

TIKTOKSHOP



A NeoReach Report



EXECUTIVE SUMMARY

TikTok Shop presents a tremendous opportunity for NeoReach to partner with influencers to drive sales through social commerce. Projected to reach over \$60 billion in global sales and as a leading platform reaching younger demographics, TikTok's seamless shopping experience offers robust influencer marketing potential.

This report aims to provide an in-depth look at how NeoReach can develop effective shoppable video campaigns. Key recommendations include leveraging influencers relevant to each brand's target audience, optimizing content for mobile viewing, and utilizing TikTok's analytics to gain insights.

INTRODUCTION

As a short-form video platform with over 1 billion monthly active users, TikTok is a cultural phenomenon. Its immersive entertainment leads to high engagement and viral sharing. The launch of TikTok Shop represents the platform's next evolution into social commerce. In fact, 66% of TikTok users say they have made a purchase based on content seen on the platform.

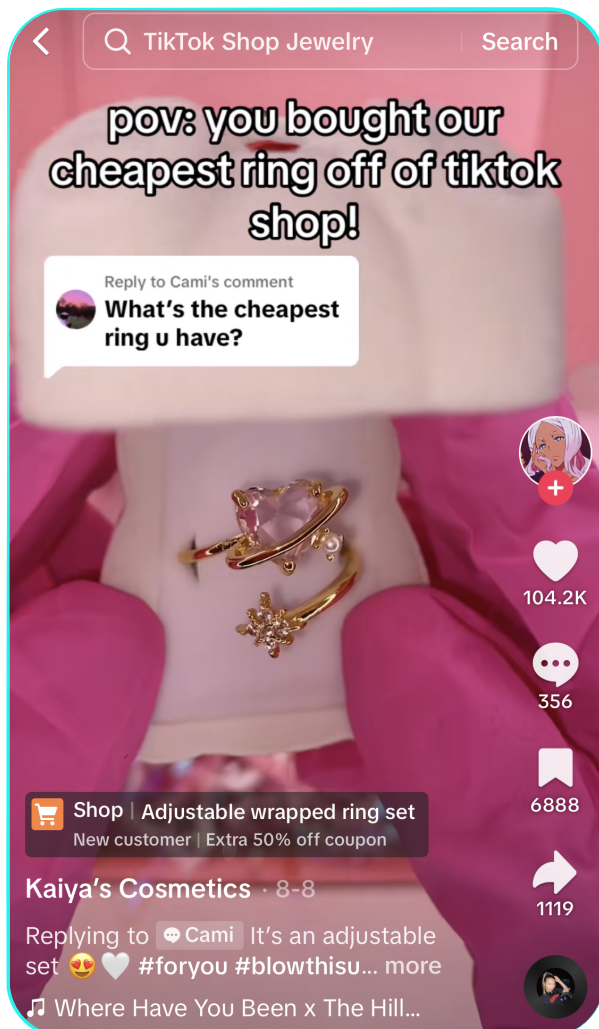
TikTok's core user base of millennials and Gen Z tend to be heavy influencer marketing consumers. They turn to creators for shopping recommendations across categories like fashion, beauty, electronics and more. TikTok Shop empowers these creators to seamlessly drive transactions through engaging video content.

For NeoReach, TikTok provides a unique opportunity to leverage our talent to produce shoppable video ads and sponsorships.

TIKTOK SHOP OVERVIEW

Capabilities and Functionality

TikTok Shop enables sellers to add shoppable tags to their videos. Viewers can tap these tags to view product listings, pricing, images, and descriptions without leaving the app. Transactions are processed directly within TikTok for a frictionless experience.



Key features include:

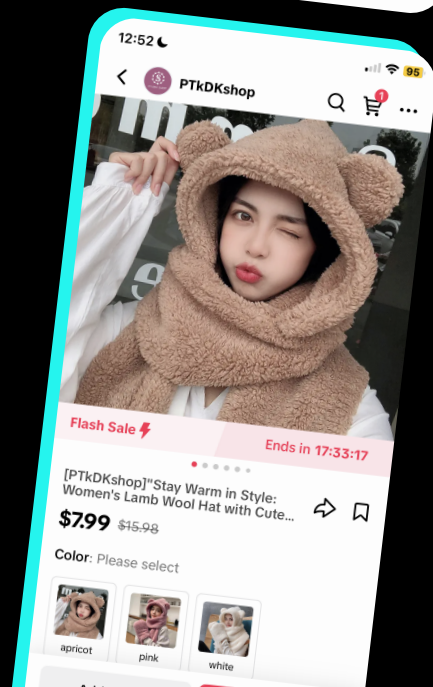
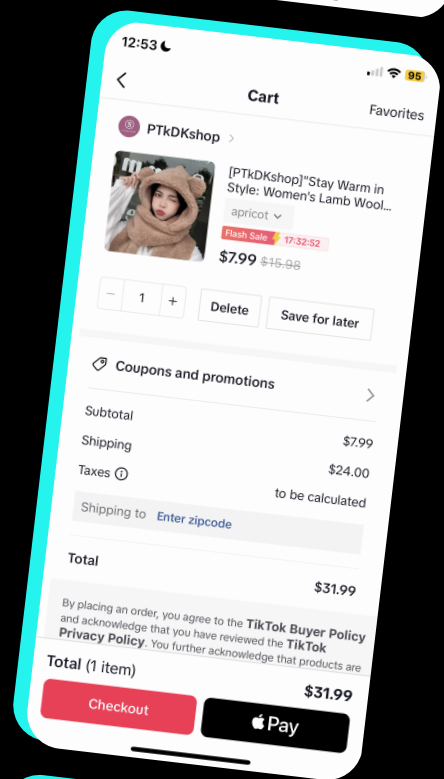
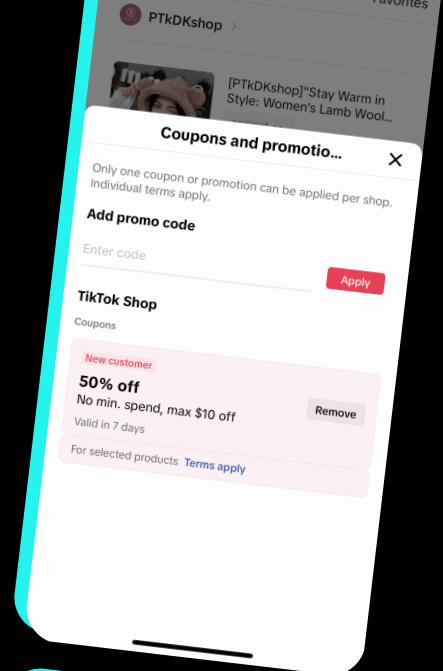
- Shoppable video tags
- In-feed product listings
- Expanded product information
- Multi-media galleries
- Native checkout
- Seller verification system
- Analytics on views, clicks and conversions

TIKTOK SHOP OVERVIEW

The TikTok Shop Experience

TikTok shop videos provide an engaging, mobile-first discovery experience. Creative influencer videos essentially act as native product catalogs as they keep viewers engaged and can drive impulse purchases thanks to TikTok's shoppable stickers

The intuitive interface and seamless checkout experience taps into viewer impulse and capitalizes on viral trends and limited-time offers add urgency. This has led TikTok Business to state that 60% of TikTok users discover new products on the platform.



TIKTOK SHOP OVERVIEW

Business Model

Merchant Commissions

- TikTok earns a commission percentage on every transaction made through TikTok Shop by charging sellers a percentage of sales.
- Commission rates typically is 5% based on product category and region
- As TikTok scales shoppable video content and social commerce volume grows, merchant commissions will be a primary revenue driver.
- If TikTok Shop can reach just 10% of the projected \$1.2 trillion global social commerce market by 2025, that would equate to \$120 billion GMV. At a 3% commission, TikTok would earn \$3.6 billion annually from merchant fees.
- Driving higher gross marketing value will allow TikTok to optimize its commission structure over time to improve profitability.

Creator Sponsorships

- TikTok takes a cut of the sponsorship fees when brands partner with influencers for shoppable video campaigns. This compensates TikTok for facilitating the partnership.
- Average influencer sponsorship fees range from \$5 per post for nano-influencers to \$250K for celebrity sponsorships according to Influencer Marketing Hub.
- With over 1.1 million content creators on TikTok, creator sponsorships represent a significant revenue stream as more brands leverage TikTok Shop.

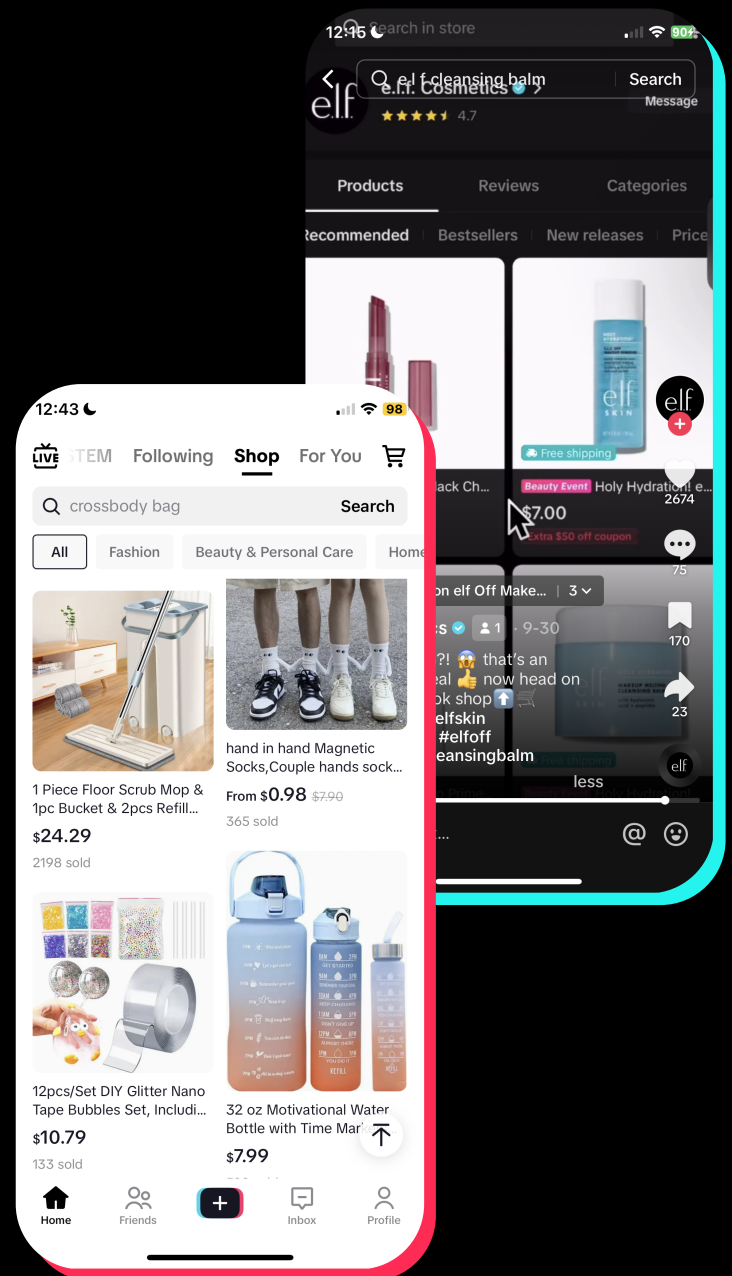
Live Streaming Commissions

- For live shopping streams, TikTok earns commissions on any products sold through the live videos.
- The total Chinese live streaming industry is projected to be worth \$423 billion in 2022 reports Coresight. If TikTok Shop can capture just 10% share, live commissions would be \$42 billion+ annually.
- TikTok also takes a cut of any virtual gifting revenue during livestreams, estimated at up to 70%. Virtual gifting will be a key way to monetize

MARKET LANDSCAPE

The Rise of Social Commerce

Social commerce continues to thrive, transforming how consumers discover and purchase products online. eMarketer predicts social commerce sales will exceed **\$600 billion** globally by 2027, making the market possess enormous potential. Additionally, 90% of social media users have engaged with shopping content with 72% want more influencer recommendations during their purchase journey.



MARKET LANDSCAPE

Competitive Identification

PROS

Instagram Shopping

Massive established user base - 1.63 billion monthly active users
Highly-refined shopping features like product tags, Shop tab, IG Checkout etc.
Wide adoption among brands and influencers for shopping posts
Generates over \$160 billion in global social commerce sales

Facebook/ Instagram Shops

Enables creating digital storefronts easily on Facebook and Instagram
2.8 billion active monthly users across Facebook apps
Robust analytics in Commerce Manager and Shops Manager

YouTube Shopping

Enormous reach as #2 most visited site globally
Video-first platform ideal for demonstrating products
Allows linking to products underneath videos

Pinterest Product Pins

Established product discovery platform, over 478 million monthly active users
Visually-focused feeds ideal for shopping
Product Pins drive 2X more revenue for advertisers versus regular posts

MARKET LANDSCAPE

Competitive Identification

CONS

Instagram Shopping

- Less seamless mobile checkout experience compared to TikTok Shop
- More limited video capabilities compared to short-form video on TikTok
- Lower engagement rates
- Lower reach among Gen Z audiences who favor TikTok

Facebook/ Instagram Shops

- Separate from the main social media user experience
- Product discovery less seamless compared to directly shoppable organic posts
- Lower adoption among influencers compared to Instagram Shopping tags

YouTube Shopping

- Checkout happens offsite rather than natively
- Lower engagement rates compared to short-form video
- Fewer capabilities for influencers compared to TikTok Shop

Pinterest Product Pins

- Limited capabilities for influencer content and partnerships
- Less native shopping experience compared to TikTok Shop
- Checkout happens off Pinterest rather than directly in the app



500%

Increase on shopping ad spend on TikTok from Q3 2020 to Q3 2021

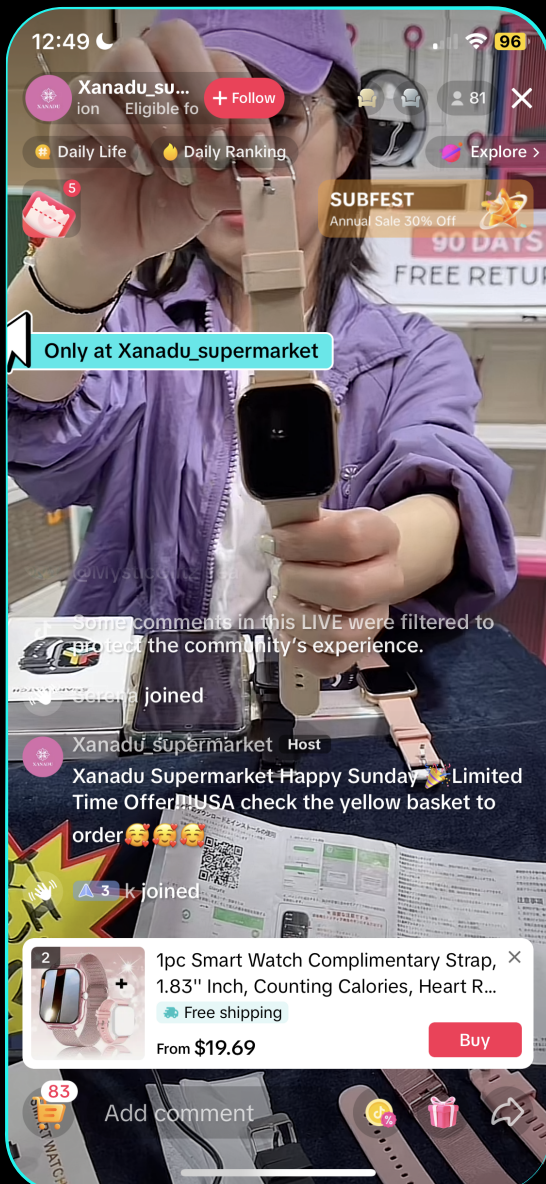
This rapid growth demonstrates the platform's commerce potential. Brands are still early in leveraging TikTok Shop's capabilities.

1.6 billion

Hashtag views for #TikTokShop

TikTok E-Commerce Growth Trends

MARKETING STRATEGIES AND TACTICS



Shoppable Video Content

- Focus on short, entertaining videos that highlight products seamlessly through transitions and edits
- Average video length should be under 60 seconds for highest retention
- Display multiple products in haul/vlog format to showcase product lineup
- Lifestyle imagery helps contextualize products in use for relevance
- Add shoppable stickers strategically in the first 3-5 seconds to boost click-through rates
- End each video with a clear CTA to drive conversions

MARKETING STRATEGIES AND TACTICS

Best practices include:

- Multi-product stories
- Cinematic transitions and edits
- Displaying products in use
- Clear calls-to-action

60%

Nano and micro influencers can offer authenticity at lower cost. Their audiences tend to have 60% higher engagement rates.

MARKETING STRATEGIES AND TACTICS

Live Shopping

- Keep streams under 1 hour for optimal engagement and sales
- Offer limited quantity flash sales and discounts to incentivize purchases
- Share behind-the-scenes tidbits and content to make the experience feel exclusive
- Time giveaways and product reveals to spikes in viewership during streams
- Promote upcoming live stream schedule through creator's TikTok channel and other social media

Targeting and Optimization

- Test interest-based targeting aligned to product categories for ad campaigns
- Analyze click-through-rates by time of day and refine delivery schedule based on insights
- Lookalike targeting expands reach while maintaining relevance
- Measure lift in brand search volume during and after promotions to gauge interest
- Exclude users who have previously seen campaign creatives in the first 5 seconds to minimize ad fatigue

Advertising and Promotion

- Hashtag Challenges drive up to 17X more views than other platforms
- Brand Takeovers boost brand favorability
- Optimize cost per click targets for video views to efficiently scale reach
- Retarget engaged users from organic content or website visitors with customized creatives
- Partner with relevant creators and subsidize a share of media spend to boost organic advocacy

Leveraging Influencers

- Target influencers with engagement rates above 5% in their niche for sponsorships
- Look for creators with a high proportion of followers also following competing brands to identify potential customers
- Negotiate packages across nano and micro influencers to create varied, authentic messaging
- Structure compensation with base fixed fees + incentives for sales thresholds to drive performance
- Provide creators with samples and product info to help inform organic recommendation

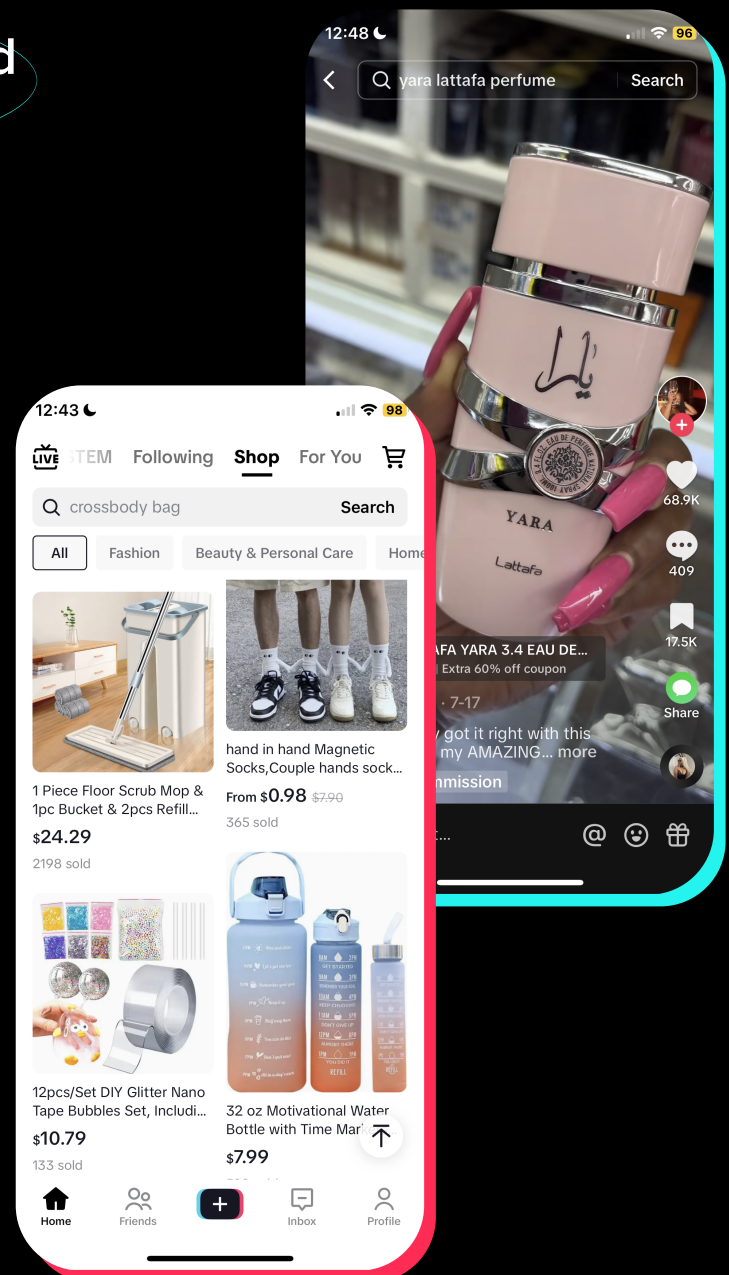
MEASUREMENT AND ANALYTICS

TikTok Shop offers data and insights to inform strategy:

- Product views, clicks and conversions by video
- Impressions and engagement for ads
- Audience demographics and interests
- Top-performing products
- ROI and sales attributable to influencers

Integrate these metrics into a full-funnel analytics framework including clicks, add-to-cart rate, purchases, LTV and more.

The TikTok Pixel can be implemented for deeper analysis of shopping behavior and optimization. API access also enables custom reporting.



KEY CONSIDERATIONS

Securing Influencer Relationships

- Set clear expectations through contracts on content volume, assets, and incentives
- Accommodate creators' production bandwidth and scheduling needs
- Co-create narratives and content plans collaboratively
- Share performance metrics transparently to build trust

Optimizing Mobile Experience

- Ensure ads and shoppable videos are shot in vertical 9:16 aspect ratio for mobile
- Use captions and avoid overly small text to account for smaller screens
- Enable single click or swipe access to checkout for minimized friction
- Optimize page load speeds — 53% of mobile users abandon sites that take over 3 seconds to load per Google
- Implement responsive mobile site design or native apps for immersive experience across devices.

Monitoring Inventory and Fulfillment

- Analyze historical order data to develop demand forecasting models
- Maintain minimum 2 weeks extra stock across top selling items to avoid stockouts
- Have fast fulfillment in place — 85% of customers won't return after a single poor delivery experience per DOTD
- Enable cross-channel fulfillment from stores to manage inventory efficiently
- Provide order tracking and shipment notifications to manage expectations

Ensuring Data Security

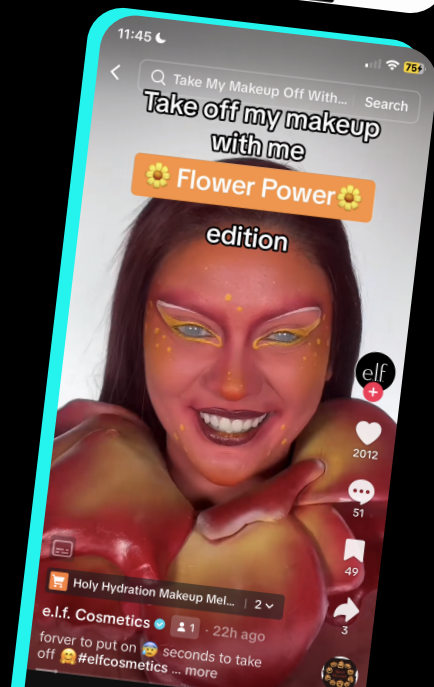
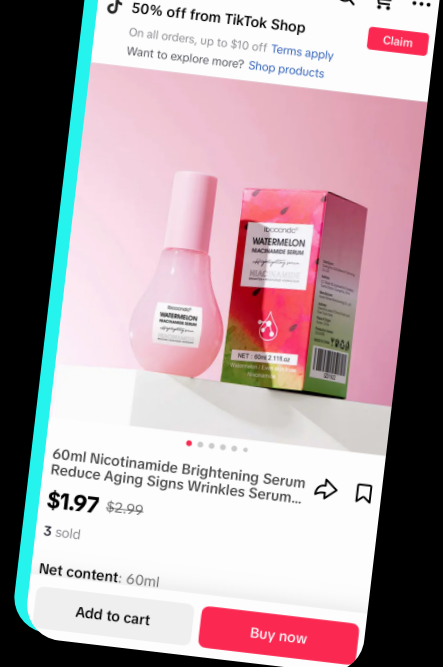
- Vet TikTok's security practices, policies, and compliance controls
- Use hashing, tokenization to protect payment information and customer data
- Minimize data collection to essential needs and obtain explicit consent
- Employ data access controls, encryption, firewalls, and intrusion detection
- Conduct regular security audits and risk assessments for continuous improvement

THE ROAD AHEAD

As TikTok Shop expands geographically and adds new features like expanded live shopping, it will continue disrupting the commerce landscape.

Early-mover brands have an advantage in testing strategies now. Key trends to watch include social and live commerce, short-form video ads, and influencer marketing.

TikTok provides brands an unparalleled opportunity to engage younger audiences through creator partnerships. Shoppable video will be core to next-gen social commerce.



RECOM MENDA TIONS

Marketing strategies for businesses on TikTok Shop

- Use relevant influencers to produce engaging, native video ads and sponsorships
- Test a variety of video formats including tutorials, unboxings, day-in-the-life vlogs, etc. to see which demographics are resonating with which products
- Analyze performance data to optimize content and product mix over time
- Run contests and sweepstakes with influencers to build awareness and engagement
- Add shoppable stickers strategically within videos to boost conversions
- Participate in hashtag challenges and other platform promotions to expand reach

Handling potential challenges and risks

- Closely monitor comments, reviews and feedback to address quality concerns
- Develop crisis response protocols to handle any influencer scandals or brand perception issues
- Manage inventory and logistics issues to avoid stockouts or shipping delays
- Stay up-to-date on changing TikTok rules, requirements and platform updates
- Ensure brand safety with allowlists to block objectionable or irrelevant influencer content

Leveraging new features and tools

- Utilize any expanded live shopping capabilities once rolled out
- Test emerging ad formats like LIVE or TopView ads
- Implement TikTok Pixel for expanded analytics and optimization
- Leverage any creator management or collaboration tools
- Take advantage of any self-serve ad platform capabilities

SELLER ONBOARDING REQUIREMENTS

Registration



Individual



Business Entity

Account Information

- Registration method 1: TikTok Account
- Registration method 2: Phone Number & Email

- Registration method 1: TikTok Account
- Registration method 2: Phone Number & Email

Documentation

- Drivers License or Passports
- Last 4 Digits of Tax ID (US Social Security Number/ Individual Taxpayer Identification Number)

- Business Name
- Employer Identification Number (EIN)
- Registered Business Address

Payment and Tax Information

- Merchant Category Code
- W9/W8-BEN Form
- US TIN (A US TIN is a United States issues social security number or individual taxpayer identification number)

- Merchant Category Code
- W9/W8-BEN Form
- Related Person's information
- Entity Type

Integration



Step

Select Connector App

Browse available App from TikTok Shop Academy or Service Marketplace and make selection

App Installation

Go to App's listing page or contact App developer for installation



Individual

CONCLUSION

Recap of key findings

TikTok Shop enables seamless social commerce through influencer marketing and entertaining shoppable video. With a robust analytics for optimizing campaigns and the platform's ability to reach younger demographics, NeoReach can leverage the significant growth potential.

The potential impact of TikTok Shop on the marketing landscape

TikTok Shop will disrupt influencer marketing as creators become integral sales channels. Hence, shoppable videos will continue to be a major trend that forces other platforms to expand commerce capabilities and short-form, mobile video ads will continue gaining prominence. Overall, TikTok Shop has the substantial potential to continue to shape the future of digital marketing and e-commerce.