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Temu: E-tail Disruptor

By Michael Malone of PubW

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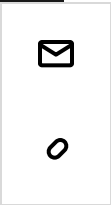
Marketing and Thought Leadership



“ Temu's focus on maintaining high customer retention along with its unique pricing and engaging platform, sets it apart from its competitors and strengthens its prospects for the future.”

SVP, Content & Commerce
at PubW

Michael Malone

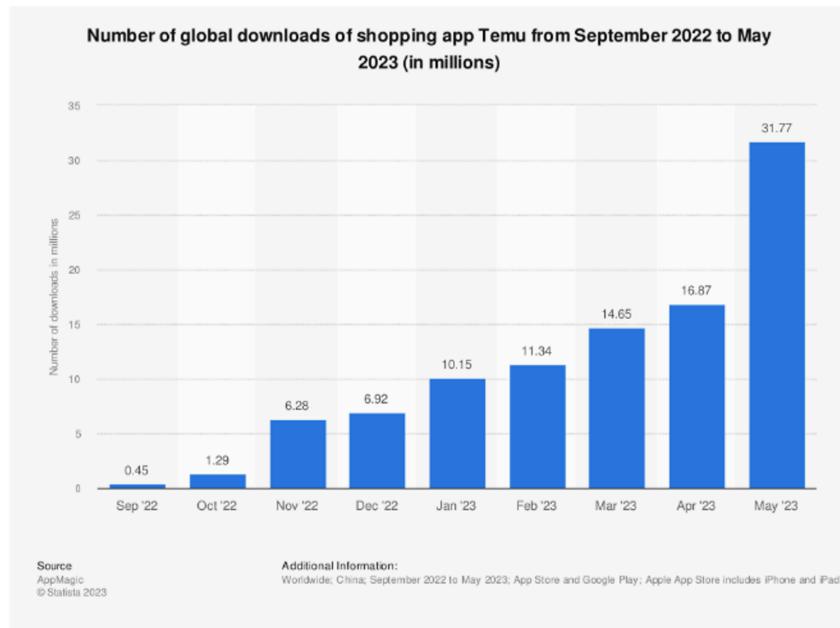



As 2023 got underway, very few Americans or US marketers were that aware of Temu, an on-line retailer and marketplace launched by PDD (Pinduoduo), the largest e-commerce company in China in the fall of 2022.

Temu’s hook is its extremely low prices. And partners with over 80,000 merchants to offer millions of products across over 250 brand categories.

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influencer campaigns, the impact has been phenomenal. Temu has now become the most downloaded app on both iOS and Android, amassing a staggering 70 million downloads and securing the largest share in the retailer category, accounting for over 50% of all downloads. As a result, their Gross Merchandise Value (GMV) has skyrocketed. It is projected that Temu's GMV for 2023 will reach an impressive \$3-4 billion, a significant leap from \$500 million in 2022. In January alone, Temu generated \$140 million in GMV, which escalated to \$650 million by May. And, it was announced last week that Temu has overtaken rival Shein in terms of sales for the first time.

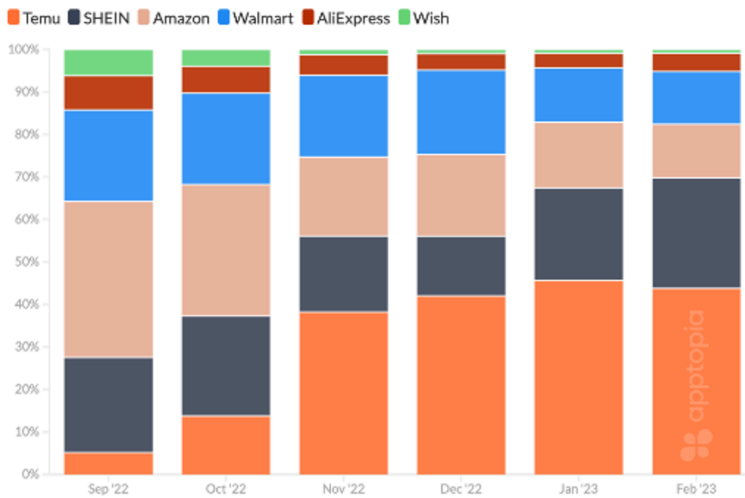


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Temu suddenly became a threat to large ecommerce players in the U.S.

Market share by Downloads, U.S.



So, what's their secret sauce?

1. **Business Model** - Temu can offer extremely low prices due to its innovative Next-Gen Manufacturing model, which allows it to collaborate closely with its platform sellers to optimize supply chains end to end. While the industry has improved streamlining inventory management, warehousing, and distribution, few marketplaces have ventured this upstream into the product development stage.

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products to customers' needs. Thus, by honing in on what customers want, they can save on marketing costs in addition to inventory management, delivery costs etc. This results in significant cost savings of at least 50%, which they pass on to consumers with low prices they aren't used to seeing. Boosting sales for sellers, minimizing product waste and creating a more sustainability.

3. **Content to Commerce** ('Amazon & TikTok had a baby') - Temu employs a robust content approach through gameification and high-powered promotional activations. One notable example is the game called 'Fishland' which incentivizes users to return to the app/site to 'feed their fish.' By engaging in this activity, players are rewarded with merchandise and freebies. While this approach is unique to the e-commerce landscape in the US, it has proven successful in China. They also bombard users with new promotional offers on a continual basis. In Temu, this equates to a totalizing and strangely compelling promotional experience, where prices and timers keep ticking down while your account's various credits — cash, tokens, invites — keep ticking up. This approach has led an impressive average visit duration on Temu of 13 minutes, far surpassing the typical 2–4-minute average visit duration on other e-commerce sites.



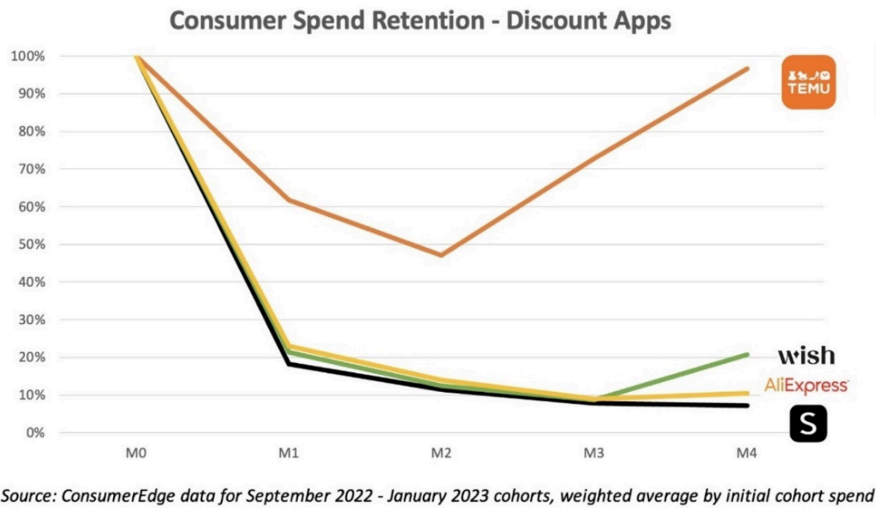
Challenges

While the success has been meteoric, Temu does face a number of hurdles in continuing its growth trajectory. First, some say that when the marketing support begins to shrink, that will have a significant impact on customer acquisition. Additionally, one of Temu's surprising offerings is short 1–2-week delivery which comes exclusively from its merchant partners in China. While that is popular with users, it also adds a tremendous cost which may not be sustainable. Finally, as with many 'fast fashion' e-tailers, there are concerns over labor violations. Currently the US Congress is working on two bipartisan bills that could remove certain tax loopholes that greatly benefit companies like Temu, Shein etc.

Prognosis

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generate over \$30 billion in GMV by 2027. Achieving this goal requires Temu to not only acquire new customers but also to ensure the loyalty of existing ones. Impressively, Temu boasts a Consumer Trend Retention rate close to 100%, similar to Amazon's 93% (ConsumerEdge). Despite Amazon's recent decision to exclude Temu from its competitive pricing algorithm, the combination of Temu's exceptionally low prices and its captivating site/app gameification experience positions it for continued success. Temu's focus on maintaining high customer retention, along with its unique pricing and engaging platform, sets it apart from its competitors and strengthens its prospects for the future.



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