



THE TIKTOK EFFECT

THE SOCIOECONOMIC IMPACT OF
TIKTOK IN FIVE EUROPEAN COUNTRIES

JANUARY 2024



TABLE OF CONTENTS

Executive summary	2
1. Introduction	9
2. TikTok as an enabler of SME growth	13
2.1 SMEs on TikTok and their owners	13
2.2 How and why SMEs use TikTok	21
2.3 The benefits to SMEs from using TikTok	27
3. The economic impact of SMEs use of TikTok for growth	31
3.1 TikTok as a driver of SME growth	31
3.2 The impact of SME activity on TikTok in the five European markets	36
Appendix A: The economic value to SMEs of TikTok's free services	47
Appendix B: Estimating the economic impact of SME advertising & marketing on TikTok	53
About Oxford Economics	56

EXECUTIVE SUMMARY

€4.8 bn

GVA contribution to GDP supported by SME activity on TikTok in five European markets in 2023.

TikTok has become one of Europe's most popular entertainment and content-sharing platforms since its global launch in 2018, and currently has more than 135 million monthly active users in EU countries.¹ TikTok plays host to entertaining video content catering to a wide range of interests, both niche and of widespread appeal. It emphasises interaction between users and content creators, which include a large number of businesses. This has given rise to vibrant online communities on TikTok, whilst also encouraging users to engage in local communities where businesses, charities, and other institutions featured on the platform such as museums and galleries are located.

51,100

jobs supported by SME activity on TikTok in five European markets in 2023.

TikTok's extensive user base, breadth of content, and emphasis on direct interactions with customers present an opportunity for businesses across Europe to use the platform as an innovative route to growth. Businesses using TikTok can invest in paid advertising and creator marketing to gain direct exposure quickly, but can also grow organically, without substantial investment using TikTok's range of free services. Small and medium-sized enterprises (SMEs) are particularly well placed to use TikTok for growth, given its low barriers to entry and content algorithm designed to allow users to discover lesser-known brands.^{2,3}

This research aims to provide an evidence base on how TikTok creates value for SMEs in Europe, focusing on five key sectors in five markets: Belgium, France, Germany, Italy, and the Netherlands. It explores how SMEs use TikTok's features, and the benefits they associate with their use of TikTok. We use economic impact modelling to quantify the economic contribution of SMEs using TikTok as a platform for growth. The report also contributes to evidence on the diversity of the TikTok platform in terms of business owners of SMEs active on TikTok.

THE ECONOMIC IMPACT OF SMES USING TIKTOK AS A PLATFORM FOR GROWTH

We considered the economic impact of SMEs using TikTok through the returns they realise on investing in paid advertising and creator marketing on TikTok, as well as the value they place on the free services offered by TikTok, such as the ability to post content, tools to measure the efficacy of marketing activities, and content creation tools.

Our modelling suggests that SME investments in advertising and marketing on TikTok generated €3.5 billion in revenue in 2023 for businesses in the five European markets. SMEs on TikTok also placed a significant value on free services provided by TikTok, which facilitate organic growth.

Taken together, in 2023, the gross value added contribution to GDP supported by SMEs' use of TikTok in the five European markets was €4.8 billion. At a national level, the GVA contribution to GDP was largest in Germany (€1.5 billion), followed by France (€1.4 billion), Italy (€1.0 billion), the Netherlands (€0.6 billion), and Belgium (€0.3 billion). In relative terms, given the different sizes of the economies, the largest national impact was in the Netherlands, followed by Belgium, and then France.

SMEs using TikTok as a platform for growth also supported 51,100 jobs in 2023 across the five markets. Of these, 21,200 were jobs supported directly in SMEs on TikTok. On a country-level, the highest number of jobs were supported in Germany (18,600), followed by France (12,500), Italy (11,300), the Netherlands (6,000), and Belgium (2,700).⁴

Breaking the results down by the five focus sectors, we see the largest impact in food and beverages, where SMEs on TikTok supported a €2.0 billion contribution to GDP and 24,500 jobs. The second largest of the five key sectors we looked at in terms of contribution to GDP was other consumer goods, followed by fashion; arts, culture, and music; and health, beauty, and fitness.⁵

SMEs' use of TikTok also supported cross-country trade between the five markets worth a €0.6 billion contribution to GDP, and supporting 7,700 jobs.

DIVERSITY AMONG TIKTOK'S SME OWNERS

Using a survey undertaken for this research, we compared owners of SMEs on TikTok to owners of SMEs which do not use TikTok across several dimensions of diversity. **We found that owners of SMEs on TikTok in the five European markets were almost three times as likely to be of migrant origin compared to owners of SMEs not on TikTok.**^{6,7} Owners of SMEs on TikTok were also slightly more likely to be young entrepreneurs under 30 years of age compared to SMEs not on TikTok.⁸

“

Owners of SMEs on TikTok in the five European markets are almost three times as likely to be of migrant origin compared to owners of SMEs not on TikTok.

”

€0.6 bn

GVA contribution to GDP supported by trade due to SME activity on TikTok between the five European markets in 2023.

¹ Figure calculated by summing number of users in individual member states from TikTok's DSA transparency report, which gives a total of 135.9 million users. Correct as of September 2023. TikTok, "TikTok's DSA Transparency Report 2023, accessed October 2023".

² TikTok states that businesses can "start making ads in minutes with TikTok Ads Manager". TikTok, "Small Wins: How small businesses are unlocking the magic of TikTok", accessed October 2023.

³ The five key sectors are food and beverages, arts, culture and music, health, beauty and fitness, fashion, and other consumer goods.

⁴ Numbers do not sum to 51,100 due to rounding.

⁵ Other consumer goods includes the manufacture and retail of other consumer products such as electronic, homeware, pet-related items, and other fast-moving consumer goods.

⁶ Someone of migrant origin (also referred to as a person with a migratory background) is defined as someone who was either born abroad, or who has one or more parents who were born abroad.

⁷ Around 14% of SMEs on TikTok were majority owned by individuals of migrant origin, compared to around 5% of SMEs not on TikTok, giving a ratio of 2.7.

⁸ Around 20% of SMEs on TikTok were majority owned by individuals aged under 30, compared to around 17% of SMEs not on TikTok, giving a ratio of 1.2.

73%

Share of SMEs on TikTok reporting that TikTok has a positive impact on their ability to interact more with customers and get direct feedback.

There were also meaningful differences at a country level. In Germany, SME owners on TikTok were almost five times as likely to be of migrant origin, and were also more likely to be women, and young entrepreneurs under 30 years of age.⁹

HOW SMES USE TIKTOK, AND THE IMPACT TIKTOK HAS ON HELPING SMES MEET THEIR MARKETING OBJECTIVES

To give context to the economic impact figures, the report also looked at how SMEs use TikTok, and the impact this has on their ability to meet important marketing objectives.

Whilst the most common activity undertaken by over three-quarters (77%) of SMEs on TikTok was to post content directly to a TikTok account, more than four in 10 (45%) had done some form of creator marketing, and a similar share had used TikTok's paid advertising features (42%). Around three in 10 businesses (31%) had also used TikTok's in-built measurement tools to understand the efficacy of their marketing activities, one example of TikTok's free offering to SMEs.

There were also differences on both a country and sector level in how SMEs use TikTok. For example, SMEs in France were more likely to have undertaken some form of creator marketing than SMEs in other markets, as were SMEs in food and beverages, compared to other sectors.

Turning to the impact that SMEs perceive TikTok as having on their business, **a majority of SMEs on TikTok stated that TikTok has a positive impact on their ability to achieve certain important marketing objectives.** For example, almost three-quarters (73%) stated that TikTok had a positive impact on their ability to interact more with customers and get feedback, and a similar proportion (72%) said that TikTok had a positive impact on their ability to market new products and services.¹⁰



⁹ Around 18% of German SMEs were majority owned by individuals of migrant origin, compared to just 4% of German SMEs not on TikTok, a ratio of 4.7. Around 20% of German SMEs were majority owned by individuals aged under 30, compared to 13% of German SMEs not on TikTok, a ratio of 1.6. Lastly, around 30% of German SMEs were majority owned by women, compared to 22% of German SMEs not on TikTok, a ratio of 1.3.

¹⁰ Sum of respondents answering fairly positive or very positive.

TIKTOK'S ECONOMIC IMPACT IN FIVE EUROPEAN COUNTRIES

Total economic impact of SMEs using TikTok to grow in five European countries

● Total ● Direct ● Indirect ● Induced

Total contribution to GDP in five European countries in 2023

€4.8 billion



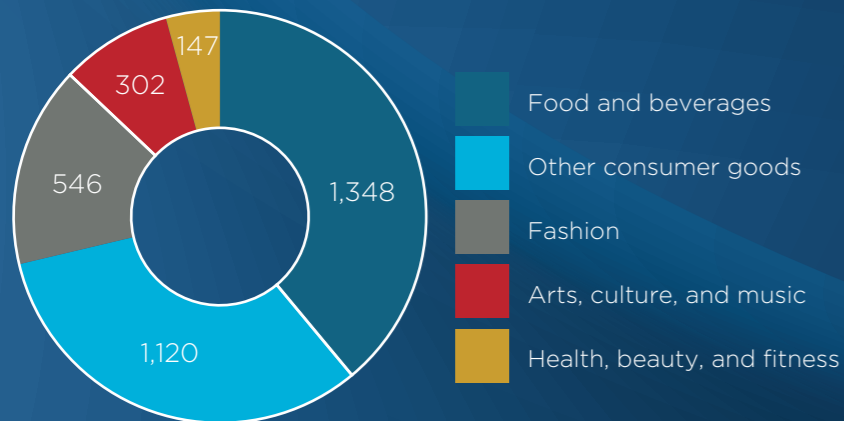
Total jobs supported in five European countries in 2023

51,100



TikTok created this impact by helping SMEs boost their sales by **€3.5 billion** across the five countries in 2023 according to modelling undertaken for this research

Revenue increase (€, millions)



TikTok has a positive impact on SMEs achieving their marketing goals

73%

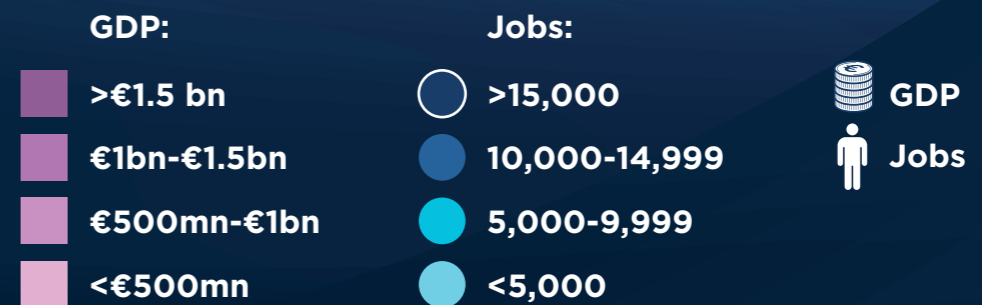
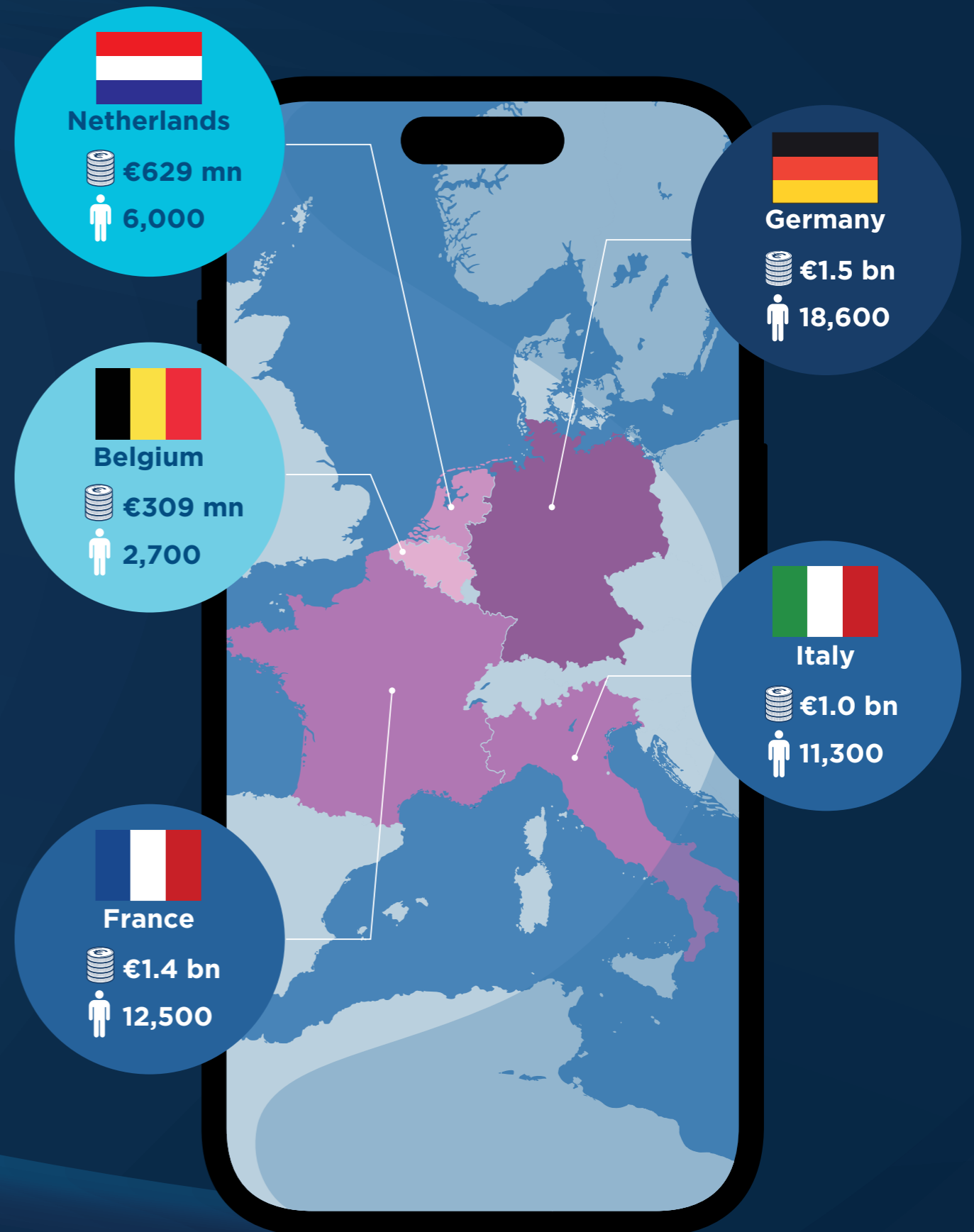
of SMEs say that TikTok has a positive impact on their ability to market new products

Diversity of SME owners on TikTok

2.7x

Owners of SMEs on TikTok were 2.7 times more likely to be of migrant origin than owners of SMEs not on TikTok

Note: Totals may not sum due to rounding. Migratory origin defined as someone who was either born abroad, or who has one or more parents who were born abroad





1. INTRODUCTION

TikTok is one of Europe's most popular entertainment and video-sharing platforms.¹¹ Since its global launch in 2018, TikTok has grown rapidly in Europe, and now has more than 135 million monthly active users in EU countries.¹² A considerable number of businesses also use TikTok as a platform to build brand awareness, grow their reach, and interact with consumers among TikTok's extensive user base. Survey data collected in five European countries showed that, in five sectors where TikTok has a strong presence, around half of small and medium-sized enterprises (SMEs) were monthly users of TikTok.¹³

Businesses can use TikTok's wide reach, and the engagement of its users to promote their brand and create awareness of their products using TikTok's in-built solutions for businesses. TikTok users enjoy a personalised experience on the For You Feed. If users

consent, TikTok can also play a role in promoting businesses by showing users business content and advertising in a targeted way, based on users' interests.¹⁴ Indeed, almost six in 10 TikTok users in Europe have bought something, such as a book, clothes, or beauty products, or visited a location such as a museum, exhibition, or concert after hearing about it on TikTok.¹⁵

This presents an opportunity for EU businesses, particularly SMEs, to grow. TikTok has been designed to allow businesses to share their content and launch ad campaigns quickly with low set-up requirements.¹⁶ Moreover, its algorithms allow users to discover lesser-known brands that match their particular interests.¹⁷ As such, the barriers to entry for SMEs are low, and there may be opportunities for SMEs with new and innovative offerings to be discovered on the platform.

¹¹ TikTok is one of seven video-sharing platforms designated as a 'Very Large Online Platform' by the European Commission's Digital Services Act. European Commission, "Digital Services Act: Commission designates first set of Very Large Online Platforms and Search Engines", accessed October 2023

¹² Figure calculated by summing number of users in individual member states from TikTok's DSA transparency report, which gives a total of 135.9 million users. Correct as of September 2023. TikTok, "TikTok's DSA Transparency Report 2023", accessed October 2023

¹³ This report uses the European Union's definition of an SME as a business having fewer than 250 employees, and turnover of less than €50 million. European Commission, "SME definition", accessed October 2023

¹⁴ TikTok, "What is the 'For You' feed?", accessed October 2023

¹⁵ According to a report by Ipsos on TikTok's cultural impact in Europe, 58% of TikTok users in eight European countries surveyed have bought something or visited something after seeing it on TikTok. Ipsos for TikTok, "Unlocking culture in Europe: An assessment of TikTok's cultural impact in the EU", 2023, accessed October 2023

¹⁶ TikTok states that businesses can "start making ads in minutes with TikTok Ads Manager". TikTok, "Small Wins: How small businesses are unlocking the magic of TikTok", accessed October 2023

¹⁷ TikTok states that its format "allows users to find and interact with niche brands that they would never have known about before." TikTok, "Small Wins: How small businesses are unlocking the magic of TikTok", accessed October 2023

SMEs play a vital role in the economy of the EU. Over 99% of EU businesses are SMEs, and they account for almost two-thirds of employment (64%) and over half of GDP (52%).¹⁸ In some EU countries, their role is even greater. For example, in Italy, SMEs account for 76% of employment, and 64% of GDP.¹⁹ TikTok's position as a widely used platform can contribute to the ongoing success of SMEs in European economies.

This research aims to evidence how the reach, breadth, and beneficial features of the TikTok platform create value for SMEs in the EU, and how this in turn impacts the wider economy. The research focuses on five EU countries (Belgium, France, Germany, Italy, and the Netherlands) which collectively account for more than 60% of GDP in the EU, and more than 50% of TikTok's users in the EU.^{20,21} The research also provides evidence on the diversity of owners of SMEs active on TikTok and showcases how five SME owners in the five EU countries have used TikTok in their businesses.

The report is structured as follows:

- **Chapter 2** looks at the share of SMEs using TikTok in the five focus markets and sectors, how SMEs use TikTok for advertising and marketing, and how TikTok helps SMEs achieve their advertising and marketing goals. The chapter also presents diversity data on owners of SMEs on TikTok.
- **Chapter 3** quantifies the economic impact of SMEs use of TikTok across the five focus markets and sectors.



¹⁸ Eurostat, "EU small and medium-sized enterprises: an overview", accessed October 2023

¹⁹ Eurostat, "Annual enterprise statistics by size class for special aggregates of activities", accessed October 2023

²⁰ GDP shares are from Oxford Economics databank.

²¹ p.23 of TikTok's Digital Services Act (DSA) Transparency Report contains a country-level breakdown of monthly active users in the European Union member states from which this share is derived. TikTok, "TikTok's DSA Transparency Report 2023", accessed October 2023



2. TIKTOK AS AN ENABLER OF SME GROWTH

SME SURVEY DATA

- Chapter 2 draws on an online survey of 5,000 senior decision makers within SMEs in the five European markets carried out in August and September 2023. Survey respondents were identified as having at least significant decision-making responsibility when it comes to the advertising, marketing, or media buying decisions within the business.
- The survey used soft quotas for five sectors where TikTok is understood to have a meaningful presence.
- The survey was not restricted solely to SMEs using TikTok, so as to give an understanding of the percentage of SMEs using TikTok in the sectors surveyed in each country. As such, SMEs using TikTok were identified from the full sample of SMEs in the sectors surveyed. This resulted in a total sample of 2,508 respondents who said the business uses TikTok at least once a month for advertising and/or marketing purposes.^{22,23}

2.1 SMES ON TIKTOK AND THEIR OWNERS²⁴

This research focuses on five sectors where TikTok is understood to be used by a large number of SMEs in Europe. These were:

- **Food and beverages**, which includes the manufacture and retail of related products (excluding alcohol), and the hospitality sector
- **Fashion**, which includes the manufacture and retail of fashion items including clothing, footwear, jewellery, and watches
- **Arts, culture, and music**, which includes music, sport, culture and tourism, broadcast, video and television, and publishing
- **Health, beauty, and fitness**, which includes the retail and manufacture of health, beauty, and fitness products, and related services
- **Other consumer goods**, which includes the manufacture and retail of other consumer products such as electronics, homeware, pet-related items, motor vehicles, and other fast-moving consumer goods not covered elsewhere.

²² The survey asked respondents to consider themselves as users if they did one or more of the following activities: posting content from the business; purchasing advertising; paying creators or others to market its goods/services in their content; or selling its goods/ services through the platform.

²³ Unless stated, survey results presented across our in-scope countries are unweighted, so as to give equal weight to each country.

²⁴ We use the term "SMEs on TikTok" to refer to any SME which uses TikTok at least once a month.

Using survey evidence, we looked at which types of SMEs are most likely to use TikTok in the five sectors and five markets surveyed. We also looked at diversity with respect to the ownership of SMEs. To do this, we asked whether SMEs were majority owned by individuals under the age of 30, by women, or by individuals of migrant origin.²⁵

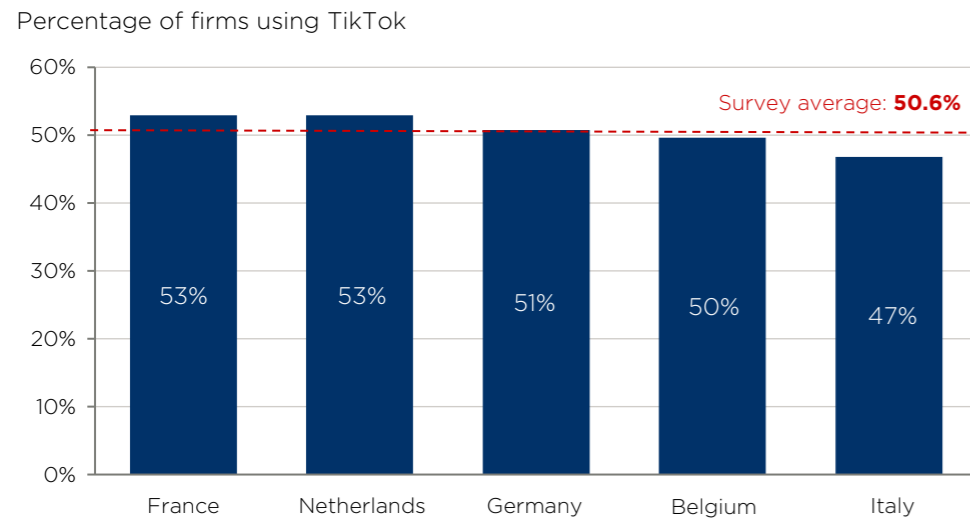
We found that **around half of SMEs had used TikTok at least once a month** in the sectors surveyed. We also found that **SMEs on TikTok had higher rates of ownership by under 30s, and by those of migrant origin** than among SMEs in the sample which did not use TikTok.

There were also meaningful differences at both a country and sector level. For example, SMEs in fashion, and in health, beauty, and fitness were more likely to use TikTok than those in other sectors. SMEs in Germany which used TikTok also had particularly large differences in ownership by women, and by those of migrant origin compared to SMEs which did not use TikTok.

Usage by country

Across all five countries, **just under 51% of SMEs said they used TikTok at least once a month for marketing and advertising purposes in the sectors surveyed.** Usage rates were highest in France and the Netherlands at just under 53%. The lowest usage rates observed were in Italy, although even there around 47% of SMEs in the sectors surveyed reported using TikTok at least once a month, implying a consistency in TikTok's presence across all five markets.

Fig. 1: Percentage of SMEs in the sectors surveyed which use TikTok at least once a month for marketing and advertising purposes, by country



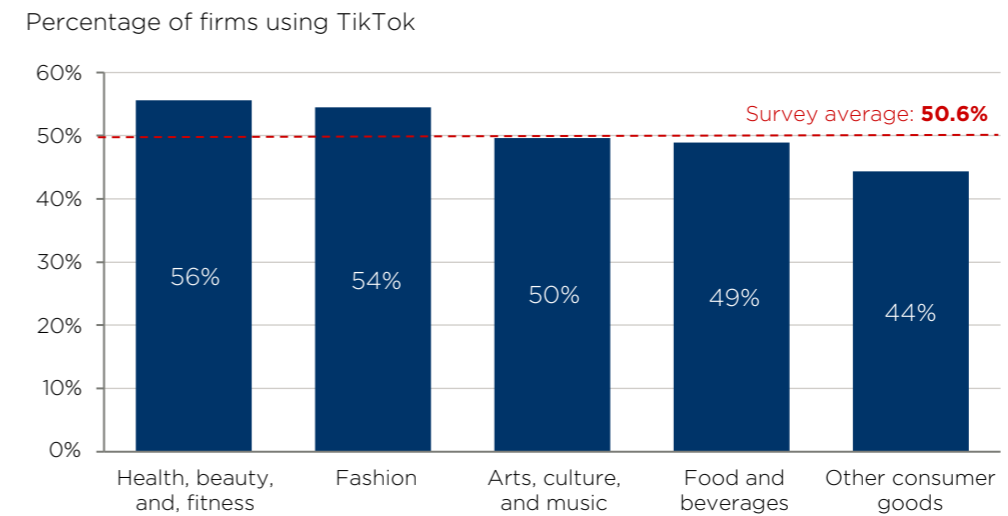
Source: Oxford Economics

14 ²⁵ For the purposes of this report, we defined a person of migrant origin as someone who was born abroad, or who has one or more parents who were born abroad. This differs slightly to the European Union's definition, which includes the above and also individuals who previously had a different nationality from their present country of residence.

Usage by sector

Among the sectors surveyed, respondents from **SMEs in health, beauty, and fitness (56%), and fashion (54%) were most likely to say they use TikTok at least once a month.** The likelihood of using TikTok among respondents in the remaining three sectors was lower at around a half for arts, culture, and music (50%) and food and beverages (49%), and slightly less still for other consumer goods (44%).

Fig. 2: Percentage of SMEs which use TikTok at least once a month for marketing and advertising purposes, by sector



Source: Oxford Economics



DTV VERLAG (@dtv_verlag)

Dtv Verlag has amassed over 34,000 followers and 940,000 likes on TikTok; and, to its knowledge, has the largest audience of any German book publisher on the platform. Its content ranges from revealing new editions to expanding its followers' tastes through comparison and similarity videos. The young marketing team shares a passion for books, which shines through in their daily humorous content, with some posts getting over 2 million views.

Felicia Hofmann, dtv's digital marketing manager, decided to align the publisher's TikTok profile with the organic and grassroots nature of BookTok—the name given to the TikTok subcommunity centring on books and literature—as a deliberate strategy to move away from corporate or inauthentic content. This has helped it to both form a deeper connection with readers and to increase sales.

Through using TikTok, it is now more engaged with their community than ever before, giving a friendly image and voice in an industry that can be perceived as impersonal. Felicia particularly values TikTok's more unfiltered nature as it ensures the conversation with their audience runs two ways. Followers regularly provide their thoughts on posted content which can be very helpful in understanding what readers want and expect of them. The publisher has

even allowed its followers to decide which book cover a new release should boast. "They love to participate," notes Felicia.

Dtv's social media strategy often involves keeping up with the dynamic plethora of trends, genres, and themes on BookTok, seeking to partake in burgeoning subcommunities such as self-help or those dedicated to specific authors like AustenTok. These conversations also influence

its selection of books to commission. "We especially look for books with the enemies-into-lovers trope, because that's what everyone loves since TikTok," explains Felicia.

The publisher's success on TikTok is predicated on understanding and responding to its audience. Dtv's posts focus on young adult and romance offerings. TikTok has significantly contributed to sales in these genres

and Felicia believes this has brought the young back to reading. For an industry which at one point was concerned about the decline in younger readers, Felicia is convinced that BookTok has had a positive impact on overall readership levels and the demand for physical books. Moreover, the publisher's success on TikTok has enabled the promotion of German authors in an increasingly Anglicised industry.

Usage by business size

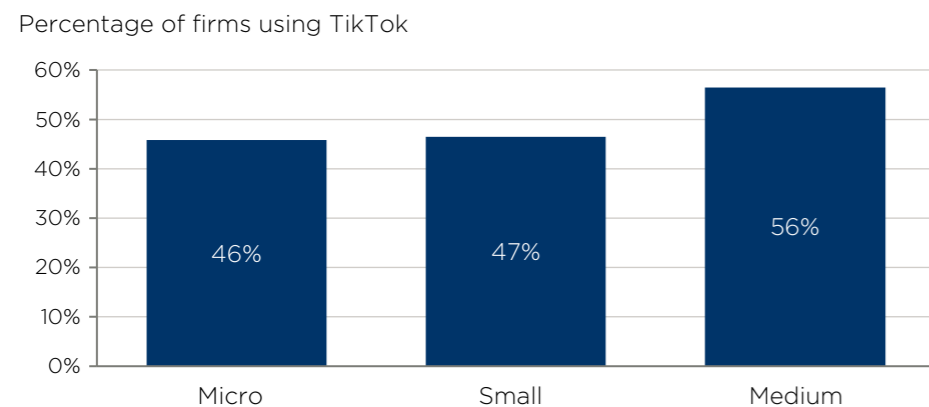
Small- and medium-sized enterprise is an umbrella term for any business below a certain size threshold and includes microbusinesses, small businesses, and medium-sized businesses, which differ substantially in their scale and their advertising and marketing needs. As such, SMEs may use TikTok to different degrees of intensity, and in different ways given their differing scale.

Recognising this, we looked at how TikTok usage differed by whether an SME was a microbusiness, small

business, or a medium-sized business.²⁶ **We found that, while medium-sized businesses (56%) were most likely to use TikTok at least once a month in the sectors surveyed, almost half of microbusinesses (46%), and small businesses (47%) also used TikTok.** Thus, whilst TikTok usage seems to be higher for larger SMEs, a significant share of smaller SMEs also use the platform. Focusing on microbusinesses, which account for 93% of businesses in the EU, there is also evidence of differences in adoption of TikTok at a sector and country level.²⁷ In both Italy and France, 53% of

microbusinesses in the sectors surveyed use TikTok at least once a month, higher than in the other three countries. Similarly, on a sectoral level, microbusinesses in fashion (55%) and health, beauty, and fitness (52%) were more likely to use TikTok than microbusinesses in the other sectors surveyed.

Fig. 3: Percentage of SMEs in the sectors surveyed which use TikTok at least once a month for advertising and marketing purposes, by business size



Source: Oxford Economics

Note: A microbusiness has fewer than 10 employees and less than €2 million in revenue. A small business has fewer than 50 employees, and less than €10 million in revenue. A medium-sized business has fewer than 250 employees, and less than €50 million in revenue.

²⁶ We used the European Union's definition of microbusiness, small business, and medium-sized business. European Commission, "SME definition", accessed October 2023

²⁷ Eurostat, "Annual enterprise statistics by size class for special aggregates of activities", accessed October 2023

The diversity of SME owners on TikTok

Turning to SME owners, we compared SMEs on TikTok to SMEs not on TikTok in terms of whether a majority of the business was owned by:²⁸

- women;
- individuals under the age of 30; or
- individuals of migrant origin.

We found that **SMEs on TikTok were more likely to be majority owned by individuals under 30, and by individuals of migrant origin than individuals not on TikTok.** Ownership of

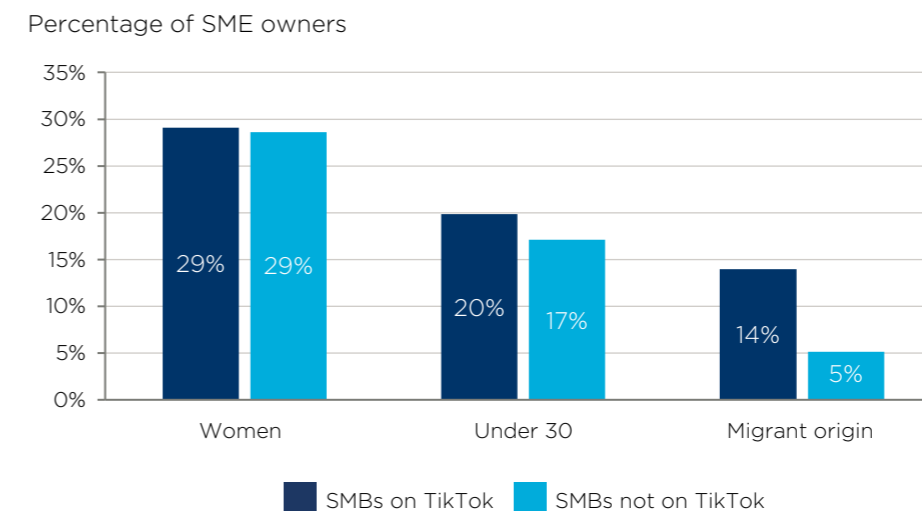
SMEs on TikTok by women was marginally higher than among SMEs not on TikTok.

On a country level, Germany had higher rates of ownership by female entrepreneurs, entrepreneurs under the age of 30, and entrepreneurs of migrant origin among SMEs on TikTok than among SMEs not on TikTok.

In the sectors surveyed, around three in 10 (30%) SMEs on TikTok are owned by women in Germany, compared to just over two in 10 (22%) among SMEs not on TikTok. When looking at ownership by individuals of

migrant origin, 17% of SMEs on TikTok in Germany in the sectors surveyed were owned by individuals of migrant origin compared to just 4% among SMEs not on TikTok. Lastly, 20% of SMEs on TikTok in Germany in the sectors surveyed were majority owned by entrepreneurs under the age of 30, compared to just 13% of SMEs not on TikTok.

Fig. 4: Percentage of SMEs majority owned by demographic, and by whether the SME uses TikTok or not



Source: Oxford Economics

Note: An individual of migrant origin is defined as someone who was either born abroad, or who has one or more parents born abroad. Majority ownership is defined as 50% or more of the business being owned by a person (or people) with the respective characteristic.

²⁸ Majority ownership defined as 50% or more of the SME being owned by a person (or people) with the characteristic in question.

BISILVER (@bisilver.it)²⁹

In 2020, Beatrice Rinaldi started her own jewellery business, BiSilver. In her first year, she was unable to accomplish much growth in her business. The young entrepreneur then started posting videos on TikTok and quickly “saw a radical change in sales and visits to the BiSilver website... It led me to expand and to be able to have my own workshop”. Beatrice suggested the key reason for her success on TikTok was its unique algorithm which enabled her to reach and carve out her own niche audience. Moreover, it was important for Beatrice to keep costs down while also achieving effective advertising; an objective TikTok was able to help her realise. She explains that “if I hadn’t used TikTok and had to advertise to get those results, I would have had to spend a lot of money, which I didn’t have, and so I would have never grown my brand”.

Three years on, TikTok remains BiSilver’s primary business driver. Beatrice appreciates TikTok’s video-based content which invites the viewer to see “the soul of the jewel and your activity—you can show the essence of what you do”. She realised that when purchasing online, there is a detachment from the product compared to when purchasing in-person, particularly in a high-touch industry like jewellery. As a result, BiSilver’s profile features “behind-the-scenes” posts of the end-to-end process, from design, through to manufacture, and marketing of the final product. These reveal both the positive side of her business and everyday challenges, as Beatrice points out: “[When you] show how you do it, show the workshop, and put your voice in it, it makes everything more real, bringing the consumer closer.” Her aim is to make

BiSilver’s profile as connected to her personal image as possible. This transparent and unfiltered approach has created trust and loyalty with her consumers.

It’s not just her own business Beatrice believes her videos benefit. According to Beatrice, with giant fast fashion brands taking ever-larger portions of the jewellery market, Italian artisanship is in decline. However, TikTok helps level this playing field, supporting small businesses like her own by exhibiting the value of handcrafted products. Many of Beatrice’s followers regularly get in contact with her, emphasising their passion for her profession, which she hopes will encourage Italian artisanship in the future.

2.2 HOW AND WHY SMES USE TIKTOK

2.2.1 TikTok’s offering to SMEs

TikTok’s offer to businesses consists of four core solutions, which TikTok refers to as: advertising, creative, commerce, and measurement.³⁰ These solutions are designed to help businesses promote their own content and work with creators to do so on their behalf (“advertising”), effectively create content (“creative”), generate sales directly through TikTok (“commerce”), and provide insights into the impact and efficiency of the businesses’ marketing activities on TikTok (“measurement”).

Each of these four core solutions are described in more detail below:

THE FOUR CORE SOLUTIONS THAT TIKTOK OFFERS TO SMES

1. Under **advertising solutions**, TikTok offers several options for businesses wanting to use paid advertising to promote their content, including working with creators to advertise on their behalf.³¹ For example, a business can use “In-feed ads” which are displayed within the user’s feed, are interactive—allowing users to like, comment, and share the ad.
2. As part of **creative solutions**, TikTok provides businesses with creativity-enhancing tools, such as the Creative Centre which helps businesses to make better videos, and the Creator Marketplace to help businesses find Creators for brand collaborations.³²
3. Under **commerce solutions**, TikTok also offers in-app integrated commerce solutions, which allow users to go directly from viewing a video where a product is shown to purchasing the product.³³
4. Lastly, TikTok offers **measurement solutions** to help businesses understand the impact and efficiency of advertising campaigns using data driven insights.³⁴

²⁹ Quotes are translated into English from Italian interview transcript

³⁰ TikTok, “Solutions”, accessed October 2023

³¹ TikTok, “Advertising solutions”, accessed October 2023

³² TikTok, “Creative solutions”, accessed October 2023

³³ TikTok, “Commerce solutions”, accessed October 2023

³⁴ TikTok, “Measurement solutions”, accessed October 2023

2.2.2 How SMEs actually use TikTok

We asked SMEs on TikTok whether they had undertaken one or more activities on the platform in the past year to understand how SMEs use TikTok in practice and to what extent they leverage the four core solutions outlined above.

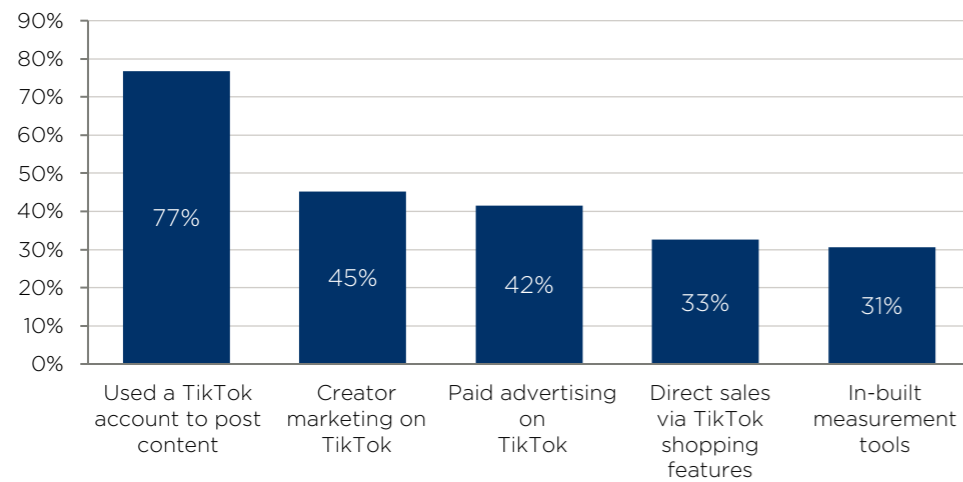
We found that **the most common use case, undertaken by just over three-quarters (77%) of SMEs on TikTok, was to use a TikTok account to post content on behalf of the business.** This could involve the SME using TikTok's creative solutions to create content.

The second most common use of TikTok, undertaken by 45% of SMEs, was some form of creator marketing, followed by the third most common use, paid advertising (part of advertising solutions), which was undertaken by 42% of SMEs. On a country level, SMEs in France were most likely use some of creator marketing (51%), whereas in sectoral terms this was the food and beverages sector (49%).

Lastly, direct sales features (part of TikTok's commerce solutions), were used by a third of SMEs on TikTok, and in-built measurement tools (TikTok's measurement solutions), were used by just over three in 10 SMEs (31%). SMEs in fashion were most likely to use TikTok's direct sales features (38%).

Fig. 5: Percentage of SMEs on TikTok undertaking various advertising and marketing activities on TikTok

Percentage of SMEs on TikTok answering positively



Source: Oxford Economics

Having identified previously that there are differences in the likelihood of using TikTok by business size, we also looked at how the activities undertaken by SMEs differed by size. **Larger businesses in the medium-sized category were more likely to make use of features such as paid advertising and direct sales, whereas the likelihood of posting content on TikTok did not differ much by size of business.** For example, 44% of medium-sized businesses had done some form of paid advertising, compared to just 32% of microbusinesses.

Whilst a majority of SMEs on TikTok maintained a direct presence by posting their own content directly, a significant minority (23%) did not. Looking specifically at those businesses which used TikTok, but did not post content directly, the most common use was creator marketing, undertaken by almost six in 10 SMEs (58%), suggesting that the majority of those who did not post content themselves relied instead on creators to promote the business. A smaller share of those not posting content directly to TikTok (45%) had used paid advertising to promote their businesses.³⁵

³⁵ A small fraction of businesses answered this question inconsistently by stating, for example, that they had used TikTok's measurement tools without having done any form of paid advertising or creator marketing, and without having posted content themselves.



HOLYSMILE (@holysmile.nl)

Started as a side hustle by friends Marco Ciftci and Mariska Woltman in 2020, HolySmile is now understood to be the largest Dutch teeth whitening company on TikTok, with 39,000 followers. Such rapid growth has allowed them to expand into new markets and employ freelancers. Though HolySmile did initially sell through their website, they attribute their rise exclusively to TikTok, as according to Marco, “orders grew tenfold through TikTok, we cannot imagine our business without it”.

Marco values the informal and approachable feel of TikTok; it allows HolySmile to engage in humorous TikTok trends through posting light-hearted videos. These are often more subtle in their marketing content, and free from direct promotion or explanation of their products. They noticed videos of this type halve their cost per acquisition (CPA), which means they pay less per conversion into a sale. These are now a core part of their output,

as Marco explains, “funny videos which have no serious context get us a lot of great results”.

HolySmile seizes the organic marketing opportunities that arise from the product queries followers leave on their TikTok videos. Marco points out that occasionally HolySmile’s creative customer response videos go viral and significantly bolster sales revenue. TikTok Pixel, a free business tool for measuring ad performance,

has proven to be incredibly valuable to HolySmile through the monitoring of key performance indicators such as CPA and return on ad spend (ROAS). As Marco explains: “We’re really into these numbers because it shows us what to work on and what kind of videos to produce.” HolySmile reports getting more than 6 million impressions per month on TikTok, and with more than 9 million TikTok users in Belgium and the Netherlands, the countries

where they have the biggest presence, they unsurprisingly still mainly sell through their TikTok links.

However, it’s not all about numbers for HolySmile. The interactivity of the platform has encouraged authentic connections with customers and increased their own transparency as a company. Alongside the jovial TikTok trends, the platform facilitates the dissemination of important product information and

customer support free of charge, increasing customer loyalty and engagement. Therefore, whether TikTok is enabling targeted customer assistance, or helping expand the customer base itself, it continues to play an essential role in HolySmile’s success story.



2.3 THE BENEFITS TO SMES FROM USING TIKTOK

In the sectors surveyed, a **majority of SMEs on TikTok reported that TikTok had a positive impact on the business's ability to achieve certain key marketing objectives**, including interacting more with customers, communicating the business's values more clearly, differentiating the business's offering, and growing the business's brand loyalty.

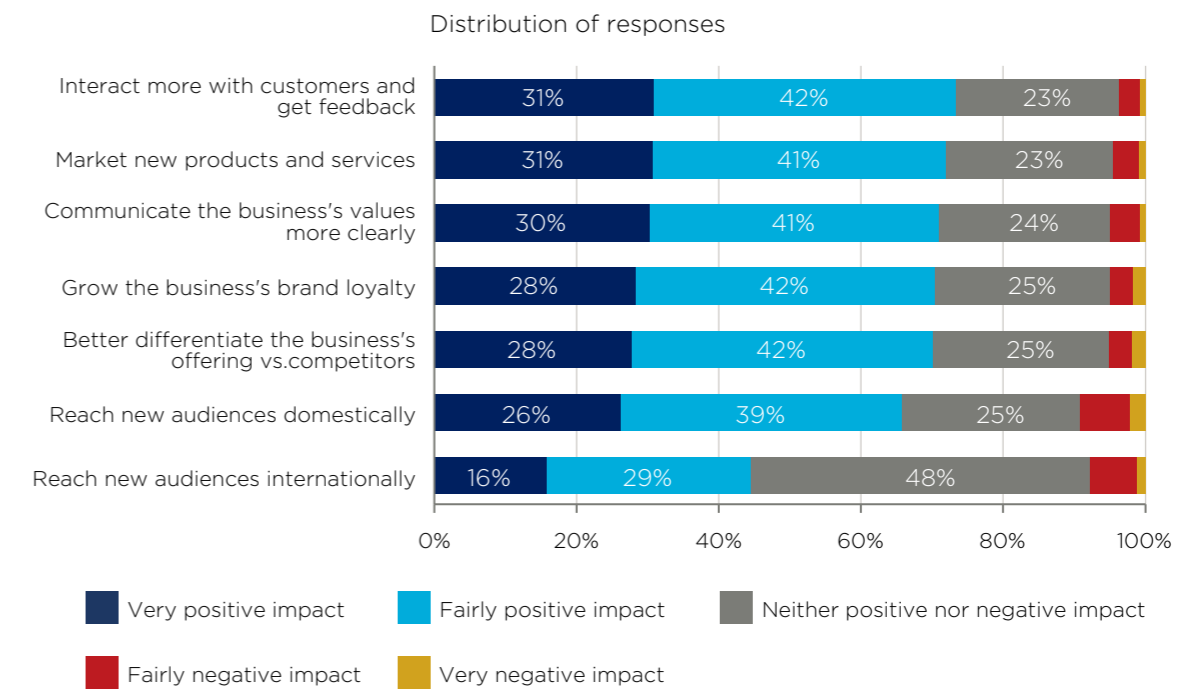
For example, almost three quarters (73%) of respondents answered that TikTok had either a very positive or fairly positive impact on their ability to interact more with customers, and receive direct feedback. A similar share of respondents (70%) stated that TikTok had either a very positive or fairly positive impact on growing their business's brand loyalty.

“

We benefit a lot from the comments and customer feedback we receive on TikTok as it helps us to refine our content and marketing strategies—SME user of TikTok in the food and beverages sector in Germany.

”

Fig. 6: Percentage of SMEs on TikTok stating that TikTok had either a positive, neutral, or negative impact on their ability to achieve certain marketing objectives



Source: Oxford Economics

“

Influencers have used our products and given positive reviews on TikTok, which has led to brand recognition.—SME in the health, beauty and fitness sector in the Netherlands.

”

2.3.1 Indirect impact on SMEs which do not use TikTok

As the survey sample also included businesses which do not use TikTok, we asked SMEs not on TikTok whether they had benefitted indirectly from exposure on the platform which could stem, for example, from creators posting about the business.

We found that **17% of SMEs not on TikTok had benefitted indirectly from exposure on TikTok in the past year.**

In France, the share of SMEs stating that they had benefitted indirectly was even higher at more than a quarter (27%).





3. THE ECONOMIC IMPACT OF SMEs' USE OF TIKTOK FOR GROWTH

ECONOMIC IMPACT METHODOLOGY³⁶

- Chapter 3 presents findings from our analysis quantifying the economic impact of SMEs using TikTok as an advertising and marketing platform to grow their business.
- Our modelling estimated the amount SMEs spend on advertising and creator marketing on TikTok in the five markets and sectors. It then applied a TikTok-specific estimate of the returns on advertising spend (RoAS) to estimate the resulting change in revenue.³⁷
- We used a standard economic impact assessment framework, which considers three channels through which revenue driven by SME activity on TikTok contributes to the economies of the five markets in-scope:³⁸
 - Direct impact, which is the economic activity supported by the revenue earned through SME advertising and marketing on TikTok.
 - Indirect (supply chain) impact, which is the economic activity supported due to changes in the supply chain demands of SMEs who advertise on TikTok.
 - Induced (consumption) impact, which is the economic activity of consumption supported by the wages paid to employees in SMEs who are employed to fulfil TikTok-driven sales, and the consumption supported by additional wages paid by supply-chain businesses.
- We also incorporated into our modelling an estimate of the value that SMEs placed upon TikTok's "free" offering, by asking respondents for their "willingness-to-pay" for free services provided by TikTok such as the ability to create and post content.

3.1 TIKTOK AS A DRIVER OF SME GROWTH

TikTok helps to drive growth in SME sales through its paid features, including the use of paid advertising, and creator marketing, which give SMEs the opportunity to put their marketing budgets towards direct exposure.³⁹ However, SMEs can also grow organically without significant investment through leveraging TikTok's unpaid offering to businesses, and its position as a platform with over 70 million users in the five markets that this research focuses on.

Chapter 2 demonstrated that both TikTok's paid and unpaid features were used by a significant proportion of SMEs.

Our modelling approach captures the economic impact arising from both of these value streams. We describe below the revenue impact of SMEs using paid advertising and creator marketing on TikTok, as well as the value SMEs place on TikTok's unpaid offering.

³⁶ Full methodology in Appendix A and Appendix B.

³⁷ RoAS measures, for every one euro spent on advertising, how many euros of sales were generated.

³⁸ The results presented are on a gross basis, meaning we do not make an assessment of the revenue that SMEs would otherwise generate if they allocated their marketing expenditures in another way. The impacts presented also do not consider the displacement of sales elsewhere in the respective markets.

³⁹ Research commissioned by TikTok shows that investments in paid advertising on TikTok led, on average to increases in sales volumes in excess of the amount invested, meaning they have a RoAS in excess of one. This research covered some of the markets and sectors included in this report. Where country-sector specific estimates were available, these were used to estimate returns to advertising. Where these were not available, averages across other countries (or sectors) were used instead

Growth from paid advertising on TikTok

Looking firstly at the impact of paid advertising and creator marketing on TikTok, **our modelling finds that investments by SMEs on TikTok across the five markets drove a total increase in SME revenue of €3.5 billion in 2023.**

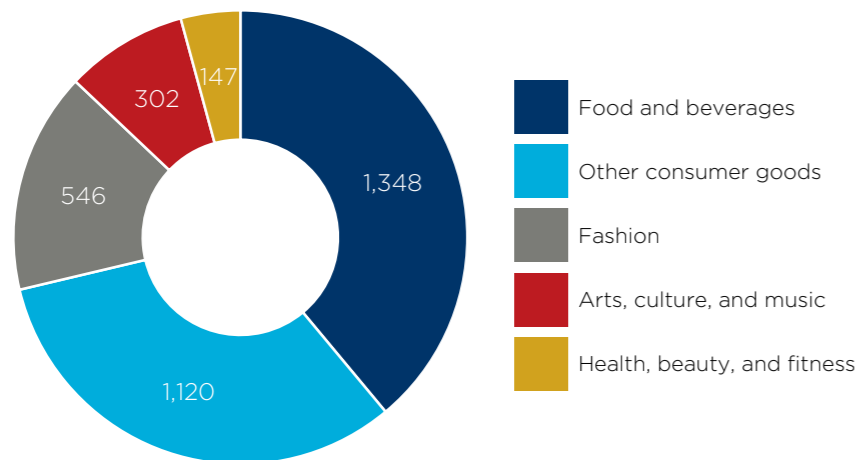
On a sectoral level, the largest impact on SME revenue was in the food and beverages sector, which at €1.3 billion accounted for 39% of the

total revenue increase. This was followed by the other consumer goods sector, which accounted for 32% of the total uplift, and fashion, arts, culture, and music, and health, beauty, and fitness which collectively accounted for 29% of the total uplift.

On a country level, the impacts on SME revenues were largest in Germany (€1.1 billion), followed by France (€0.9 billion), Italy (€0.7 billion), the Netherlands (€0.5 billion), and Belgium (€0.3 billion). This was largely driven by the respective size of the economies in question.

Fig. 7: Increase in SME turnover from additional sales generated by advertising and marketing on TikTok, by sector

Revenue (€, millions)



Source: Oxford Economics

Growth from the use of TikTok's free service offering to SMEs

TikTok provides businesses with a number of unpaid services which are not captured in the revenue uplifts set out above. These unpaid services include the ability to post content for free, tools that help businesses create content, and tools that help businesses to measure the efficacy of their marketing on TikTok.

A business may be willing to pay for these services if they believe they impact positively on the business's profits. This may be the case if the business generates additional sales volumes, improves its profit margins on existing sales volumes, reduces its expenditure on other marketing, or creates other cost efficiencies such as better targeted advertising from using TikTok's measurement tools.

To capture the value of TikTok's free service offering to SMEs, we used a survey-based "willingness-to-pay" approach to place a monetary value on services which are free to access.⁴⁰ We found that the average SME on TikTok across the five markets would be willing to pay €594 a year in order to keep access to TikTok in the hypothetical scenario that its free services were no longer free.⁴¹

On a country-level, yearly willingness-to-pay was highest in Germany at just over €700. Whilst it is not possible to say definitively why this is the case, it may be due to the size of the German market, reflected in it having the largest economy from among the five markets and the second highest number of monthly users. We also found that businesses owned by under 30s, and by those of migrant origin had higher willingness-to-pay.

⁴⁰ This technique is typically used in public policy applications to place a monetary value on non-markets goods and services (e.g. a public park) but has also been used to place a monetary value on digital platforms which are free to access for users. For example, Brynjolfsson et al. (2019) use a similar approach to place a monetary value on consumers' access to a number of social media platforms. Erik Brynjolfsson et al., "Using massive online choice experiments to measure changes in well-being", accessed November 2023

⁴¹ Weighted by counts of SMEs in the sectors surveyed by country, and business size, given variation in willingness to pay by business size.

JOJO'S DOUGH (@jojosedough)

In 2020, Jozef Kozik and Josephene Powell (known collectively as Jojo) found themselves unemployed, having lost their jobs as a handyman and fitness trainer due to Covid-19. With their love of food and desire to keep busy, they decided to bake cookies from their apartment in Cannes, at first delivering to friends and neighbours only. TikTok videos of their baked goods accelerated their popularity and led to the creation of Jojo's Dough. Their success since has seen seven Jojo's Dough stores open to date, with many more planned, including outside France, with the business having adopted a franchise business model.

Josephene describes the early days of the business, when they were some of the "first people in France to use TikTok within the food industry". The rapid rise of TikTok significantly aided

their business expansion. Initially, their TikTok content exclusively featured their cookies. However, the couple soon recognised that what gained the most traction was to show themselves, their personalities, and their story. At the time, TikTok was unique in its short-form, video-only content and Josephene explains that this "was a lot more fun and was where we could show our personalities more," introducing "the whole Jojo family".

They also found the explanation of how each cookie was carefully measured and handmade had contributed to their TikTok success. In their point-of-view videos, they imitate an in-store customer experience. "The person that's serving would recommend a cookie, a drink, and prepare it," says Josephene. They believe these videos have gone viral

because their customers can relate to them, and they've developed a closer, more genuine connection to their customers as a result. In keeping with this more personal content, one of the small businesses' most viewed videos on TikTok is a "Day in the life of an employee at Jojo's Dough". Josephene suggests the closer you listen to and engage with your audience in this way, the more impressions you get from new users. Such online traffic has dramatically increased footfall to their stores, and she recommends any company looking to grow to be on TikTok, where she feels the advantages are particularly evident for smaller businesses.

"We definitely see the importance of the videos that we create, [and] how much it impacts the clients that actually come into our shops," says Josephene.



JOJO'S DOUGH
Since 2020

3.2 THE IMPACT OF SME ACTIVITY ON TIKTOK IN THE FIVE EUROPEAN MARKETS

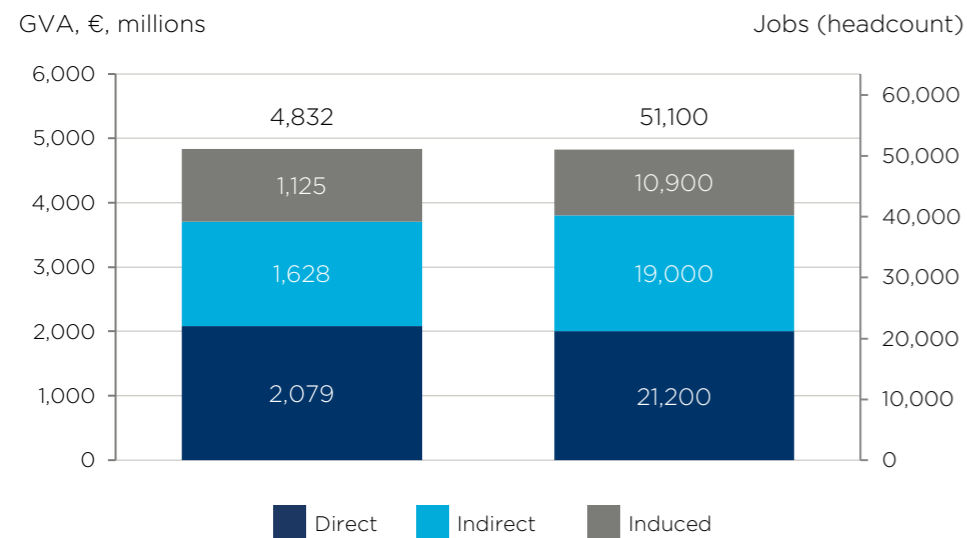
Our modelling estimates that the revenues driven by **SME activity on TikTok supported a €4.8 billion GVA contribution to GDP and 51,100 jobs across the five markets in 2023.**⁴²

Breaking this total impact down into its parts, a **€2.1 billion GVA contribution to GDP was supported directly within SMEs on TikTok through their use of the platform.** Across the five markets, **this economic activity also sustained 21,200 jobs within SMEs on TikTok.**

Secondly, as SMEs on TikTok grow their revenues, they also increase their supply chain purchases. These purchases stimulate further economic activity, such that a **€1.6 billion GVA contribution to GDP and more than 19,000 jobs were supported through this indirect channel** of economic impact.

Lastly, employees of SMEs on TikTok and the employees supported in their supply chains spend their wages in the wider economy, sustaining further economic activity. **This induced channel supports a €1.1 billion GVA contribution to GDP and 10,900 jobs across the five focus countries in 2023.**

Fig. 8: Economic activity supported by SMEs on TikTok, by channel of impact⁴³



Source: Oxford Economics

⁴² The GVA contribution to GDP can be interpreted as the EBITDA earned, and compensation of employees paid as a result of the revenues generated through SMEs' use of TikTok.

⁴³ Totals may not sum correctly due to rounding.

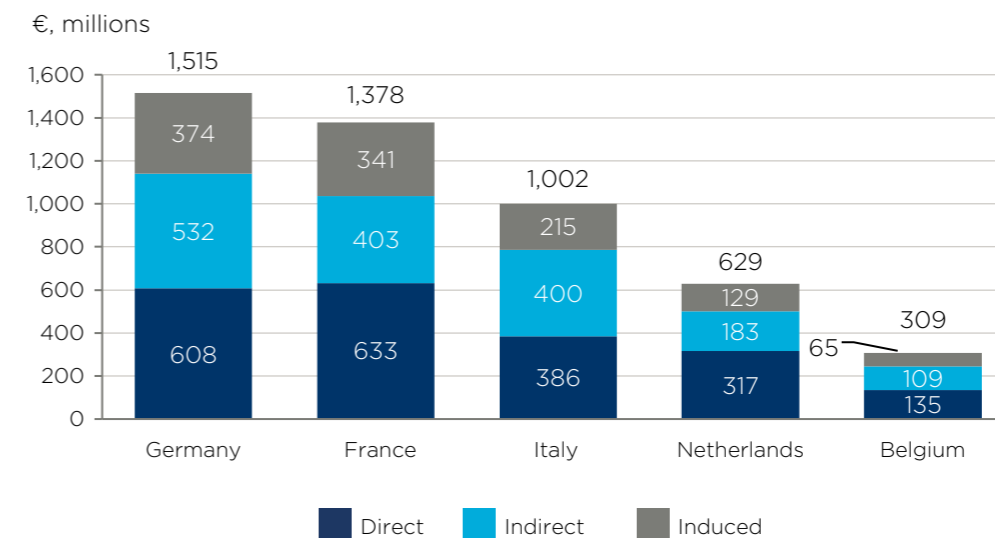
3.2.1 Economic impact of SMEs on TikTok in the five European countries

Disaggregating this impact by country, we see **the largest impacts are generated in Germany, where SMEs on TikTok supported a €1.5 billion contribution to GDP, and 18,600 jobs.** This is followed by France, Italy, the Netherlands, and Belgium.

Larger economies such as Germany, France, and Italy would be expected to have larger impacts, particularly as evidence presented in Chapter 2 showed that TikTok usage was consistent

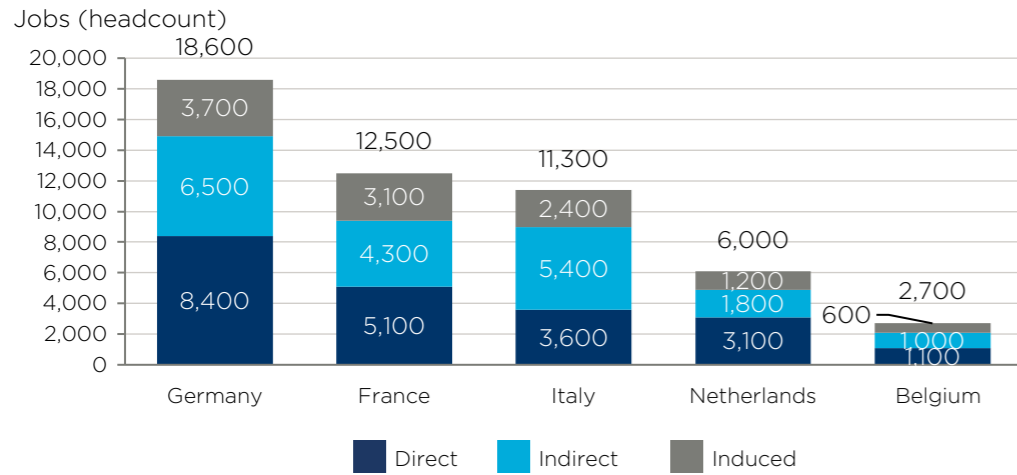
across markets. **Taking the relative size of each economy into account, the largest share of economic activity was supported in the Netherlands, where SMEs on TikTok contributed €0.6 billion to Dutch GDP and supported 6,000 jobs.** This reflects the Netherlands having the joint highest monthly usage rate of SMEs among the focus countries, and the relatively high expenditures of Dutch SMEs on TikTok. It also reflects the relative importance of the sectors TikTok is most active in within the Dutch economy.

Fig. 9: Contributions to GDP supported by SME use of TikTok, by country



Source: Oxford Economics

Fig. 10: Employment supported by SME use of TikTok, by country⁴⁴



Source: Oxford Economics

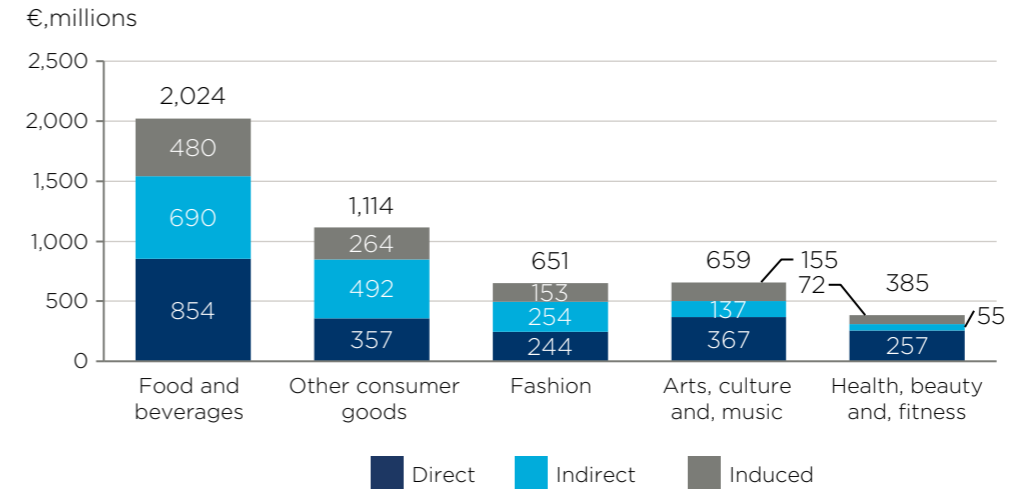
3.2.2 Economic impact of SMEs on TikTok in the five focus sectors

Among the sectors in focus for this research, our modelling estimates that the largest impact supported by SMEs' use of TikTok was in the food and beverages sector. In this sector, SMEs use of TikTok supported a contribution of more than €2 billion GVA to GDP and 24,500 jobs. After the food and beverages sector, contributions to GDP were largest in the other consumer goods sector, followed by arts, culture, and music; fashion; and health, beauty, and fitness.

across a variety of industries. Partly reflecting the choices of focus sectors, the majority of total jobs supported are in consumer-facing services and retail industries. Employment in services industries and retail and wholesale industries comprise 48% and 30% of total jobs supported across all channels of impact respectively. Over 9,000 manufacturing jobs (19% of total jobs) were also supported in 2023, driven by the indirect impacts stimulated by the supply-chain spending of SMEs on TikTok.

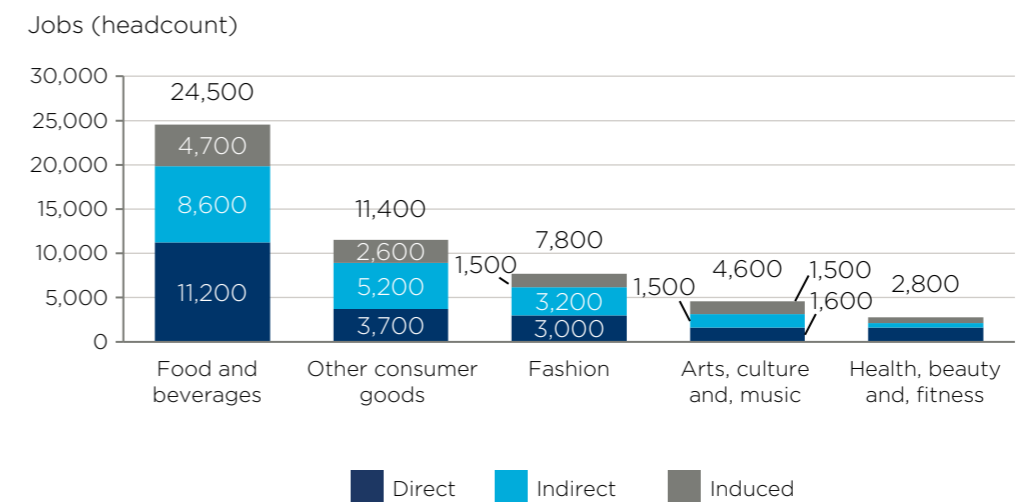
We also looked at how the jobs supported by SMEs on TikTok differs by broad industries, namely primary industries, manufacturing, retail and wholesale, and services. We see that SMEs on TikTok support employment

Fig. 11: Contributions to GDP supported by SME use of TikTok, by sector



Source: Oxford Economics

Fig. 12: Employment supported by SME use of TikTok, by sector⁴⁵



Source: Oxford Economics

3.2.3 Trade impacts of SMEs on TikTok

TikTok also helps stimulate trade within the European Union. As SMEs use TikTok to grow, their supply chain imports from other member countries will also grow. Our modelling estimates that **trade supported by SMEs use of TikTok sustained 7,700 jobs across the five markets, and supported a €0.6 billion GVA contribution to GDP.** These impacts are greatest in Germany where a €0.2 billion contribution to GDP was supported by trade-driven output.



ACCOUNTABLE (@accountable.eu)

Founded in 2019, Accountable helps thousands of self-employed professionals manage their taxes across Belgium and Germany, and is an example of TikTok's impact outside of the five sectors that this report has focused on. Co-founder and Head of Marketing, Tino Keller, sought to make the difficult task of managing taxes easier, building an end-to-end bookkeeping solution targeted towards the self-employed. He was attracted to TikTok by the potential to grow the business

through its vast user base of potential new customers. According to Tino, "what TikTok enabled was to scale, to reach a different size, and different types of users". Tino believes that "without TikTok, [Accountable] wouldn't have been able to grow as fast and as efficiently".

On their TikTok account, the Accountable marketing team showcase tax tips and helpful information—with some videos getting over 60,000 views—simplifying known problems

and alleviating daily pain points using their tools such as tax calculator, and search engine for deductibles. Being on TikTok, Accountable is also able to present a more youthful identity. Tino says they want to "build the most modern solution... run on the most modern advertising channel, which currently is TikTok". Moreover, with most TikTok creators being self-employed, Accountable is close to one of its key target clienteles. Accountable also use TikTok to attract talent,

taking advantage of the reach the platform offers. They even ask job candidates to produce a sample TikTok ad, and say it's a key factor in deciding who gets to the next round of interviews.

Recognising that there are more visual and exciting topics than taxes, Accountable has had to find creative ways to generate effective content, such as leveraging User Generated Content. Recent examples include a client doing his VAT submission

on holiday in front of Mount Fuji, whilst another invites a business partner for a drink and deducts the cost by simply scanning the receipt. By allowing real users to do the talking for them, their value proposition is conveyed in an authentic manner. Tino believes that using input from users has led to a 10-fold increase in their creative output. They have also been featured several times by TikTok as having run some of the most successful ads on the platform.

Tino explains that TikTok is an important medium to create awareness around financial literacy and an understanding of taxes in a society which culturally often struggles to speak about money. The platform "enables us to put the topic front and centre, which is a good thing... Only if you know about money, can you plan for old age and build".







APPENDIX A: THE ECONOMIC VALUE TO SMEs OF TIKTOK'S FREE SERVICES

To estimate the producer surplus of SMEs (defined below) using TikTok's free service offering, we adapt a methodology which has been used by economists to estimate the consumer surplus associated with digital services such as TikTok, which users are able to access at zero price.^{46,47} Whilst TikTok offers paid services, such as paid advertising, and the creator marketplace, it also offers a number of free services such as the ability to post content, and the use of tools to measure the efficiency of marketing campaigns. Due to their zero price, the part of digital services which are free, such as that offered by TikTok, are not captured in traditional measures of economic output such as GDP. This is because GDP captures what individuals and businesses pay for things, rather than the benefits they derive from them.

THE CONCEPT OF PRODUCER SURPLUS

Our approach seeks to estimate a concept economists refer to as producer surplus. Producer surplus is defined as the difference between a producer's willingness to accept for a good or service and the amount that they actually receive. For instance, if a bakery were willing to accept €1 for a croissant but actually receives €2, then that business would have €1 of producer surplus per transaction. A business's willingness-to-accept can also be thought of in terms of marginal cost (i.e., the cost of producing one additional unit), as it would not be willing to accept a price lower than the marginal cost. Thus, the producer surplus from an individual transaction can be thought of in terms of its contribution to a business's gross profit (the price received minus the cost of producing the good), and the sum of producer surplus across all of the business' transactions gives its total gross profit.

THE POTENTIAL ECONOMIC VALUE OF TIKTOK'S FREE SERVICE OFFERING ON PRODUCER SURPLUS

Unlike consumers, who use TikTok as they find the experience enjoyable in and of itself, businesses use TikTok as a means to achieve business objectives, such as increasing brand loyalty, expanding their customer base, and ultimately growing revenues, profits, and hence producer surplus. Free services on TikTok may allow them to do this through three main channels:

1. A business's use of TikTok provides additional exposure to the business's products, leading to additional profitable sales in both the short and long run.⁴⁸
2. A business's use of TikTok allows it to improve its brand image and influence consumer tastes such that consumers are less price sensitive, and the business's margin on each sale is higher.⁴⁹

⁴⁶ For an example of this approach applied to estimate the consumer surplus of social media, see Erik Brynjolfsson et al. "Using massive online choice experiments to measure changes in well-being", PNAS, 116 (15) 7250-7255, 2019, accessed May 2022.

⁴⁷ Though we are not aware of the methodology set out in this section having been applied to value the producer benefits of free digital services, a similar methodology has previously been applied to value the producer benefits of, for example, free weather forecasts. Kimberly Rollins & Joseph Shaykewich, "Using willingness-to-pay to assess the economic value of weather forecasts for multiple commercial sectors", Meteorological Applications, (2003), pp.1-99, accessed November 2023.

⁴⁸ If the business is substituting away from other forms of marketing to TikTok, then it must be the case for producer surplus to increase that it generates additional profitable sales in excess of those generated elsewhere.

⁴⁹ This reduced-price sensitivity is discussed in a report by Ebiquty and Gain Theory, which estimates that a 10 percentage point increase in share of voice, defined as the share of media spending by a business compared to its market as a whole, is associated with between a 5% and 20% reduction in price elasticity. Ebiquty & Gain Theory, "Profit Ability - The business case for advertising", 2018, accessed November 2023.

3. TikTok may also provide value to businesses by being a more cost-effective form of marketing versus alternatives, meaning that a business may be able to generate the same level of revenues from a lower level of marketing expenditure. This could be achieved, for example, through better targeted advertising enabled by TikTok’s algorithm, or through the use of TikTok’s measurement tools to provide insights into what kinds of marketing is most effective. This may induce the business to allocate more resources to marketing, leading to the higher sales volumes and improved brand image described above, or the business may allocate these savings elsewhere to, for example, invest in other parts of the business (or a mixture of both), all of which would contribute to producer surplus.

ESTIMATING PRODUCER SURPLUS

Economists use survey-based “stated preference” methods as one approach to estimate how much value for businesses—or producer surplus—is created by zero-price goods, or goods for which there is no market price (e.g., public goods such as clean air).⁵⁰ One such method is to ask individuals, in this case employees or business owners with significant decision-making responsibility over the business’s marketing, to estimate the amount they would hypothetically be willing to pay for TikTok’s (currently) free services in the event they were no longer free.

In our SME survey, we asked participants the following question to elicit their willingness-to-pay (WTP) for free services on TikTok:

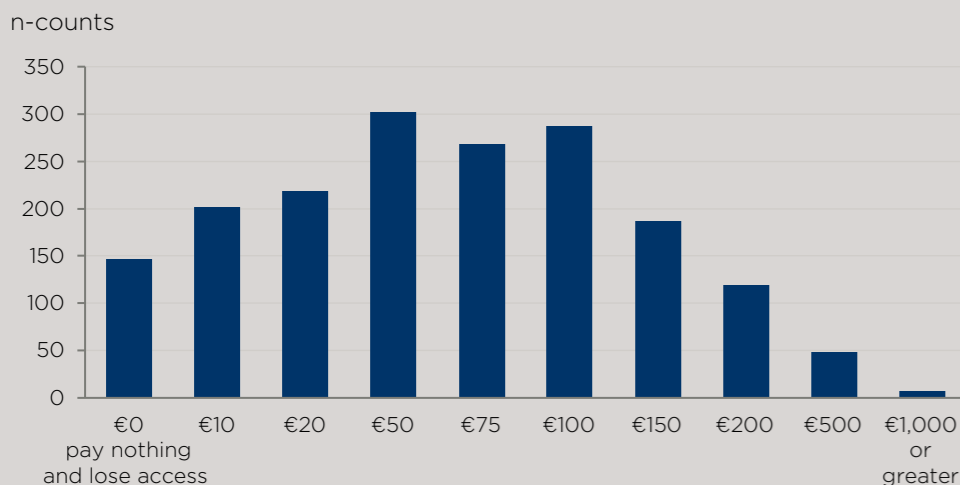
“We would now like to understand how much your business values the free part of TikTok’s offering to businesses. This could include the ability to create and post content for free, tools that help you create content, and tools to measure the efficacy of your marketing on TikTok.

In the hypothetical scenario where these services were no longer free, what is the maximum amount per month that your company would be willing to pay to keep access to these services?”

Respondents were then presented with a payment card of possible prices to choose from, ranging from €0 to €1,000.⁵¹ An option to specify a different amount was also provided.

Results are presented below.⁵² The modal monthly willingness-to-pay was €50 and the median response was €75.

Fig. 13: Unweighted distribution of WTP responses



Source: Oxford Economics

⁵⁰ See Box 20 of HM Treasury’s Green Book. HM Treasury, “The Green Book”, accessed November 2023.

⁵¹ This is one of five common approaches to eliciting a willingness-to-pay value. It was chosen as it is recommended in published guidance because it avoids some forms of “anchoring bias” present in other approaches and reduces potential for outliers. For further information see p.52 of David Pearce et al. for UK Department for Transport, “Economic Valuation with Stated Preference Techniques – Summary Guide”, 2002, accessed November 2023.

⁵² Results are presented for the subset of SMEs which make use of free services but do not make use of paid services as the latter may overstate the value they derive from free services if they also reflect the additional value they receive from paid services.

We also looked at how WTP differs by business size, expecting that larger businesses would be willing to pay more to access TikTok’s free services in anticipation of larger nominal returns. Using our definitions of micro, small, and medium-sized businesses, we see that this does bear out in practice. Micro-sized businesses were willing to pay €47 per month to access TikTok’s free services in the hypothetical scenario that they were no longer free, compared to €63 for small businesses, and €79 for medium-sized businesses.

USE IN ECONOMIC IMPACT MODELLING

To use the results of the stated preferences survey question in our economic impact modelling, we needed to aggregate our firm-level estimates of producer surplus to the relevant population level, which in this case is all SMEs which use free services on TikTok in the respective markets. To do this, we undertook the following steps:

- Multiplied our monthly WTP values by 12 to arrive at a yearly value per firm.⁵³
- By business size band, applied our estimate of the percentage of SMEs using TikTok’s free services at least monthly to Eurostat business count data for each of the five markets to estimate the total number of microbusinesses, small businesses, and medium-sized businesses using TikTok’s free services at least monthly.
- Multiplied these counts by the three respective annual WTP values, and summed to get a per-country aggregate WTP value.

This measure is taken as a proxy for the gross value-added contribution to GDP of SMEs using TikTok’s free services at least once a month, and is incorporated within our economic impact modelling. This addition is discussed further in Appendix B.

⁵³ This assumes that the WTP value for a business to access TikTok’s free services for a year is 12 times as large as the WTP value to access it for a month, which we discuss further below.

LIMITATIONS

Our survey-based approach has certain limitations, outlined below:

- The estimates in this study are based on respondents' stated preferences. Certain respondents could have wilfully misrepresented their preferences to influence the results, though this is most typically an issue in surveys relating to health or the valuation of public goods.⁵⁴ Our survey question was worded carefully to avoid implying it would be used to inform any future pricing decisions (or that any price would be levied at all) and we do not therefore believe there is any strong reason to expect our estimates suffer from stated preference bias in either direction.
- A further limitation may arise from the hypothetical nature of the WTP question. Given the scale and nature of our study, it was not practical to run our survey in an incentive-consistent way. That is, we had no means to actually restrict access for one month and have SMEs pay according to their preferences. Their answers are therefore hypothetical. In a recent meta-analysis of consumer (rather than producer) surplus studies investigating the discrepancy between hypothetical and actual WTP, Schmidt and Bijmolt (2019) find that the average bias due to the hypothetical nature of surveys is around 20%.⁵⁵
- By aggregating on the basis of a monthly willingness-to-pay value to derive a per annum value for TikTok, we assume that businesses' valuations do not change over time. In practice, there are reasons to believe that valuations may change non-linearly over time in a way that is consistent with businesses valuing access to TikTok more or less highly as time goes on, but we are unable to test this. When looking at consumers rather than businesses, Brynjolfsson et al. (2019) find that, when varying the amount of time users are asked to give up another social media app from between a week and a month that the implied weekly value of the app increases over time (e.g., the median valuation for giving up the app for four weeks is 4.5 times the median valuation for giving it up for one week).⁵⁶ Were this to be the case for TikTok, the use of a monthly WTP for aggregation on a yearly basis would understate the yearly WTP of each business, however businesses may not behave the same as consumers in this regard.
- Despite these limitations, our study provides estimates of producer surplus in a manner that is not available from official data. The estimates from our study appear to lie within a plausible range suggesting, in our view, that the potential limitations above do not appear to create significant biases in the context of assessing the producer surplus of TikTok.



⁵⁴ Robert J. Johnston et al. "Contemporary guidance for stated preference studies." *Journal of the Association of Environmental and Resource Economists* 4, no. 2 (2017): 319-405.

50 ⁵⁵ Jonas Schmidt, and Tammo HA Bijmolt. "Accurately measuring willingness to pay for consumer goods: A meta-analysis of the hypothetical bias." *Journal of the Academy of Marketing Science* (2019): 1-20.

⁵⁶ See pp. 7254 of Erik Brynjolfsson et al. "Using massive online choice experiments to measure changes in well-being", *PNAS*, 116 (15) 7250-7255, 2019, accessed May 2022.

APPENDIX B: ESTIMATING THE ECONOMIC IMPACT OF SME ADVERTISING & MARKETING ON TIKTOK

OVERVIEW OF METHODOLOGY

We assess the economic contribution of SMEs on TikTok through:

1. their use of TikTok as a platform on which SMEs can invest in paid advertising and creator marketing; and
2. their use of TikTok as a platform where SMEs can grow organically using TikTok's free service offering.

Previous research commissioned on behalf of TikTok has shown that, on average, advertising expenditure on TikTok has a "Return on Advertising Spend" in excess of one, meaning that the value of sales generated through advertising exceeds the cost of the investment. This suggests that investments in advertising and marketing on TikTok have the potential to contribute to SME growth. Survey evidence also demonstrates that SMEs value access to TikTok's free service offering, such as the ability to post content for free, the use of TikTok's content creation tools, and tools to measure and track the efficacy of SMEs marketing activities.

SME activity on TikTok creates economic impact in terms of GDP and jobs across the following three channels:

1. Direct impact: the GDP generated through the additional turnover that SMEs earn through advertising and marketing on TikTok, along with the jobs supported to deliver on this turnover.⁵⁷
2. Indirect impact: the GDP and employment supported due to the additional supply chain demands of SMEs who advertise on TikTok. The indirect impact accrues to both SMEs and non-SMEs, as SMEs' supply chains will include both types of firms.
3. Induced impact: the consumption supported by the additional wages paid to employees in SMEs which use TikTok for advertising and marketing, and the additional consumption supported by wages paid by businesses in these SMEs' supply chains. This impact accrues both to SMEs and non-SMEs, as wages of employees will be used for consumption of goods and services produced both by SMEs and non-SMEs.

The sum of these channels makes up the economic footprint of SMEs advertising and marketing on TikTok. We quantify this footprint using two metrics of economic activity:

- gross value added contribution to GDP; and
- employment, measured as the number of jobs supported in headcount terms.

We estimate these impacts for each of the five sectors and five countries in scope for this research. We describe how these impacts are derived in further detail below.

Importantly, these impacts are presented on a gross basis, meaning they do not consider how SMEs may otherwise have deployed resources used for advertising and marketing on TikTok to generate a return (e.g., using an alternative advertising channel).

⁵⁷ Up- and downstream sales to retailers and manufacturers respectively (described below) will include both SMEs and non-SMEs meaning a minority of this impact also accrues to non-SMEs.

Similarly, these impacts do not consider displacement. The additional sales would also have displaced sales elsewhere in the countries, that is the increase in sales could partially or fully be offset by reductions in sales elsewhere in the respective economies (e.g., if the SME which advertises on TikTok increases its sales, it may take market share from other businesses).

SME REVENUE GENERATED ON TIKTOK THROUGH PAID ADVERTISING AND CREATOR MARKETING

To estimate direct, indirect, and induced impacts, we first modelled the turnover generated by SMEs as a result of their advertising and marketing activities on TikTok. To do this, we needed two inputs:

- Country-sector specific estimates of the amount SMEs spend on advertising and marketing on TikTok.
- A TikTok-specific “Return on Advertising Spend” (RoAS) multiplier, which is used to estimate the revenue uplift associated with a given volume of advertising spend.

To estimate the first of these two inputs, we used our survey of SMEs to calculate the share of revenue which SMEs in each sector spend on advertising and marketing on TikTok. We consider two components of a business’s expenditure on TikTok: paid advertising (e.g., using TikTok’s Promote feature) and creator marketing, as these most closely match the types of expenditure on which the RoAS estimates were based.

We then used Eurostat data to derive estimates of total SME turnover in each sector. As TikTok is predominantly a “business-to-consumer” (B2C) platform, we assume that it influences the household final consumption share of total domestic industry demand and so adjust the revenue figure downwards to reflect this. To this figure, we apply sectoral estimates of the incidence of TikTok use from the survey to give us an estimate of total spend on TikTok for each sector.

Lastly, we apply estimates of the Return on Advertising Spend from modelling undertaken on behalf of TikTok to go from estimates of spend to estimates of revenue. This is based on research commissioned by TikTok to estimate the return on paid advertising on the platform. We were not able to draw on TikTok-specific estimates of the return on investment in creator marketing, so our analysis assumes that firms investing in these forms of advertising on TikTok obtain the same returns on investment as for paid advertising.

Adjusting turnover uplifts for upstream and downstream sales to manufacturers and retailers

Both manufacturers and retailers are active on TikTok. Sales generated by a retailer who advertises on TikTok also imply demand for the associated manufacturer which supplies the goods sold. The same applies in reverse for manufacturers which advertise on TikTok, and thus create sales in the relevant retail sector. To account for this, we match the retail sectors in scope to the manufacturing sectors which supply them (and vice versa) for those sectors which have both a manufacturing and retail component.

For retail advertisers, the share of the sales uplift from their advertising activities that accrues to them as revenue is the relevant retail distribution margin. Manufacturers then benefit indirectly with revenue increases equal to what remains after the retail distribution margin is accounted for.⁵⁸

For manufacturing advertisers, we assume that the revenue increase is at producer prices, and so requires no further adjustments. Retailers then benefit indirectly with revenue increases calculated using the ratio of distributors’ trader margins to output at producers’ prices.

54 ⁵⁸ We adjust this indirect impact downwards to account for the share of imports from out of scope countries in the relevant sector, as the retail sector sales uplifts will partially be fulfilled by manufacturers based in countries not in scope for this research.

ECONOMIC IMPACT MODEL INPUTS

Direct GVA, jobs, and compensation of employees

To estimate direct GVA, we use country-sector specific estimates of the GVA to output ratio, which we adjust based on the difference between sectoral average expenditures on advertising and marketing versus actual expenditure on advertising and marketing (described further below). Similarly, to estimate jobs supported and compensation of employees (total remuneration), we use sector-specific estimates of output per worker, and the share of compensation of employees within GVA.

Our direct GVA uplifts also incorporate aggregate willingness-to-pay estimates, described in Appendix A. By assumption, this is equating producer surplus to earnings before interest, taxation, depreciation, and amortisation (EBITDA). The additional producer surplus also implies a return to employees through additional jobs supported which we estimate using country-sector specific estimates of the ratio of compensation of employees to GVA.

Procurement

To estimate indirect GVA, we needed sectoral estimates of procurement expenditure. We first derived these at a national level by combining sectoral estimates of turnover uplifts with OECD data on the procurement inputs needed to produce one unit of output in each country-sector (known as an “A-matrix”). For procurement in the advertising and marketing sector (SIC 73), we imputed actual expenditure estimates for each sector derived from our survey. We used the difference between actual and modelled expenditure to adjust the modelled direct GVA implied by sectoral GVA to output ratios.⁵⁹

RUNNING THE MODEL

Estimates of procurement and the compensation of employees were used in Oxford Economics’ Global Sustainability Model to generate indirect GDP and induced GDP, as well as indirect and induced jobs. As the study is multinational in scope, the model also accounted for intra-country trade within the five markets supported by SME activity on TikTok. We did this by incorporating both domestic procurement and imports within our economic impact framework and therefore accounting for global linkages between our in-scope countries which otherwise would have “leaked” out of our modelling.

⁵⁹ A positive difference implies that the actual spend to generate the turnover uplift was higher than the average, and therefore direct GVA is adjusted downwards. A negative difference implies that the actual spend to generate the turnover uplift was lower than average (implying cost-effectiveness of TikTok), and therefore direct GVA is adjusted upwards.

ABOUT OXFORD ECONOMICS

Oxford Economics was founded in 1981 as a commercial venture with Oxford University's business college to provide economic forecasting and modelling to UK companies and financial institutions expanding abroad. Since then, we have become one of the world's foremost independent global advisory firms, providing reports, forecasts and analytical tools on more than 200 countries, 100 industries sectors, and 8,000 cities and regions. Our best-in-class global economic and industry models and analytical tools give us an unparalleled ability to forecast external market trends and assess their economic, social and business impact.

Headquartered in Oxford, England, with regional centres in New York, London, Frankfurt, and Singapore, Oxford Economics has offices across the globe in Belfast, Boston, Cape Town, Chicago, Dubai, Dublin, Hong Kong, Los Angeles, Mexico City, Milan, Paris, Philadelphia, Stockholm, Sydney, Tokyo, and Toronto. We employ 600 staff, including more than 350 professional economists, industry experts, and business editors—one of the largest teams of macroeconomists and thought leadership specialists. Our global team is highly skilled in a full range of research techniques and thought leadership capabilities from econometric modelling, scenario framing, and economic impact analysis to market surveys, case studies, expert panels, and web analytics.

Oxford Economics is a key adviser to corporate, financial and government decision-makers and thought leaders. Our worldwide client base now comprises over 2,500 international organisations, including leading multinational companies and financial institutions; key government bodies and trade associations; and top universities, consultancies, and think tanks.

January 2024

All data shown in tables and charts are Oxford Economics' own data, except where otherwise stated and cited in footnotes, and are copyright © Oxford Economics Ltd.

This report is confidential to TikTok and may not be published or distributed without their prior written permission.

The modelling and results presented here are based on information provided by third parties, upon which Oxford Economics has relied in producing its report and forecasts in good faith. Any subsequent revision or update of those data will affect the assessments and projections shown.

To discuss the report further please contact:

Chris Warner:
cwarner@oxfordeconomics.com

Oxford Economics,
4 Millbank,
London,
SW1P 3JA
U.K.

Tel: +44 (0)203 910 8000

www.oxfordeconomics.com





OXFORD
ECONOMICS

Global headquarters

Oxford Economics Ltd
Abbey House
121 St Aldates
Oxford, OX1 1HB
UK

Tel: +44 (0)1865 268900

London

4 Millbank,
Westminster,
London,
SW1P 3JA

Tel: +44 (0)203 910 8000

New York

5 Hanover Square, 8th Floor
New York, NY 10004
USA

Tel: +1 (646) 786 1879

Singapore

6 Battery Road
#38-05
Singapore 049909

Tel: +65 6850 0110

**Europe, Middle East
and Africa**

Oxford
London
Belfast
Dublin
Frankfurt
Paris
Milan
Stockholm
Cape Town
Dubai

Americas

New York
Philadelphia
Boston
Chicago
Los Angeles
Toronto
Mexico City

Asia Pacific

Singapore
Hong Kong
Tokyo
Sydney
Melbourne

Email:

mailbox@oxfordeconomics.com

Website:

www.oxfordeconomics.com

Further contact details:

[www.oxfordeconomics.com/
about-us/worldwide-offices](http://www.oxfordeconomics.com/about-us/worldwide-offices)