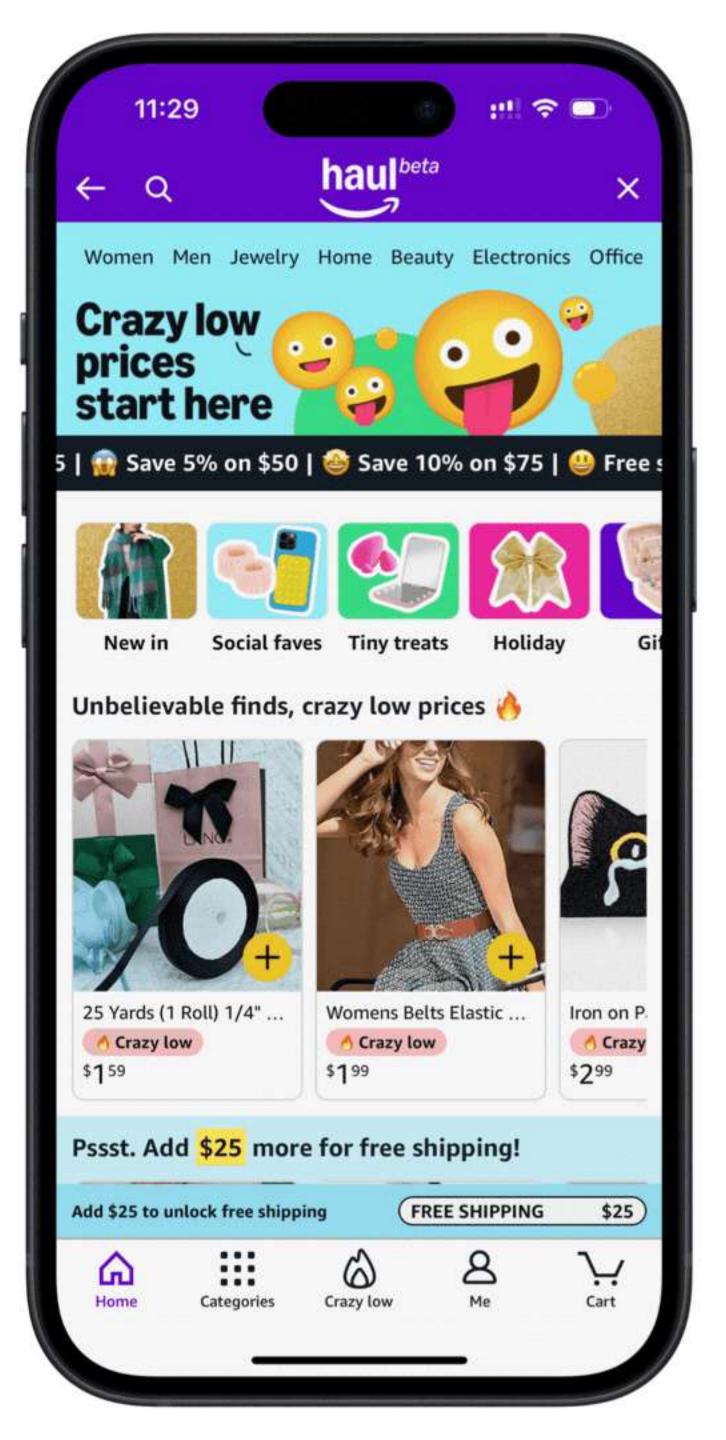
Now, Shein has established manufacturing capacity in Turkey and Mexico and has warehouses in the EU/U.S.

And Temu now ships over 50% of orders from domestic warehouses (The Information) in the US, though still from Chinese sellers.

While Amazon is US brands, US sellers, and Chinese sellers, Shein and Temu have practically zero US sellers or brands.

They are trying, though. They both want US brands and sellers. But both US brands and sellers probably don't want them.

In November, Amazon decided to copy Temu. Not Shein, Amazon Haul is Temu.

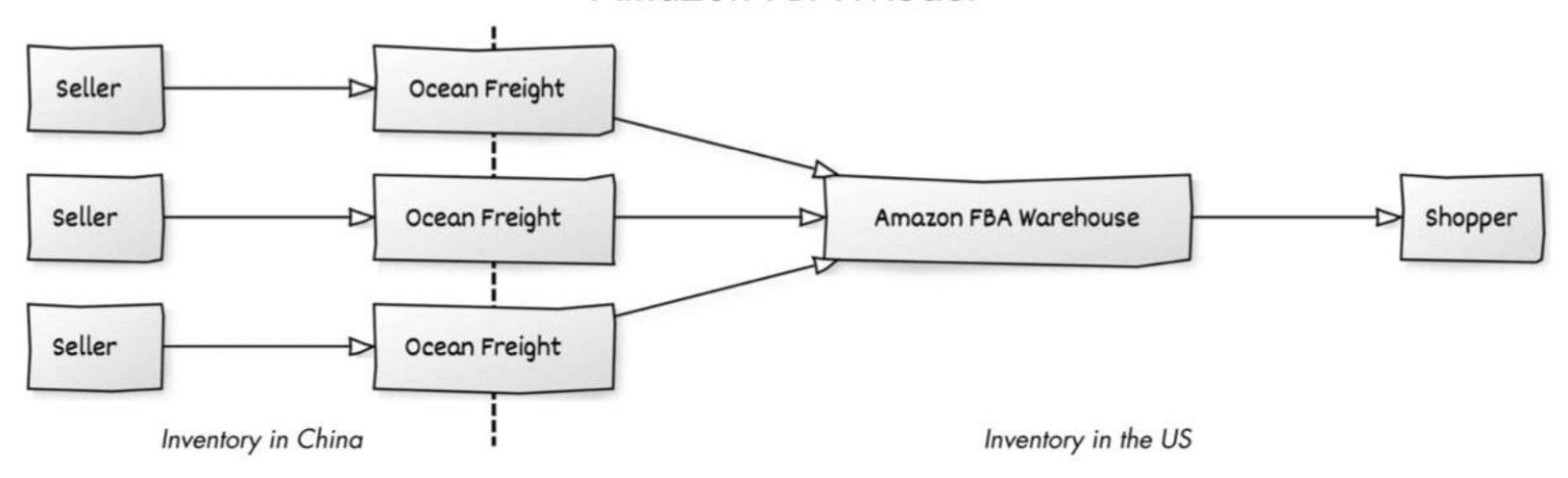


"After months of iterations, in August, we proposed **a new** supply chain model and shopping experience that lowers prices by reducing risk for sellers and encourages shoppers to order product Hauls, rather than individual items."

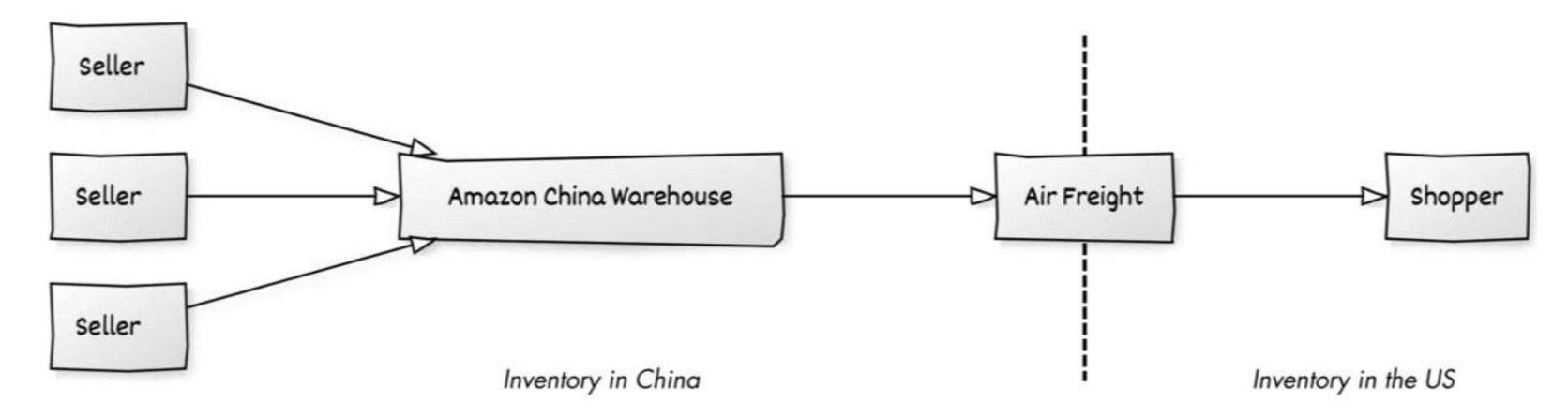
From an Amazon employee post on LinkedIn

Like Temu, Amazon Haul ships from China by integrating the supply chain at the source. FBA was at the destination.

Amazon FBA Model

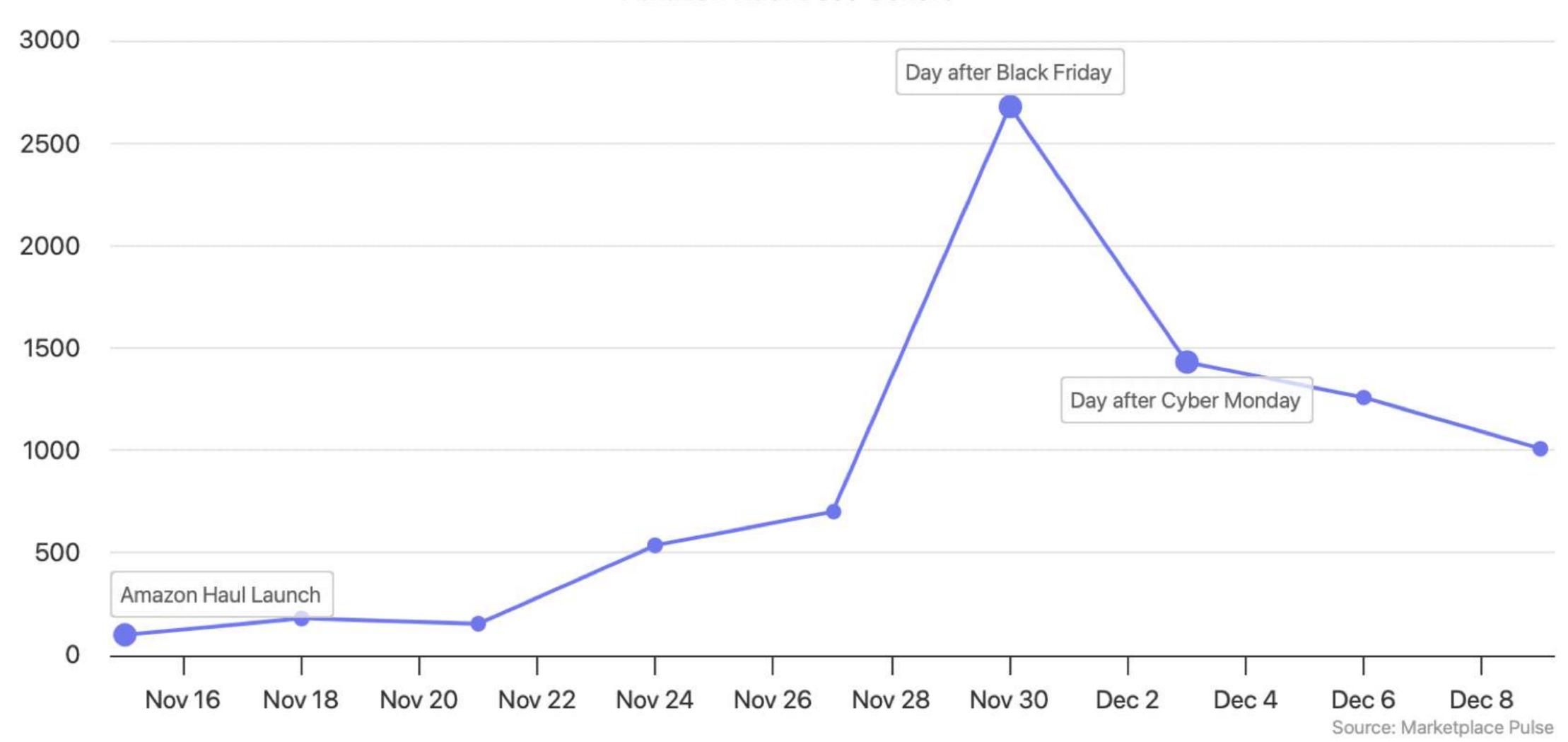


Amazon Haul Model

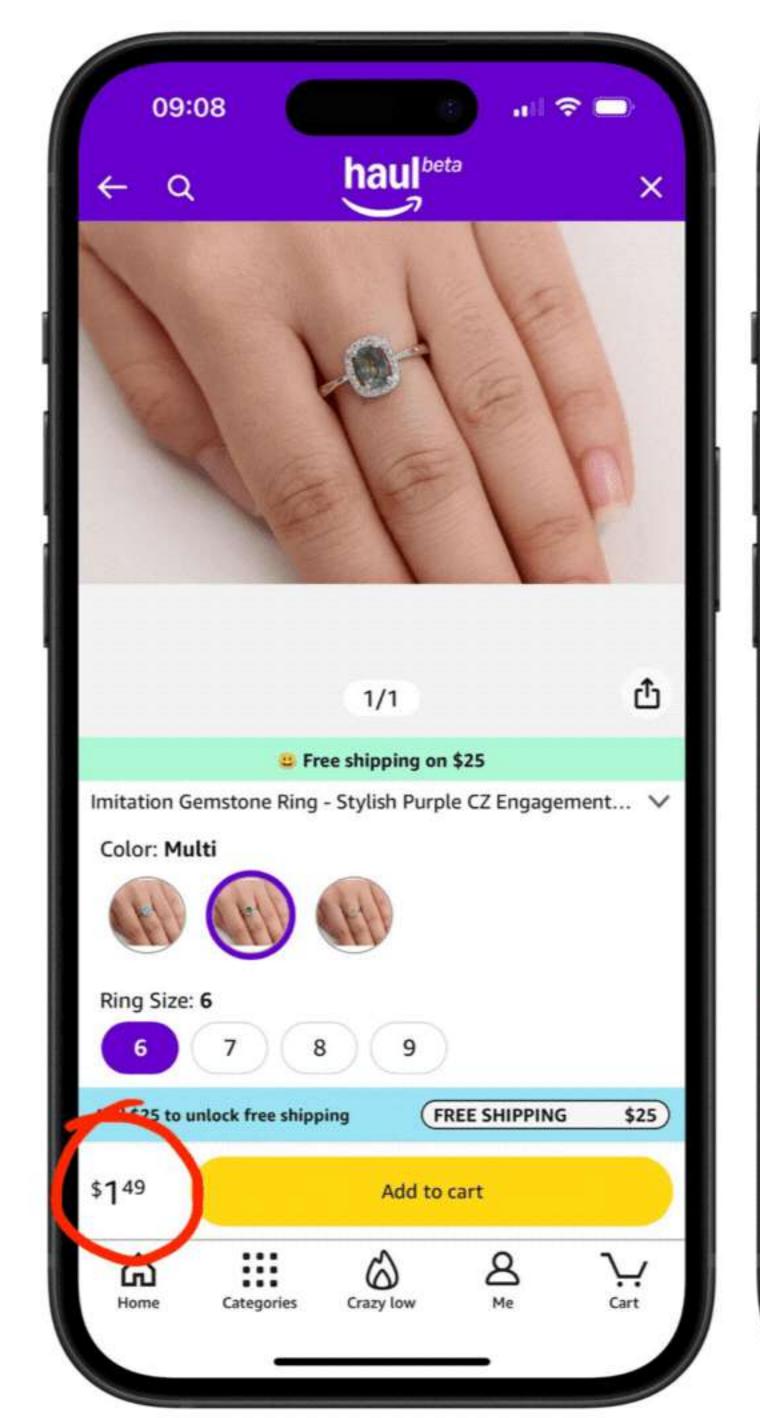


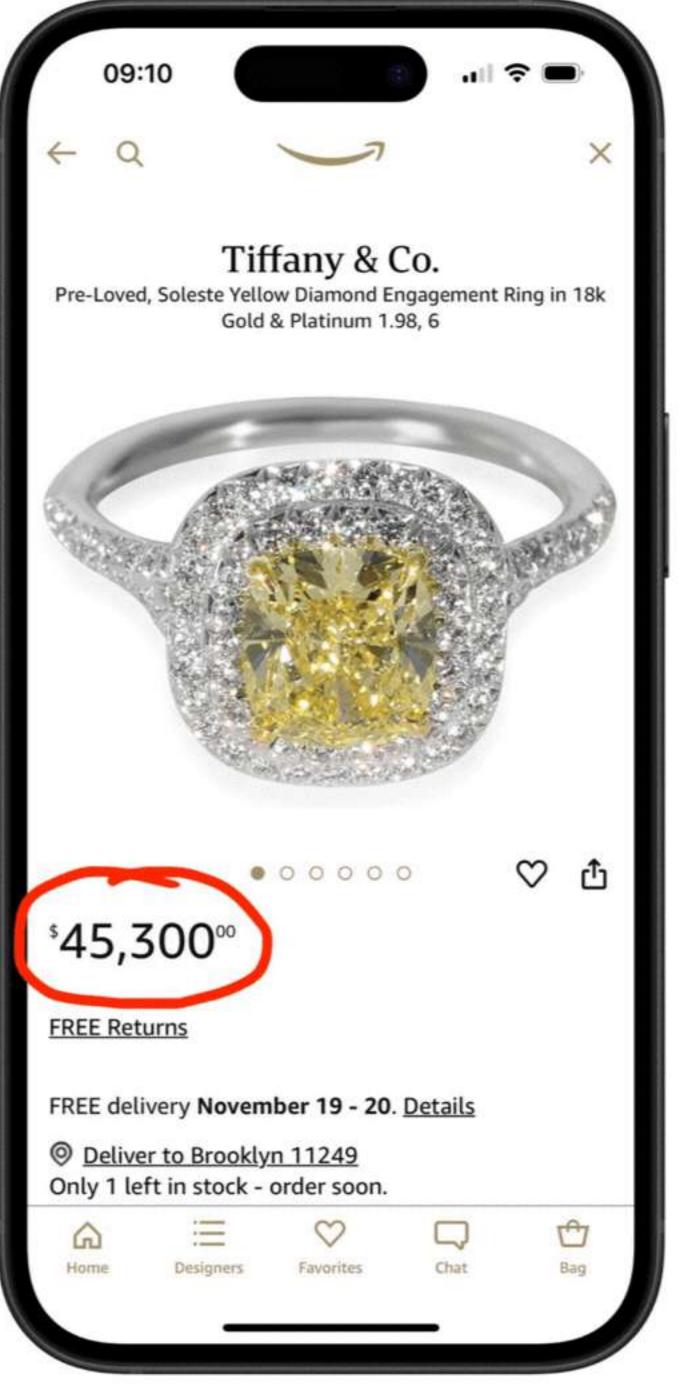
Amazon Haul spiked during Black Friday because of the 50%-off promotion and feature on the app's homepage.





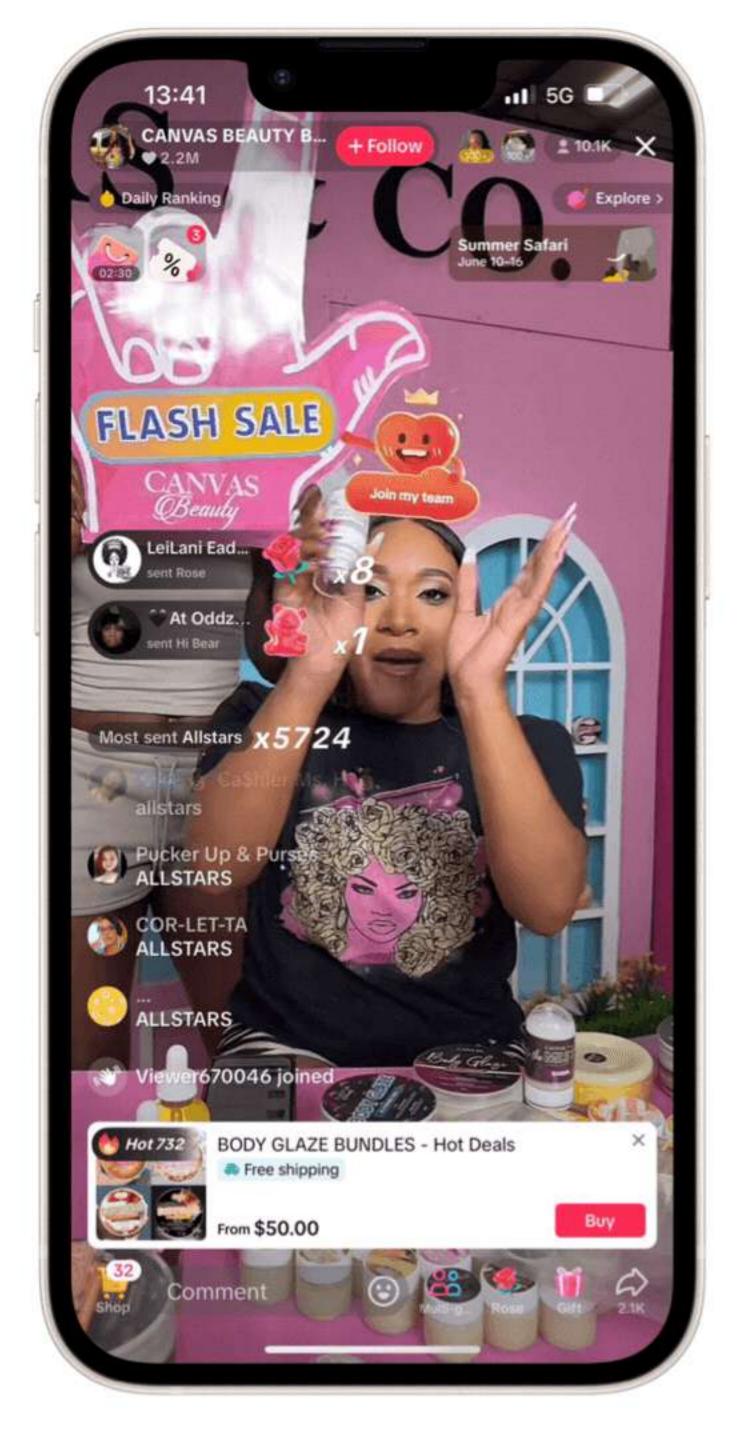
Amazon now sells \$1 engagement rings and \$45,000 rings. One is Amazon Haul, and the other is Amazon Luxury Stores. It sells **very few** of either.





Amazon Haul is a **distraction** for Amazon. It spent decades getting shoppers hooked on **convenience** — fast delivery, which continues to get faster — all to offer a knockoff Temu. It will not challenge the real Temu.

And, finally, TikTok Shop. It launched in the U.S. in September 2023. It hosted a few \$1m+ live streams, but most goods sell after users see influences promoting them in-feed. Some sold millions of units.

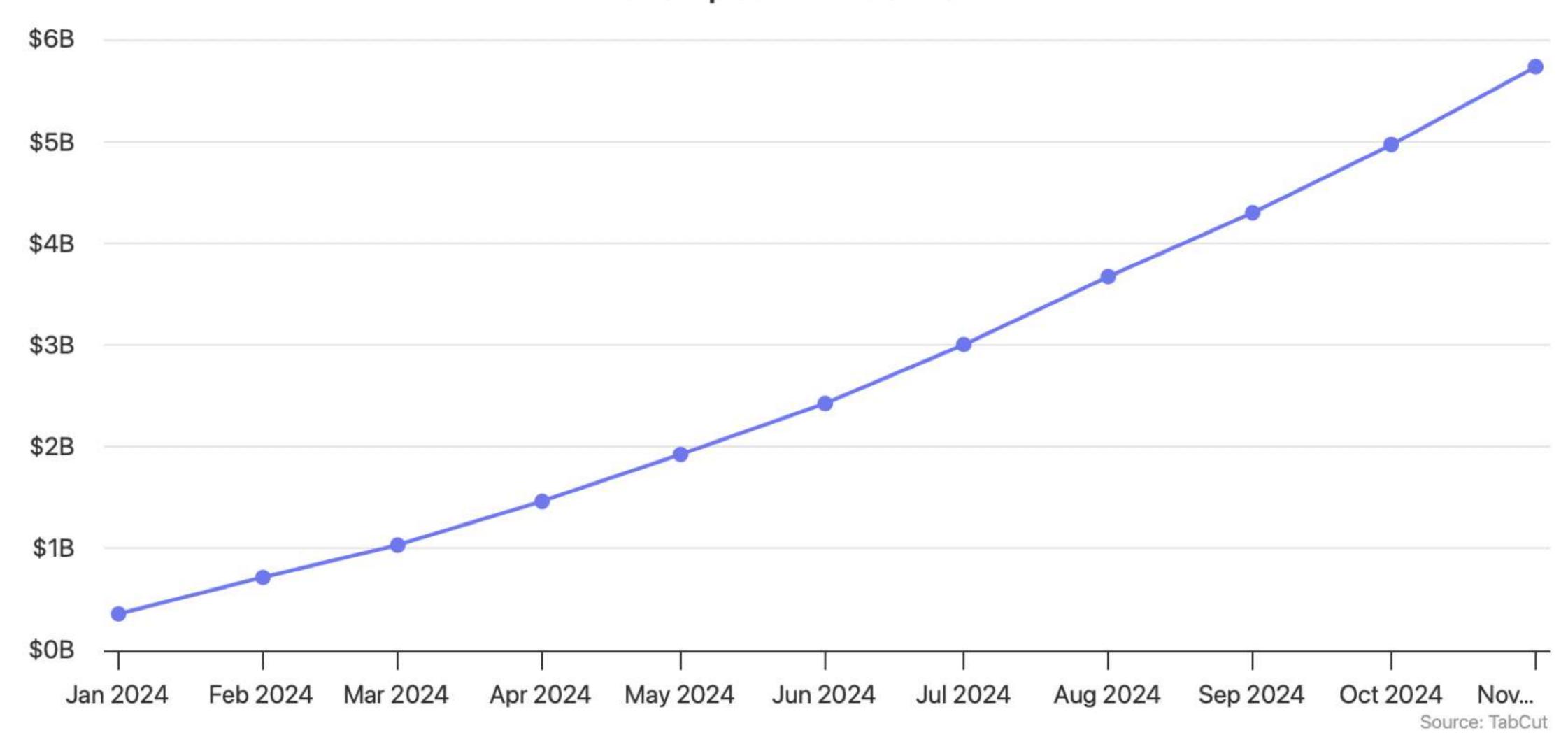


Initially, TikTok Shop allowed **only US sellers** with inventory in the US. Later, TikTok relaxed those requirements.

There are no major brands with significant sales on TikTok. All top sellers figured out a unique strategy for it, went viral early when the platform launched, or poured all of their margins into affiliate payments. Including sellers from China.

TikTok Shop wanted to reach \$17.5 billion in the U.S. (Bloomberg). It got to less than half of that.





And yet, despite underperforming its own targets, TikTok Shop is the biggest **social commerce** platform in the U.S.

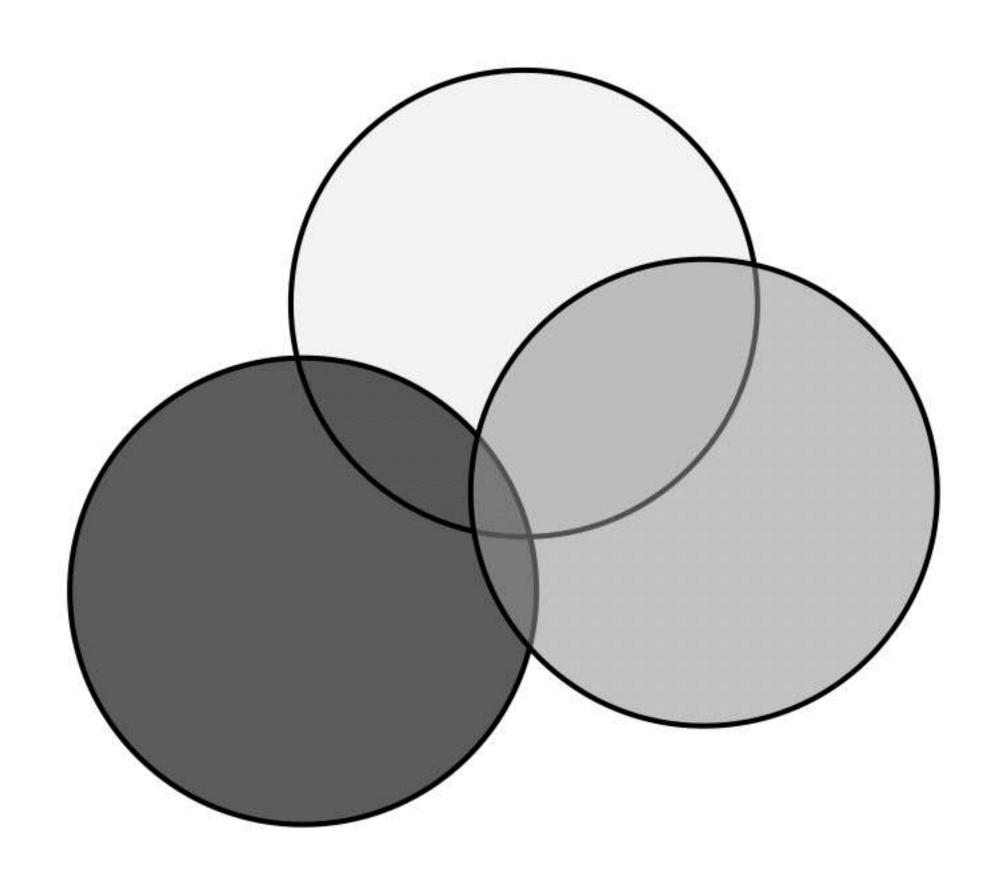
"At TikTok Shop, we've seen how micro-influencers, such as small-business owners and hobbyists, can wield significant sway over consumer purchasing decisions. Their content, perceived as genuine and trustworthy, resonates deeply with audiences seeking relatable and authentic recommendations. And this results in a 'see it, like it, buy it' effect where the customer can immediately transact in the moment."

Future Commerce quoting a source who works closely with TikTok Shop

TikTok Shop has replaced the antiquated affiliate marketing model ("use my discount code") with a native in-app experience. That alone makes TikTok Shop fascinating.

Despite the looming **TikTok ban** or forced divestiture in the U.S., many brands, sellers, and agencies continue to invest in it.

Amazon, Temu, and TikTok Shop are different shopping experiences. But the underlying goods are often the same.



Does Direct-from-China survive?



Jeff Bezos, then CEO of Amazon, in 2007

Jeff Bezos answered, "I can't imagine that 10 years from now [our customers] are going to say, 'I love Amazon, but if only they could deliver my products a little more slowly."

But what about the next 10 years?

Because direct-from-China retail defined the past 10 years.

Is the fourth step of "Made-Sold-Promoted by China" a complete wipeout of the first three?

- "Made in China" cut out domestic manufacturing.
- "Sold by China" cut out domestic sellers.
- "Promoted by China" cut out domestic retailers.
- "Banned by the U.S." restored domestic businesses.

WH.GOV



Q

SEPTEMBER 13, 2024

FACT SHEET: Biden-Harris Administration Announces New Actions to Protect American Consumers, Workers, and Businesses by Cracking Down on De Minimis Shipments with Unsafe, Unfairly Traded Products



BRIEFING ROOM

STATEMENTS AND RELEASES

Administration Also Urges Congressional Action on De Minimis Reform

Today, the Biden-Harris Administration is taking new actions to enforce our laws and protect American consumers, workers, and businesses by addressing the significant increased abuse of the de minimis exemption, in particular China-founded e-commerce platforms, and strengthening efforts to target and block shipments that violate U.S. laws.

As tariffs and bans hang in the air, the industry is shifting.

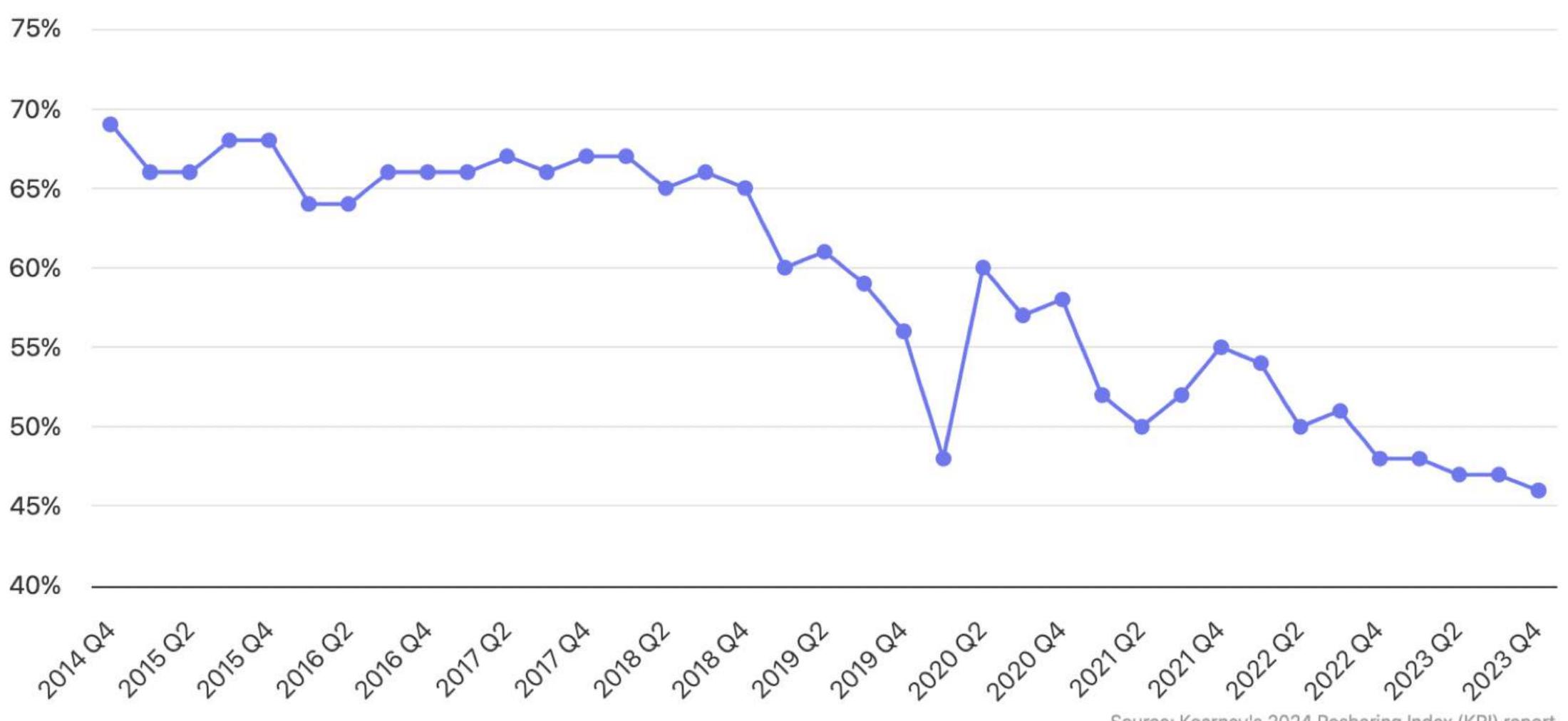
Temu pivoted to sellers with local inventory and, thus, paid tariffs.

China pivoted so that "Made in China" would become more rare.

Both Shein and Temu generate most of their sales outside of the U.S.

China has been losing share of US imports for a decade as Chinese manufacturers moved manufacturing elsewhere.

Kearney CDI: seasonally adjusted share of US LCCR import value from mailand China



Direct-from-China e-commerce — Amazon marketplace,
Temu, or Amazon Haul — is **hundreds of thousands of dollars of sales.** It got there after years of gradual growth; it won't evaporate in a day.

The Shopper

In 1974, Walmart's executive, Jack Shewmaker, coined Every Day Low Prices. Fifty years later, shoppers still want the same. Shocking.



"Sam Rogers: The real question is: who are we selling this to?

John Tuld: The same people we've been selling it to for the last two years, and whoever else would buy it.

Sam Rogers: But John, if you do this, you will kill the market for years. It's over. ... And you're selling something that you *know* has no value.

John Tuld: We are selling to willing buyers at the current fair market price."

From the movie Margin Call (2011), when discussing dumping assets

Direct-from-China comes with problems: consumerism, quality, product safety, ethics, the environment, taxes, local jobs, etc. But they are selling to willing buyers.

Many shoppers are aware of the downsides. More shoppers chose to **ignore** them.



It's Not Just Shein: Why Are ALL Your Clothes Worse Now?

3.3M views • 4 months ago



We dug into the real reason all of our clothes are getting worse. The fast fashion revolution is making huge brands like Zara and ...

CC

"The perfect way to address consumers with **short**attention spans is to develop products with fleeting
lifespans that are disposable and inexpensive. This ensures
product obsolescence and affordability thereby creating
space for consumers to react to their next impulse."

Kenneth P. Pucker, professor of practice at The Fletcher School at Tufts University

Shein and Temu don't have **their own** set of shoppers. Amazon, Poshmark and, even Louis Vuitton shoppers are Shein and Temu shoppers.

Some products on Amazon have the same issues but are **perceived** differently because they are more expensive on Amazon.

Amazon sells many of the same goods Temu sells. But Amazon has higher fees, fulfillment fees that pay for fast shipping, and sellers had to pay customs duties.

Price is not the cost of goods plus margin.

It is a **bundle** of costs that pay for convenience, curation, quality assurance, fulfillment, and branding.

Brands

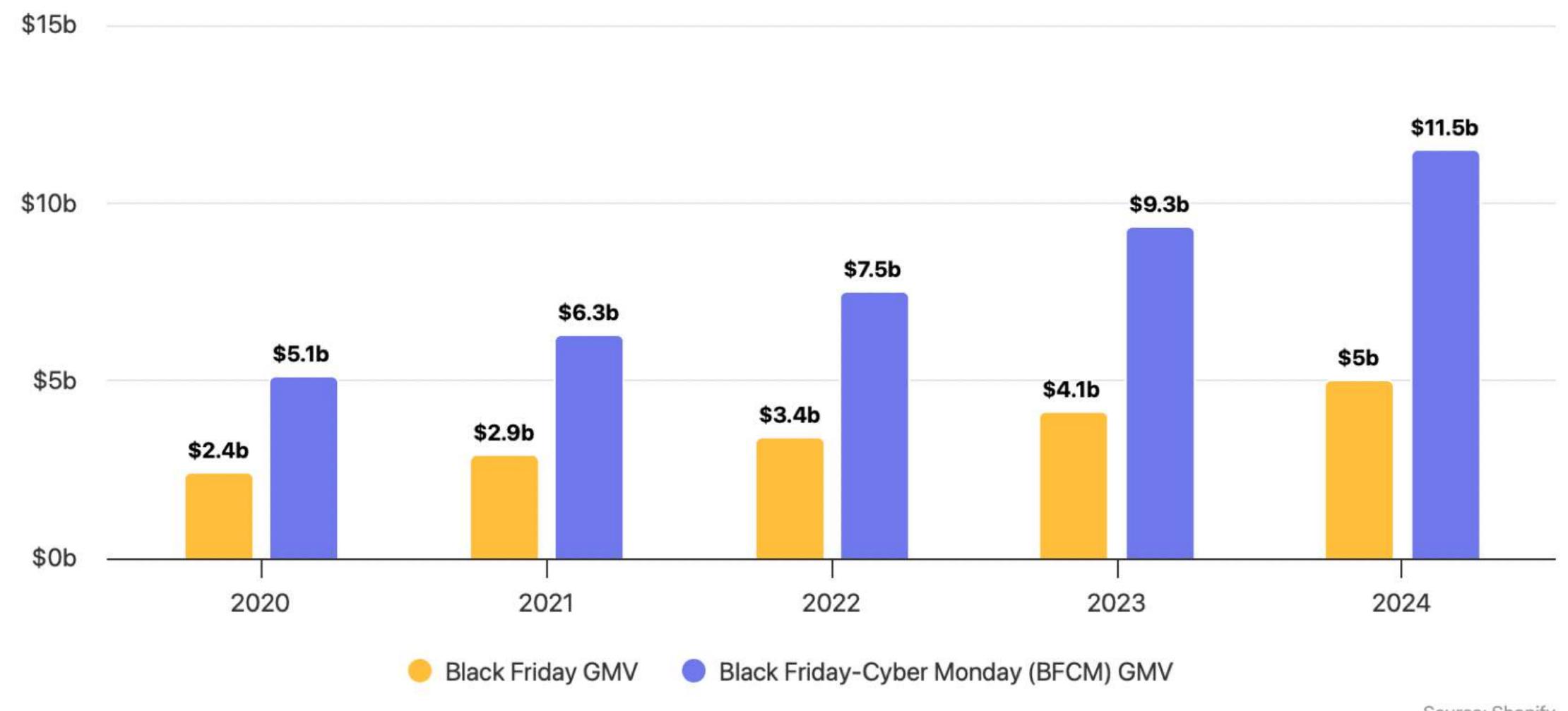
When people shop on Amazon, they often remember it as "Oh, it's a lamp I got on Amazon." The same is true for Shein, Temu, and the rest. They sell unbranded goods because **they** are the brand.



But brands do come out of that chaos (think Anker and Simple Modern), and not everything has to be sold through marketplaces (think DTC).

Shoppers continue to shop on standalone websites, often selling individual brand's goods (Shopify as the signal).

Black Friday Cyber Monday global sales by Shopify merchants









Huge queues outside SHEIN as new pop-up shop opens

The online fashion retailer has opened a temporary store in Liverpool

SHARE 🌘







By Andrew Nuttall U35 Lifestyle Writer & Alice Walker Video producer 12:27, 19 APR 2024

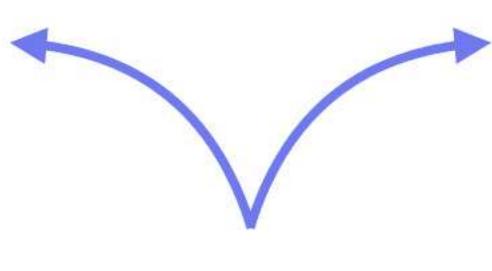
Bookmark





Huge queue for the opening of the Shein Pop-Up Store in Liverpool One.(Pic Andrew Teebay). (Image: Liverpool Echo)

Queues of people took over <u>Liverpool ONE</u> this morning, Friday, as a popular online retailer set up shop in the city centre.



Bifurcation

The Architect's Newspaper

2

SUBJECTS ▼ DIGITAL ISSUES AN INTERIOR CESTRONG EVENTS ▼ SUBSCRIBE SHOP

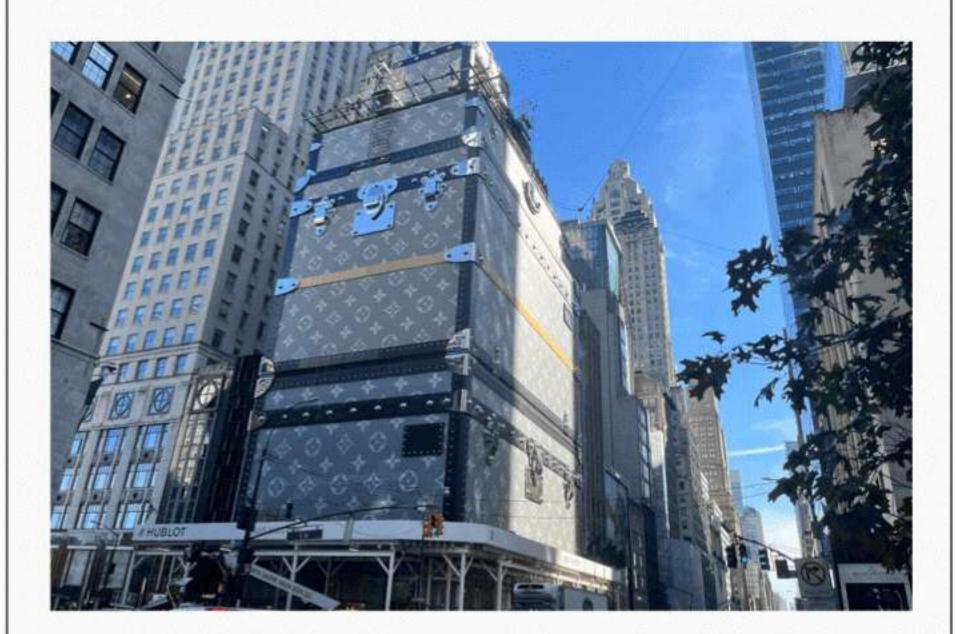
Larger Than Life

Louis Vuitton dresses New York flagship like luxury luggage trunks ahead of Halloween

By Daniel Jonas Roche

October 31, 2024

Architecture, Art, East, News



Similar installations to the one on Fifth Avenue have been made by Louis Vuitton in Paris. (Daniel Roche/AN)

Two realities at once: demand for low-priced clothing (Shein) and luxury goods (Louis Vuitton). Two opposing forces are squeezing everyone else from two sides.

Shein and Temu are focused on price.

Other brands should focus on something else.

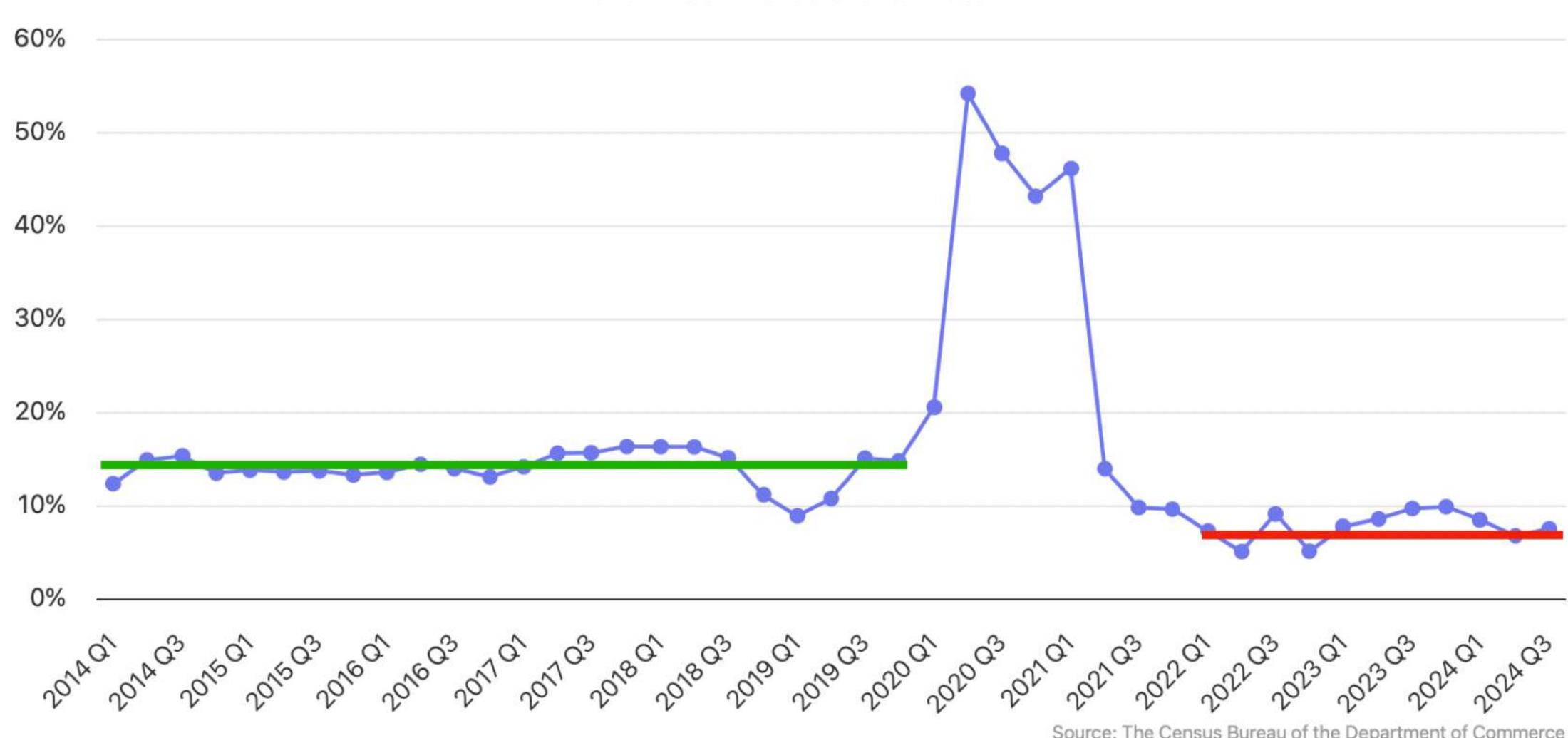
Most brands are probably not Nike.

But most brands should probably **ignore** Shein and Temu.

E-commerce Winter

E-commerce winter continues. Growing at half the rate it used to for over a decade.

U.S. E-Commerce Growth Rate



Yet, the biggest continue to get bigger (except eBay).

Amazon + Walmart + Temu + Shein + TikTok Shop

are more than half of e-commerce growth.

Amazon and Walmart are the top marketplaces for U.S. sellers. In 2024, Temu overtook Walmart (while only consisting of Chinese sellers).

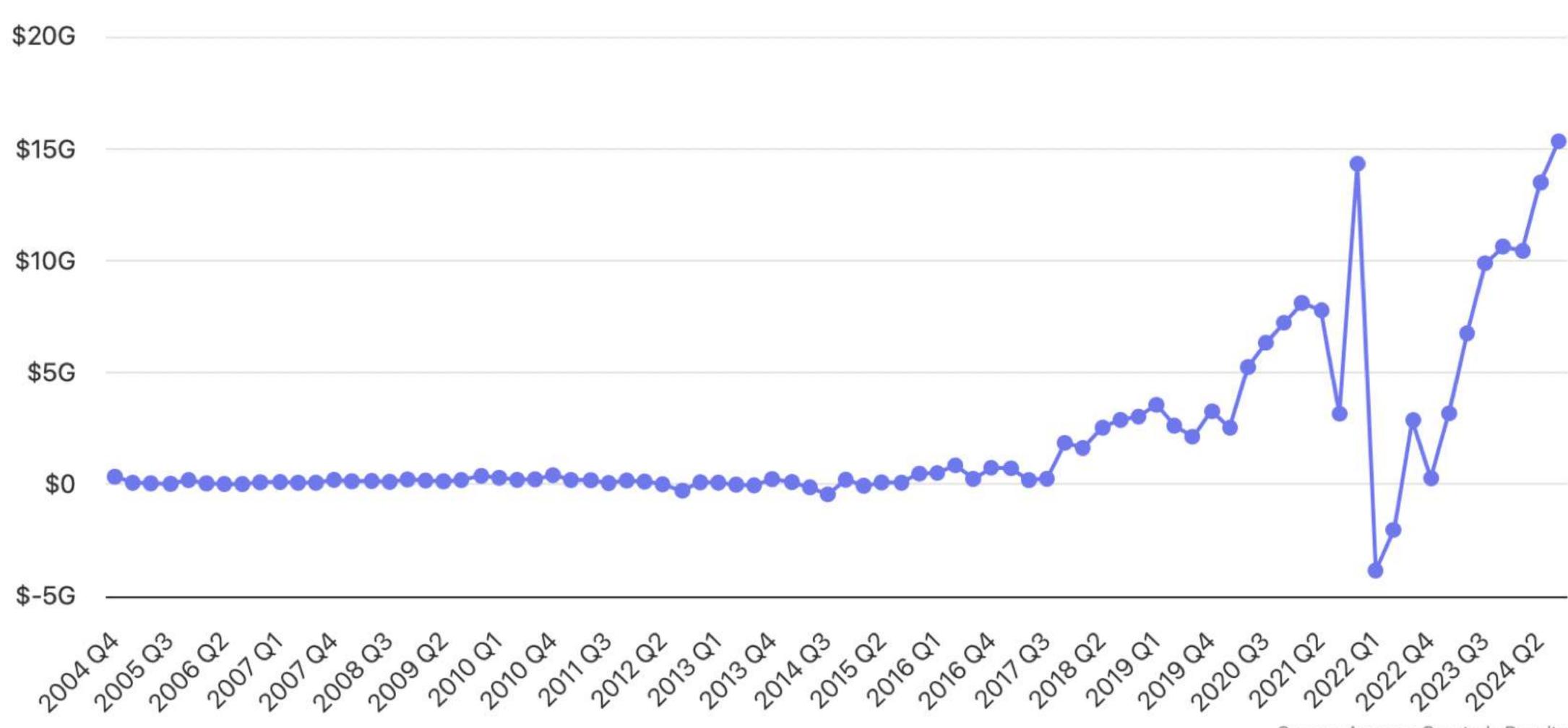
Rank	Marketplace	2024 US Marketplace Sales
1	Amazon	\$325 billion
2	eBay	\$35 billion
3 🕇	Temu	\$20-25 billion
4 🖊	Walmart	\$10 billion
5 🕇	TikTok Shop	\$5-10 billion

Source: all estimates

E-commerce winter doesn't mean everyone is struggling to keep warm.

Amazon is producing record profits while investing more than ever before.

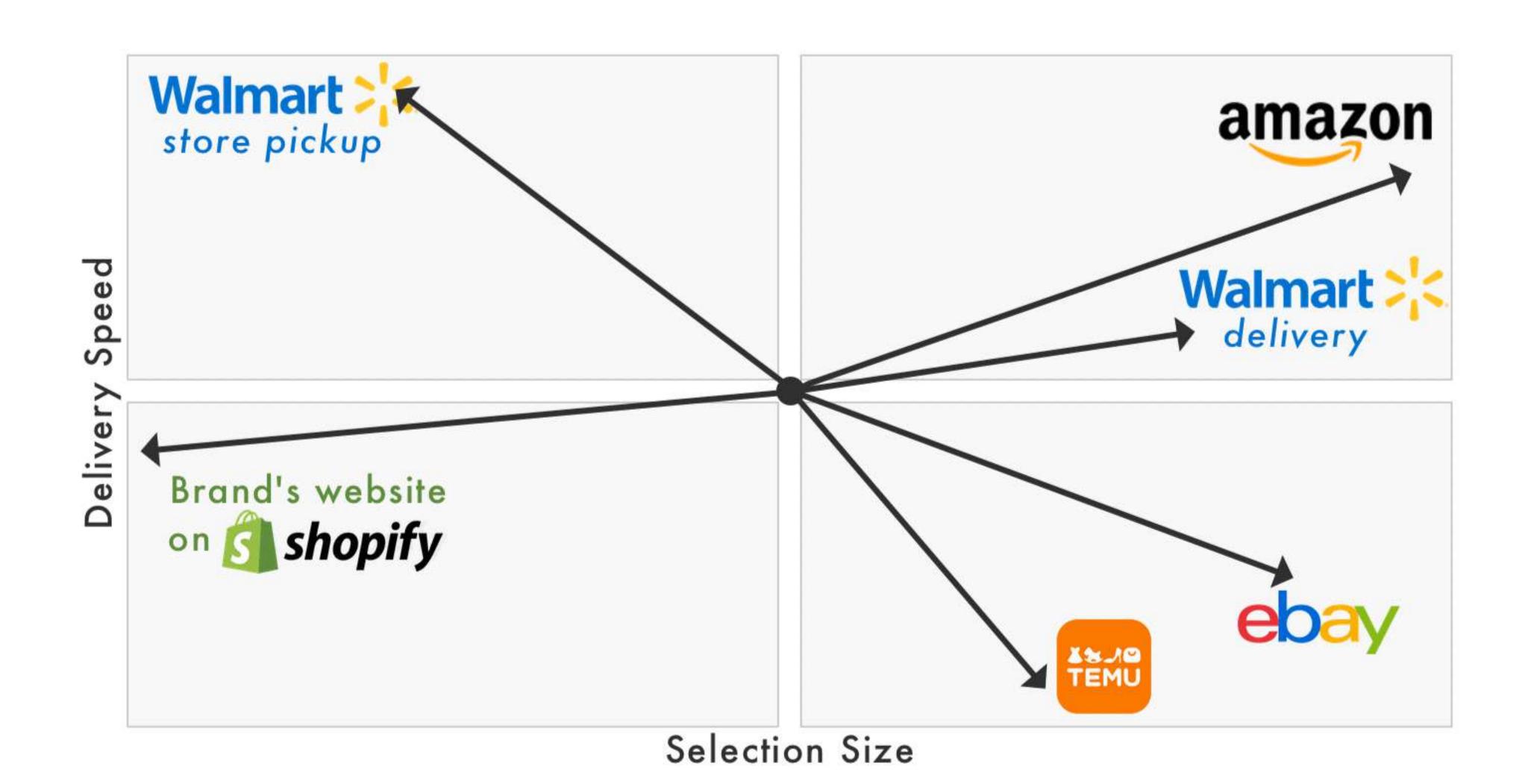
Amazon Net Income



"We continue to roll out same-day delivery facilities, which is not only **the fastest way** to get products to customers but also one of our **lowest cost** ways to deliver. Over 40 million customers this past quarter have had their orders delivered for free with sameday delivery, an increase of more than 25% year-over-year."

Andrew Jassy, CEO of Amazon

Amazon's same-day and next-day delivery is widening the gap between it and the rest of e-commerce.



Walmart, on the other hand, is winning thanks to its stores.

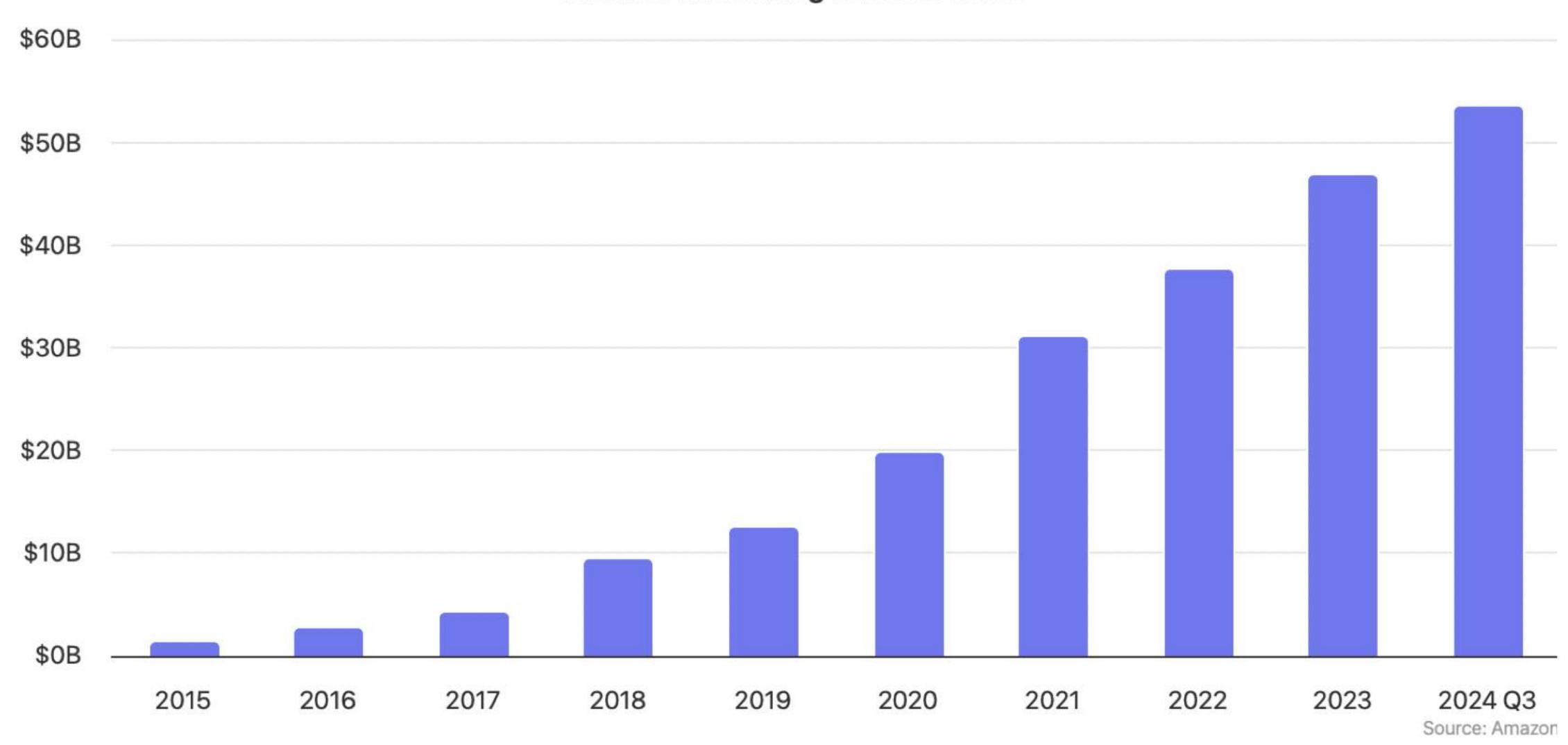
Smaller selection and a lot of groceries.

"In Walmart U.S., over the last 12 months, **4.4 billion items were delivered same or next day**, with about 20% of those delivered in under three hours. Delivery times are getting faster, and the cost of delivery is coming down at the same time."

Doug McMillon, CEO of Walmart

Amazon sells more than \$50 billion a year in ads. That's one of its highest-margin businesses.

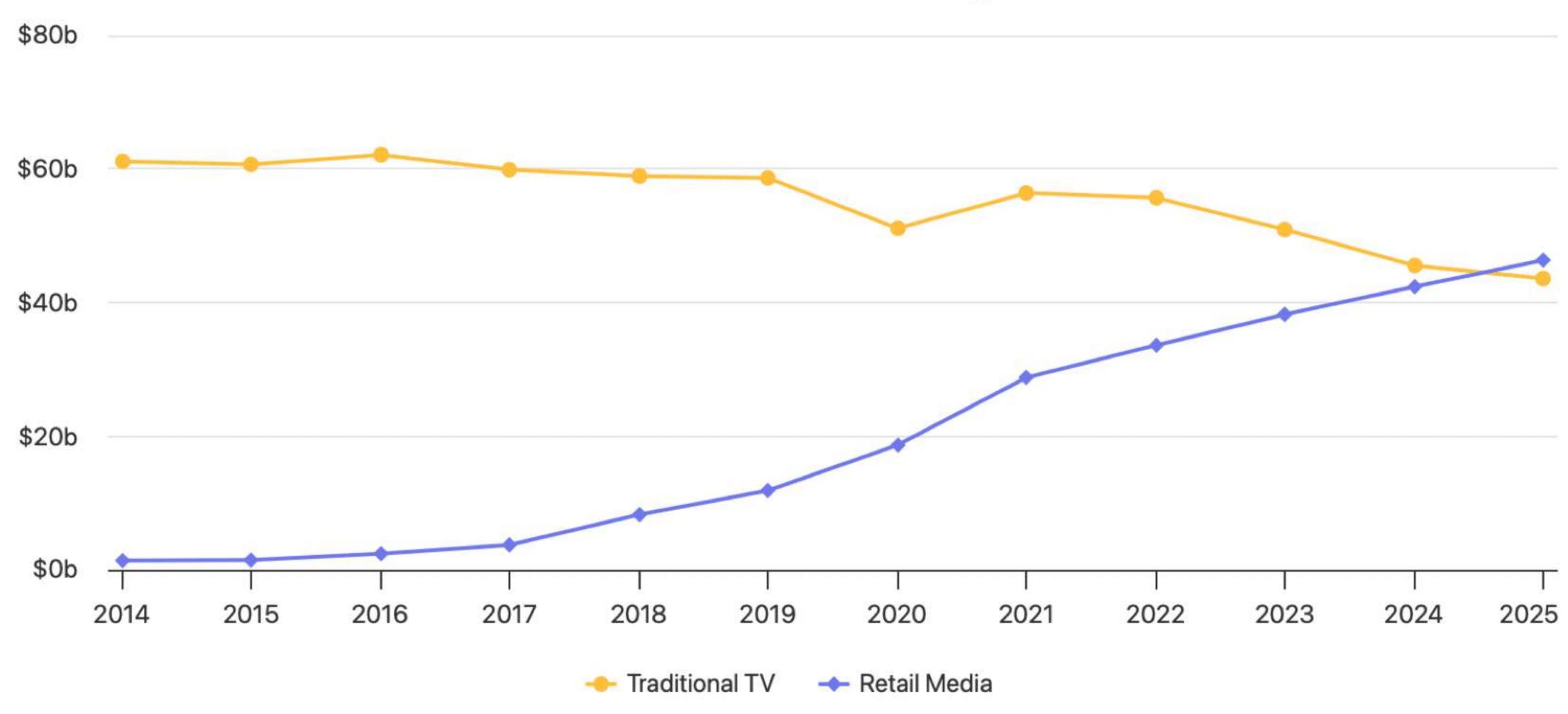
Amazon Advertising Services Sales



Is Amazon a retailer or an advertising network? **Yes.** Every other retailer wants to replicate that, too.

Led by Amazon, U.S. retail media ad spending is expected to overtake traditional TV ad spending in 2025.

Retail Media vs. Traditional TV Advertising in the U.S.

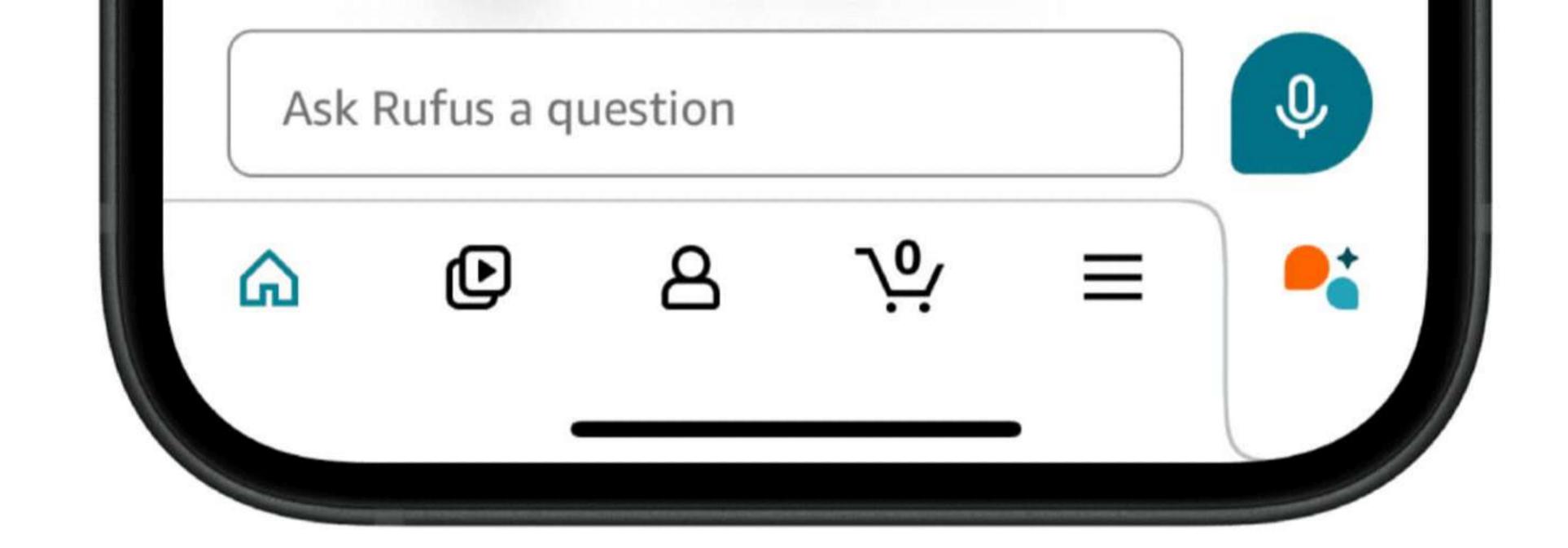


Artificial Intelligence

We continue to reiterate the ideas from a decade or decades ago. But **what** we shop for doesn't change. Maybe AI will disrupt **how** we shop.

All ▼ Search Amazon

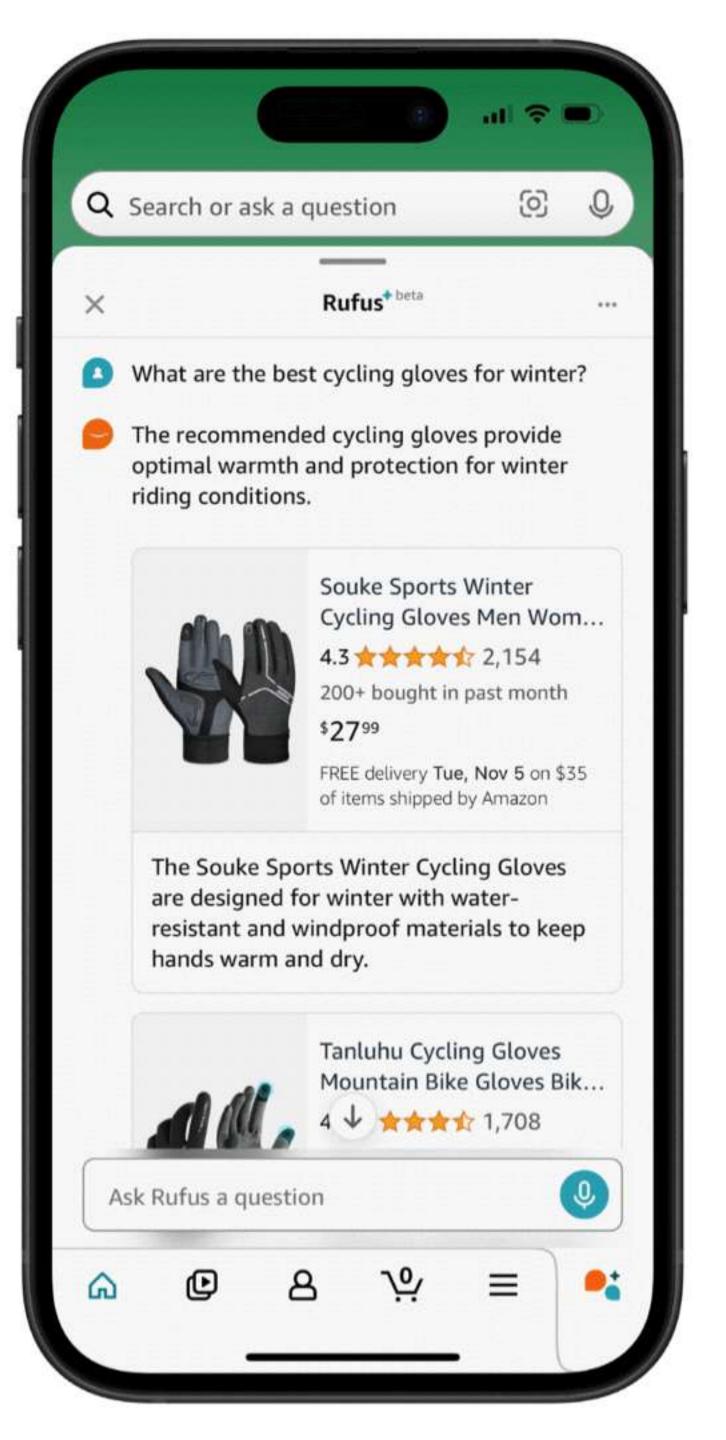
E-commerce is a search bar.



Al-enabled e-commerce is a question bar.

Every retailer and marketplace has their take on this. More will launch in the future. Few, so far, have been **good**.

Amazon has Rufus. It has been available to all U.S. customers since July and beta testers since February. The assistant is prominently visible in the app as a button in the bottom right.



Al systems suffer from **hallucinations**, and they are glaringly obvious in Rufus.

- When asked for the **cheapest options**, it responds with items that are not the cheapest.
- When asked for the **best marathon running shoes**, it responds with options no runner or coach would recommend.
- When asked for **TV recommendations for gaming**, it includes options that are not TVs.
- When asked for winter gloves, it responds with a list seemingly picked at random.

Al's Choice, the new Buy Box, is the disruption.

The post-SEO world of e-commerce, which hides the complexity of thousands of options, is different. Searching for "running shoes" versus asking "Find the best running shoes for a sub-3-hour marathon" is that difference.

But, in the future, AI shopping might still be just as rare as "Hey Alexa, buy me running shoes."

Voice shopping, virtual reality, social commerce, and live video shopping are in the **online shopping graveyard** as ideas that never fulfilled their promise in the West.

Everything is online

The business of e-commerce — or retail more broadly — hasn't changed much in years. Everyone wants to grow, sell on more channels, diversify, launch in more markets, spend less on advertising, and increase margins. The pie keeps getting bigger; the winners continue to adapt. There is no one formula.

Most businesses don't create waves.

It's really difficult and often impossible. (because Amazon has a monopoly, says FTC)

But what all businesses can do is ride waves.

Some platforms make people want to buy (TikTok, Instagram, YouTube, Netflix), while others allow them to buy (Amazon, Walmart, Temu, Shein, DTC). Sometimes, they are the same platform.

People might not buy **everything** online but they buy **everything** because they saw it online.

