



OXFORD
ECONOMICS



THE TIKTOK EFFECT

THE SOCIOECONOMIC IMPACT OF
TIKTOK IN THE UK

JULY 2023





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FOREWORD

TikTok launched in the UK in 2018. In five short years, we have grown rapidly and today millions of people in the UK regularly use our platform. People from all walks of life, ages, and backgrounds, including creators, small business owners, consumers, educators, and students, enjoy TikTok as a window to the world to learn and discover, a canvas to create their own content, and a bridge between individuals and communities. Along the way, many of them have found that not only are people around the world interested in what they do, but they also understand that it is possible for them to make a living doing it, helping to turn their passions into financially viable businesses.

Today, I am proud to introduce a new report about the socioeconomic impact of TikTok on the UK. We are grateful to Oxford Economics for their work in shining a light on why TikTok is so valued by our users, the utility it brings to their lives and the benefits that it can bring to the wider economy.

For me, there are three important findings that this report highlights:

TikTok is a powerful tool for small businesses. I am constantly inspired and energised to meet business owners who are using TikTok to build their brand and find new customers. As can be seen from the case studies contained throughout this report, the level of innovation

and variety of businesses succeeding on TikTok is incredible. There are not many things that a makeup manufacturer, a bakery, stand-up comedians, and a sweet shop owner have in common, but all of them are examples of small businesses in the UK that have used TikTok to grow.

Small businesses make up 99.9% of all businesses in the UK, which means when small businesses succeed, we all succeed. This success has led to the creation of new jobs, new choices for consumers, and new revenue to the Treasury to fund public services. As the UK recovers from the aftermath of the Covid-19 pandemic, small businesses are critical to the UK's long-term success. At TikTok, we are incredibly proud of the small part we are playing in the journey of small businesses.

TikTok is helping to break down barriers to opportunity and pave the way for new, younger, more ethnically and regionally diverse businesses and business leaders. The report's findings on the number of small businesses owned by ethnic minority leaders or those under 30 compared to the "traditional" small business sector is a testament to TikTok's power to democratise business and culture. Equally, the fact that the vast majority of the jobs supported by TikTok are outside of London shows the ability of businesses on TikTok to succeed across the country.

This success is driven by the fact that TikTok remains easy and intuitive for creators to use. Simplicity for our creators is incredibly important to me. If you have a phone and a good idea, you can make a TikTok and it can be seen by millions around the world. If you are a young founder of a small business, from a background that is too often excluded from the business community or an area away from our major cities, you can use TikTok to showcase your products, your talents, or your services, without needing someone else's backing or approval. Many young businesses have started and are thriving on TikTok, but it is critical that policymakers recognise this new pathway to success and work to support them to become bigger, better, and more successful. In order for these businesses to continue to thrive, government partnership to champion these new TikTok-first businesses is crucial. Creators and small businesses also need government policies that make it as easy for them to do things like recruit new staff or secure new investment as it is for them to pick up their phone and start recording. TikTok is committed to working hand in hand with the UK Government and our creators to help make this vision a reality.

TikTok is a motivating experience. Our users are inspired by what they see on TikTok to go out into the real world and try new things, explore new places,

or learn new skills. As the report finds, 60% of users have purchased a product, visited somewhere or otherwise engaged in their community based on something they have watched on TikTok. For example, someone seeing a great new restaurant on TikTok is very likely to go and try it out for themselves. Someone who sees a review of a great book via #BookTok is likely not only to discover a passion for reading but also to go to a local bookshop to buy a copy. 15% of people who see a TikTok about a cause that matters to them decide to donate, and 11% decide to volunteer to make the world a better place. At a time when there are many concerns about the impact of people being “too online”, what this report shows is that TikTok often acts as a pathway to engaging in their community, both economically and culturally.

TikTok has made a significant positive impact in our first five years, with the wealth of passion, creativity, and innovation from these creators and small businesses, and our incredible community in the UK. I am excited to see how these impacts grow, and the benefits they bring in the future.

Thank you for your partnership and support.

Shou Chew
CEO, TikTok



EXECUTIVE SUMMARY

£1.6 bn

GVA contribution to GDP supported by SME advertising and marketing on TikTok in 2022.

Since its UK launch in 2018, TikTok has experienced rapid growth becoming one of the UK's most popular video-sharing platforms.¹ TikTok plays host to entertaining video content catering to a wide range of interests, both popular and niche. It emphasises interaction both among users, and 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 attractions featured on the platform such as cultural institutions are located.

32,000

Jobs supported by SME advertising and marketing on TikTok in 2022.

TikTok's scale, its breadth of content, and its emphasis on interaction presents an opportunity for businesses across the UK, and in a broad range of sectors, to use the platform as an innovative route to growth. Small and medium-sized enterprises (SMEs) in particular are well placed to use TikTok for growth, as its content algorithm is designed to allow users to discover smaller, lesser-known brands.²

This research aims to provide an evidence base on how TikTok creates value for SMEs in the UK. In doing so, it considers how users interact with TikTok both on the platform, and off the platform in the "real world" in ways that impact businesses and communities. The research also considers the value users place on TikTok and contributes to evidence on the diversity of the TikTok platform, both in terms of its users and business owners of SMEs active on TikTok.

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

Our modelling suggests that SME investments in advertising and marketing on TikTok generated £1.2 billion in revenue in 2022 for UK businesses. **In 2022, the gross value added (GVA) contribution to GDP supported by revenue earned through SME advertising and marketing on TikTok was £1.63 billion.** This impact was spread throughout the 12 countries and regions of the UK, with around three-quarters of the GVA contribution to GDP occurring outside of London.

SMEs using TikTok as an advertising and marketing platform for growth also supported 32,000 jobs in 2022. As with their contribution to GDP, SME activity on TikTok supports jobs across all the countries and regions of the UK, with almost eight out of every 10 of these outside of London.

THE REAL WORLD IMPACT OF TIKTOK

TikTok can act as a “signpost” to the real world, offering those who use TikTok a way to discover new places to visit and new products and services that interest them, which SMEs in turn can leverage to grow. This is reflected in user engagement, with around half of users (47%) having purchased a product or service recommended on the platform at least once in the past year, and similarly around half (45%) having visited an attraction, shop, or restaurant that they had come across on the platform.³

TikTok can also help users to develop real world skills and interests across the spectrum of content available on the platform. For example, one popular category of content on TikTok is “food and drink”, which almost two-thirds (62%) of users watch. Amongst those who watch food and drink content, almost half (47%) have cooked healthier recipes seen on TikTok.

THE VALUE OF TIKTOK TO ITS USERS AND COMMUNITIES

TikTok’s users report positive impacts from the time they spend on the platform, for example on cultural awareness, learning, and community engagement. Almost three-quarters of users agreed that TikTok exposed them to new cultures and subcultures⁴, and more than a third of users stated that TikTok helped them to learn things for their job or studies, rising to over half among 18-24-year-olds.

TikTok is free to users, meaning that the positive impacts described are not captured in the price users pay, and therefore are also not reflected in official economic statistics such as GDP. Drawing on an approach used in published academic research, we asked users how much they would need to be paid to go without access to TikTok for a month as a means of quantifying how much they value the platform and the benefits it provides them with.

We find that the typical user would need to be paid around £8 a month to not use TikTok.⁵ This rises to as much as £12 a month for users who use the platform every day. **Aggregated across all weekly TikTok users in the UK, this implies that the total value of TikTok to its UK users is £4.0 billion per year.⁶**

47%

The share of users who have purchased a product or service recommended on the platform in the past year.

£4.0 bn

The total value of TikTok to its UK users in 2022 through the positive impacts they experience.

³ Oxford Economics analysis of YouGov data collected for this research.

⁴ Sum of tended to agree and strongly agree

⁵ Typical is used to refer to the median user.

⁶ Methodology described in full including limitations in Appendix B.

38%

The share of respondents whose SMEs are ethnic minority owned among SMEs which use TikTok in the sectors surveyed.

This compares to just 26% across all SMEs surveyed.

DIVERSITY IN TIKTOK'S COMMUNITIES AND SMES

TikTok is characterised by the diversity of its users, meaning it also offers an avenue for SMEs to reach diverse audiences.

TikTok's users are more ethnically diverse than internet users in the UK as a whole, and have greater representation of women.⁷ For example, around 25% of TikTok's users describe themselves as being of an ethnic minority, compared to just 16% of all internet users in the UK.⁸

There is evidence that SMEs active on TikTok are more likely to be owned by people under 30 and more likely to be ethnic minority owned.

Respondents in SMEs that use TikTok are more likely to report that the SME is majority ethnic minority owned. In the sectors surveyed for this report, around four in 10 respondents (38%) in SMEs which used TikTok had ethnic minority ownership, compared to just over a quarter (26%) in the whole sample.⁹ In percentage terms, respondents in SMEs in the sectors surveyed which used TikTok were 55% more likely to be ethnic minority owned than all SMEs surveyed. Moreover, around three in 10 (31%) of respondents in SMEs which use TikTok are majority owned by individuals under the age of 30, compared to just under two in 10 (19%) in the whole sample.¹⁰

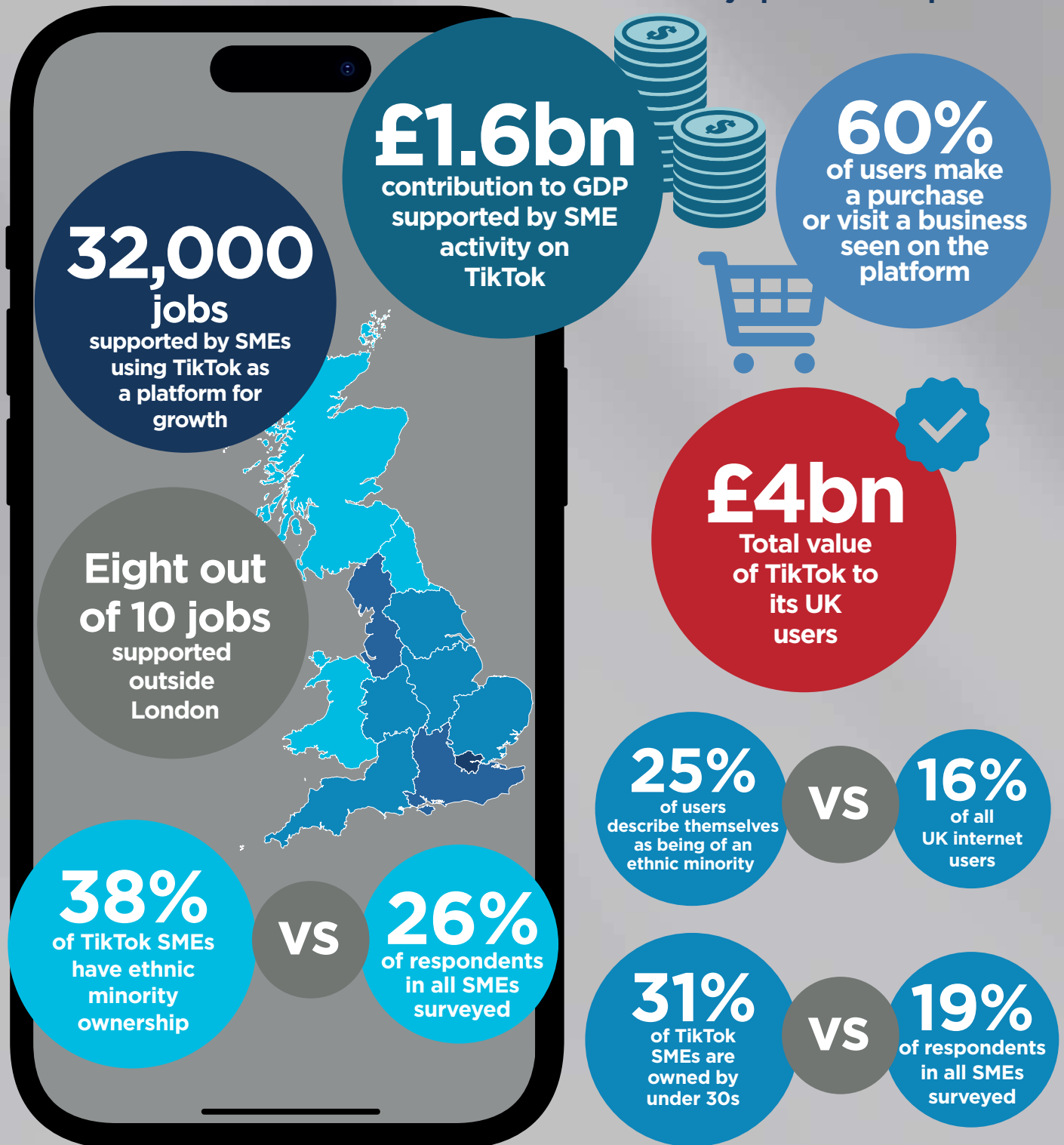
In the sectors surveyed, there is also evidence that younger SMEs place greater importance on TikTok in their advertising and market strategies than older businesses.

SME respondents in the sectors surveyed were more likely to say their business used TikTok if they were founded in the past five years, meaning that businesses started since TikTok launched were more likely to use the platform. Amongst SMEs which are active on TikTok, respondents in businesses founded less than five years ago also reported that the business allocated a greater share of their social media budget to TikTok than older businesses in the sectors surveyed.

THE SOCIOECONOMIC IMPACT OF TIKTOK IN THE UK IN 2022

TikTok as a platform for SME growth

TikTok's users are diverse and value the time they spend on the platform





1. INTRODUCTION

TikTok is one of the UK's most popular entertainment and video-sharing platforms¹¹ experiencing rapid growth since its UK launch in 2018.¹² A considerable number of businesses also use TikTok as a platform to build brand awareness, grow their reach, and interact with consumers. For example, survey data collected for this research showed that almost two-thirds (65%) of survey respondents from small and medium-sized enterprises (SMEs) in the food and beverages sector had used TikTok for marketing and advertising purposes at least once a year or more.¹³

TikTok's "For You" feed and the underlying content algorithm serve to direct users towards online communities of interest to them based on their previous interactions, helping in turn to grow these communities.¹⁴ Content on the platform spans a wide range of themes, catering both to individuals interested in common topics of interests such as travel, food and drink, and art, whilst also playing host to more niche communities in areas such as gardening, board games, and cycling. People who use TikTok can interact with

content through discussions with content creators and other viewers, by purchasing products they like, and by tipping creators whose content they enjoy. These kinds of interactions have given rise to numerous communities on the platform such as #BookTok (book-focused), #TechTok (tech-focused), and #LGBTQ.¹⁵

Businesses can leverage TikTok's wide reach, and the engagement and interaction of its user communities to promote their brand and create awareness of their products using TikTok's in-built solutions for businesses. TikTok's content algorithm, and the "For You" feed also play a role in promoting businesses by showing business content and advertising to users in a targeted way based on users' interests.

This presents an opportunity for UK businesses, particularly SMEs, to grow.¹⁶ TikTok has been designed to allow businesses to quickly launch ad campaigns with low set-up requirements, and its algorithms allow users to discover new and upcoming brands that match their interests.¹⁷ As such, the barriers

to entry for SMEs are low, and there are opportunities for SMEs with new and innovative products and services to be discovered on the platform.

SMEs (also referred to as small and medium-sized businesses, or SMBs) play an important role in the UK economy. They make up over 99% of all businesses, account for 60% of employment, and over 50% of business turnover.¹⁸ TikTok's position as a widely used advertising and marketing platform can contribute to the success of SMEs, and their pervasive role in the UK economy.

This research aims to provide an evidence base on how the scale, breadth, and distinctive features of the TikTok platform create value for SMEs in the UK. In doing so, it considers how users interact with TikTok both on the platform, and off the platform in the "real world" in ways that impact businesses and communities. The research also considers the value users place on TikTok and contributes to evidence on the diversity of the TikTok platform, both in terms of its users and the business ownership of SMEs active on TikTok.

¹¹ Ofcom's Online Experiences Tracker ranks TikTok fifth place in terms of reach among websites and apps which are used to share video-based content. Ofcom "Online Experiences Tracker" accessed May 2023.

¹² Ofcom's series of "Online Nation" reports shows TikTok's digital reach increasing from 7% in September 2019 (Figure 4.6: Ofcom, "Online Nation - 2020 report", accessed May 2023) to 31% in September 2021 (Figure 1.22: Ofcom, "Online Nation - 2022 report", accessed May 2023).

¹³ Oxford Economics (data collection managed by Ipsos).

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

¹⁵ TikTok, "The power of communities on TikTok", accessed May 2023.

¹⁶ This report uses small and medium-sized enterprise (SME) in line with the UK government definition to refer to businesses with fewer than 250 employees.

¹⁷ TikTok claims that businesses can "start making ads in minutes with TikTok Ads Manager", and that TikTok's "uniquely engaging 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 May 2023.

¹⁸ Department for Business, Energy & Industrial Strategy, "Business population estimates for the UK and regions 2022: statistical release" (Figure 2), accessed May 2023.

The report is structured as follows:

- **Chapter 2** sets out how and why individuals use TikTok, the value users place on TikTok, and how TikTok helps users to interact with businesses and communities in the real world in ways that may benefit SMEs and local communities.
- **Chapter 3** describes the kinds of SMEs which use TikTok, how SMEs use TikTok for advertising and marketing, and how TikTok helps SMEs achieve their advertising and marketing goals.
- **Chapter 4** quantifies the economic impact of SMEs which use TikTok as an advertising and marketing platform.

DATA DRAWN ON FOR THIS RESEARCH

- Unless explicitly stated, data drawn in on this report do not constitute official data from TikTok.
- Chapter 2 draws primarily on a survey carried out by YouGov Plc. on behalf of Oxford Economics, as well as secondary data on TikTok users from Ofcom.
- Chapters 3 and 4 draw primarily on a survey carried out by Ipsos on behalf of Oxford Economics, as well as secondary data from the Office for National Statistics.





2. TIKTOK'S COMMUNITY OF USERS

DATA ON TIKTOK USERS

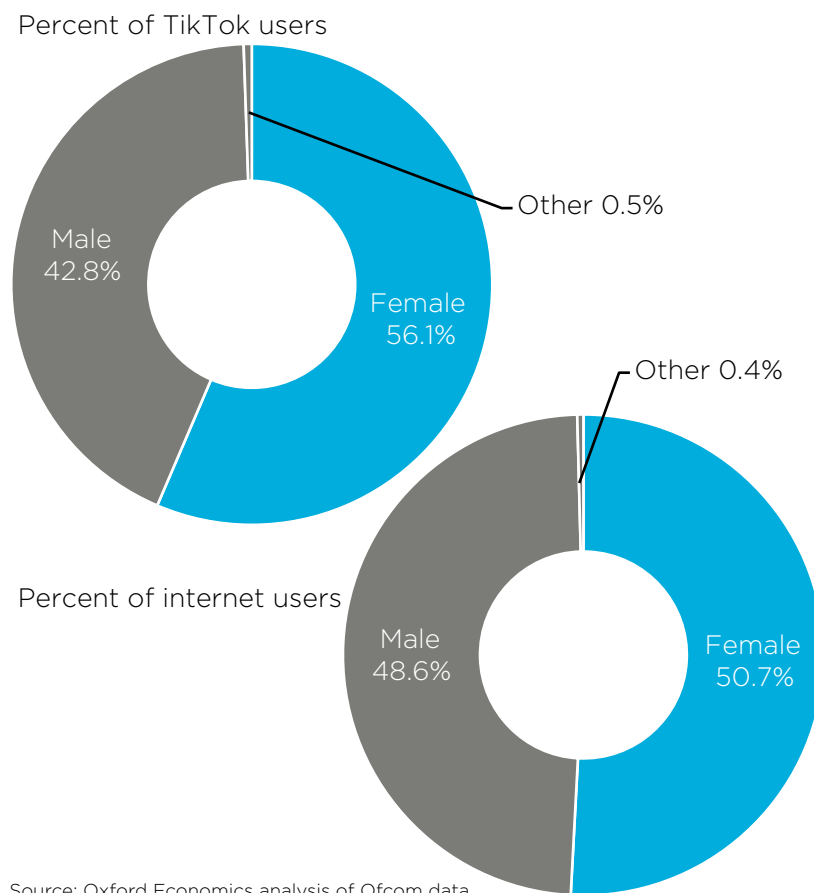
- All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,005 adults who used TikTok weekly. Fieldwork was undertaken between 18-31 January 2023. The survey was carried out online.
- Whilst the survey did not specifically target creators, there were around 170 users identified through “natural fallout” (that is, by chance) who regularly create content on the platform. For the purposes of analysis, we define these users as creators.
- Survey results were weighted by Oxford Economics to be representative of the UK population of TikTok users using Ofcom data.¹⁹
- Section 2.1.1 draws on data from Ofcom’s Online Experiences Tracker, which is a representative sample of UK internet users. The data presented do not constitute official data from TikTok.

2.1 WHO USES TIKTOK AND WHY?

2.1.1 TikTok’s user base²⁰

TikTok’s user base skews towards women. According to Ofcom data, women make up 56% of all TikTok users, compared to 51% of all of internet users.²¹ The proportion of users identifying as a gender other than male or female is similar amongst both TikTok users and internet users as a whole.

Fig. 1: Gender of TikTok users vs. all internet users in the UK²²



¹⁹ Data used for weighting come from Ofcom’s Online Experiences Tracker, a representative sample of UK internet users which identifies whether individuals surveyed use TikTok. Ofcom, “Online Experiences Tracker wave 3 summary report”, accessed May 2023.

²⁰ Analysis in this section draws on data from waves 1-3 of Ofcom’s Online Experiences Tracker. Ofcom, “Online Experiences Tracker wave 3 summary report”, accessed May 2023.

²¹ The slight skew towards women in the internet user population is also observed in the UK population as a whole. Gov.uk “Male and female populations”, accessed May 2023.

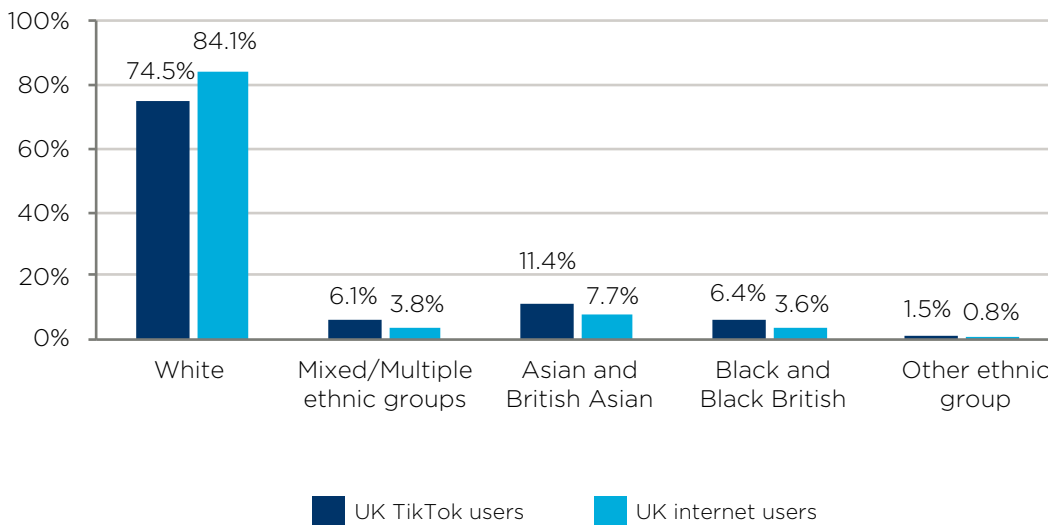
²² Figures do not add to 100 because the “Prefer not to say” category is omitted.

TikTok users are more ethnically diverse than the general population of UK internet users.

According to Ofcom data, TikTok has a higher proportion of users with an ethnicity other than White than the population of internet users as a whole.²³ Over a quarter of TikTok users (25%) describe themselves as being of an ethnicity other than White, compared to just 16% of all internet users in the UK.

Among ethnic groups other than White, TikTok is more commonly represented for all ethnic groups. For example, in relative terms, there are almost twice (180%) as many individuals who describe themselves as Black or Black British²⁴ on TikTok compared to all UK internet users.

Fig. 2: Ethnicity of TikTok users vs. all internet users in the UK



Source: Oxford Economics analysis of Ofcom data

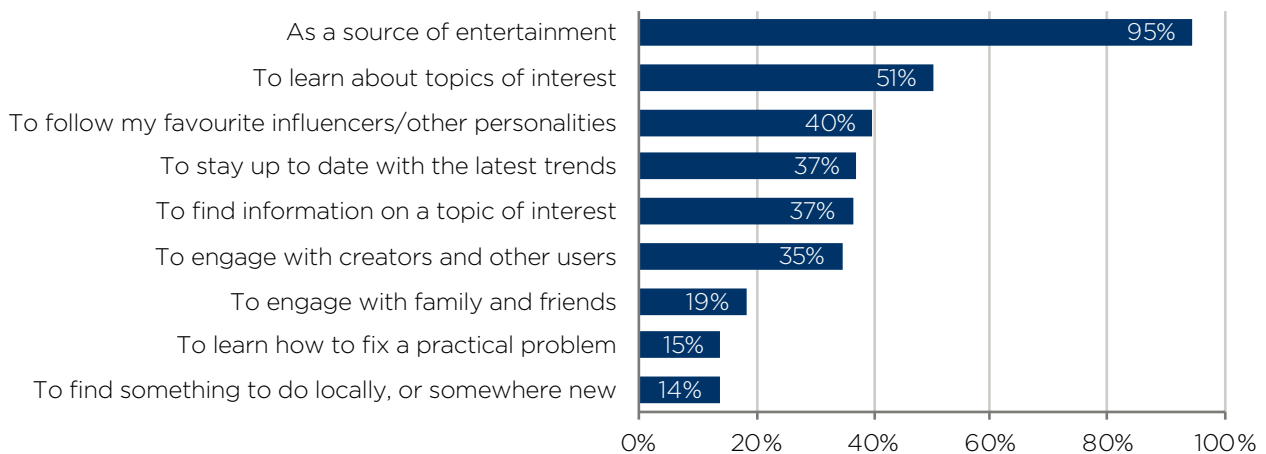
14 ²³ The White ethnicity category includes individuals describing their ethnicity as one of: "English / Welsh / Scottish / Northern Irish / British", "Irish", "Gypsy, Traveller or Irish Traveller" and "Any other white background".
²⁴ The Black and Black British category includes individuals describing their ethnicity as one of: "Caribbean", "African", "Any other black / African / Caribbean background".

2.1.2 How people use TikTok

According to survey data collected by YouGov for this research, the most common “regular” use of TikTok is as a source of entertainment.²⁵ However individuals also reported many other uses besides this. Alongside entertainment, **over half of users (51%) regularly use TikTok to learn about topics that interest them, and over a third (37%) regularly use it to find information about a topic of interest.** A minority of users also regularly use TikTok to engage with family and friends (19%), and to find something to do locally, or when visiting somewhere new (14%).

Young adults are more likely to use TikTok for reasons other than entertainment, such as to find something to do in their local area. Almost a quarter (24%) of 18–24-year-olds use TikTok to find something to do locally or in a new area, versus less than a tenth (9%) of those aged over 35. Similarly, around four in 10 18–24-year-olds (45%) use TikTok to find information on a particular topic of interest, compared to just three in 10 (32%) of those aged over 35.

Fig. 3: Percentage of weekly users who use TikTok regularly for the following reasons



Source: Oxford Economics analysis of YouGov data

²⁵ We define a user as using TikTok regularly for one of the described uses if they say they it applies either “Most of the times I use the app” or “Every time I use the app”.

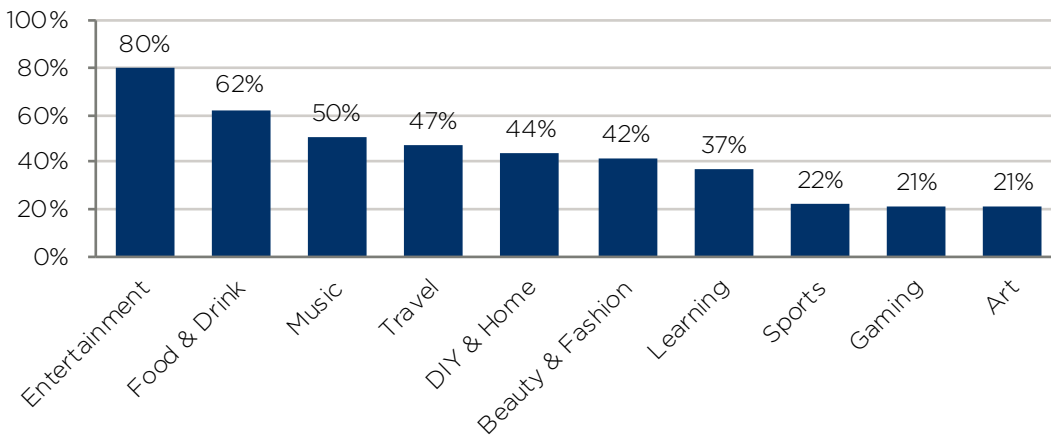
TikTok users engage with a diverse range of content, suggesting there are opportunities for SMEs across a range of sectors to reach an interested audience.

According to survey data collected by YouGov for this research, the most popular content categories are entertainment (80%), food & drink (62%), and music (50%). However, even categories with lower levels of engagement such as sports, gaming, and art still captured around a fifth of users each. Given the number of users on the platform, this implies that even these less popular categories have a potential UK audience of several million.

Users in the different countries and regions of the UK also engage in different ways, implying some TikTok communities are better represented in certain areas.

For example, users in Wales and Scotland are more likely to engage with food & drink content than users in the UK as a whole, and users in London have a higher likelihood of consuming art and beauty & fashion content.²⁶

Fig. 4: Types of content users engage with



Source: Oxford Economics analysis of YouGov data

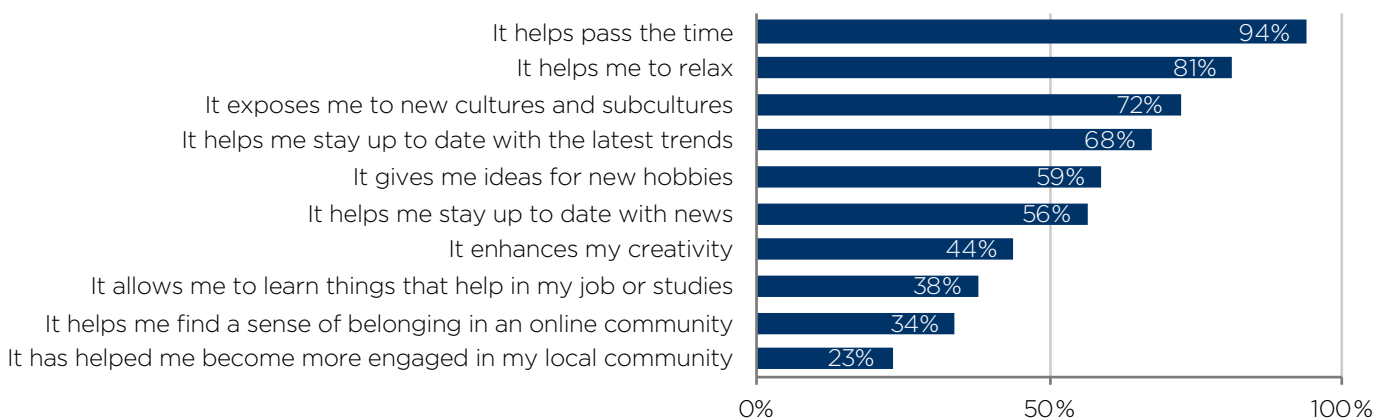
16 ²⁶ 73% and 70% of users in Wales and Scotland consume food & drink content respectively versus 62% in the UK as a whole. 31% of users in London consume art content, and 49% consume beauty & fashion content compared to 21% and 41% respectively in the UK as a whole.

2.1.3 Impacts of TikTok on its users

Users commonly report benefits consistent with TikTok’s position as an entertainment platform, but **they also find that using TikTok exposes them to new cultures, supports their learning, and helps them to engage with communities, both online- and offline-based.**

Consistent with the most commonly cited use of TikTok being as a source of entertainment, the survey shows that users are most likely to agree that TikTok helps them to pass the time (94%) and to relax (81%).²⁷

Fig. 5: Percentage of weekly users who tend to agree or strongly agree with various benefits of using the platform



Source: Oxford Economics analysis of YouGov data

²⁷ The question was worded as follows: “Thinking about the impact TikTok has on your life, to what extent do you agree with each of the following statements?” Figures reported in this subsection are the sum of “Strongly agree” and “Tend to agree”.

However, users also reported impacts on cultural awareness, learning, and community engagement with younger users most likely to report these kinds of impacts:

- Almost three-quarters (72%) tended to agree or strongly agreed that TikTok had exposed them to new cultures and subcultures. For users aged 18–24, this was the case for 74%.
- More than a third (38%) stated that TikTok helped them to learn things for their job or studies. When focusing specifically on users aged 18–24, over half (51%) agreed.
- Almost a quarter (23%) of respondents tended to agree or strongly agreed that TikTok had helped them find a sense of belonging in their local community. For those aged 18–24, this was the case for a third of individuals (33%).
- On finding a sense of belonging, more than a third (34%) tended to agree or strongly agree that TikTok helped them find a sense of belonging in an online community. This figure stands at more than four in 10 (44%) for users aged 18–24.

2.1.4 TikTok's creators²⁸

TikTok's creators are an integral part of its ecosystem. TikTok offers creators an opportunity to produce and share content on topics they are passionate about with the TikTok community, and, for some, to earn income in doing so.

Amongst regular content creators, 69% say that they create to share content they are passionate about with a wider audience. The majority of content creators (56%) have also earned income through their content creation on TikTok. There are a number of ways through which content creators can earn income through content they create on TikTok, including its Creator Fund²⁹, sales of merchandise via TikTok shop, gifts from users, and partnerships with businesses.

Whilst sample sizes do not permit us to provide more granular insights as to the amount earned by creators, a wide range of incomes were reported in the survey.





THE SUGARCOATED SISTERS (@sugarcoatedsisters)

Two sisters, Tabby & Chloe Tingey, started posting content on TikTok as the “Sugarcoated Sisters” back in December 2020, and in under two and half years have developed a TikTok following over half a million strong. Both coming from creative, performing backgrounds, they upload musical comedy content on TikTok that spans a range of topics, across feminism,

physical and mental health, and UK politics and culture.

They became aware of TikTok from interactive and entertaining content from other social media platforms featuring TikTok watermarks. They love the interactivity of the platform— for example, being able to reply to comments from their viewers with new videos.

As Tabby says: “It’s a really brilliant feature for building that sense of community, because that’s another thing that we’ve really found on TikTok is the community is so strong.”

As their presence and influence on TikTok has grown, they have been able to benefit financially from brands reaching out to collaborate,



which has allowed them to focus full-time on their TikTok content. Brands reach out to them based on the style of content they upload, and want the marketing of their products to be done in keeping with the Sugarcoated Sisters' unique humorous style.

The success of their content on TikTok has led to the Sugarcoated Sisters branching

into live in-person shows. They sold out their debut show at the Edinburgh Fringe, and a series of sold-out shows at the Soho Theatre in London in April 2023 followed. They feel TikTok has changed the landscape in increasing the amount of musical comedy and parody content available and providing many opportunities for others like themselves. In addition

to their flourishing career, they feel TikTok gives them autonomy over what they do for work as women and joy in interacting with the strong TikTok community.

As Chloe says, "It's [TikTok] given our life meaning and purpose, we just love it."



2.2 THE VALUE USERS PLACE ON TIKTOK

CONSUMER SURPLUS METHODOLOGY

- Section 2.2 uses a methodology known as “stated preferences (willingness to accept)” to quantify the economic value (or “consumer surplus”) that users place on TikTok. This methodology has been used in the academic literature to value digital services which have a price of zero.
- To implement this methodology, we included questions in our survey of users to ascertain how much they would need to be paid to forego access to TikTok for a month (known as their “willingness to accept”). We used the resulting data as a basis for statistical analysis to calculate an average monthly willingness to accept value for TikTok users. We then scaled this figure up to a per annum basis across all TikTok users in the UK.
- Additional detail is provided in Appendix A.

2.2.1 The contribution of digital services to economic welfare

TikTok is free for users to access, and users report a range of benefits from the time they spend on TikTok, such as those described in section 2.1.3.³⁰ However, these benefits are not captured in statistics such as gross domestic product (GDP) which are often used as measures of economic welfare, so would be missing in discussions of the economic contribution of digital services such as TikTok. New approaches to better capture the contributions of the digital economy to consumer welfare in national statistics have been proposed to address this.³¹

We drew on methodology used previously in published research to quantify the economic value of TikTok to its users.³²

2.2.2 Summary of results

We find that **the typical user would be prepared to give up using TikTok in return for a payment of around £8 a month.**³³ Whilst this should not be considered a marketable price, it compares reasonably to prices charged for digital services as part of subscription models, as well as estimates published in academic research for zero price goods.³⁴

Breaking this median value down by frequency of use, we found that a typical daily user would need the highest payment (£12) to be willing to give up using TikTok for a month. Those with lower frequencies were prepared to give up using TikTok in return for a much lower payment.³⁵ We also found that women would need slightly higher payments (£8) than men (£7).

Aggregating across the population of all TikTok users in the UK, **we find that collectively UK users value their use of the platform at £4.0 billion per year.**³⁶

³⁰ Some users may choose to make In App Purchases (IAPs) in the form of TikTok Coins, which are used to send gifts to creators. However, these IAPs do not unlock access to any additional content, and so are not incorporated in the estimation of consumer surplus.

³¹ Brynjolfsson et al. (2019) propose a new metric known as “GDP-B” to quantify the benefits associated with digital services. Erik Brynjolfsson, et al. “GDP-B: Accounting for the value of new and free goods in the digital economy”, 2019, NBER working paper, accessed May 2023.

³² See, for example, Erik Brynjolfsson et al. “Using massive online choice experiments to measure changes in well-being”, PNAS, 116 (15) 7250-7255, 2019, accessed May 2023.

³³ Typical user is used to refer to the price point at which the model predicts exactly 50% of individuals would give up using TikTok, and 50% would not.

³⁴ For example, Brynjolfsson et al. (2019) find a yearly willingness-to-accept for all social media of \$322 (2017 USD), or approximately £504 in 2023 prices. Scaling the monthly willingness-to-accept for TikTok on a yearly basis (which may under or overstate the yearly value), we arrive at £89, or 18% of Brynjolfsson’s “all social media WTA”, which seems plausible given the prevalence of TikTok.

³⁵ For example, users who use TikTok several times a week were willing to give up TikTok in response for a monthly payment of £1.50.

³⁶ We use mean willingness-to-accept to aggregate across the population of all TikTok users to better capture the distribution of responses. The mean is higher than the median due to the skew of the distribution.

2.3 HOW TIKTOK CREATES IMPACT AWAY FROM THE PLATFORM

Though TikTok is a digital platform, the content users engage with has the potential to influence their decision-making away from the platform in ways which may benefit businesses, charities, and local communities.

We asked individuals whether, as a result of viewing content on TikTok, they had done one or more of the following in the past year which may benefit businesses, charities, and local communities (Fig. 6):

- Volunteered for a charity or cause highlighted on TikTok.
- Donated to a charity or cause highlighted on TikTok.
- Visited a local attraction, shop, or restaurant recommended on TikTok.
- Purchased a product or service (either online or offline) recommended on TikTok.

As a result of watching content on TikTok, 60% of users had either purchased a product or service recommended on the platform, or visited a local attraction, shop, or restaurant seen on the platform.

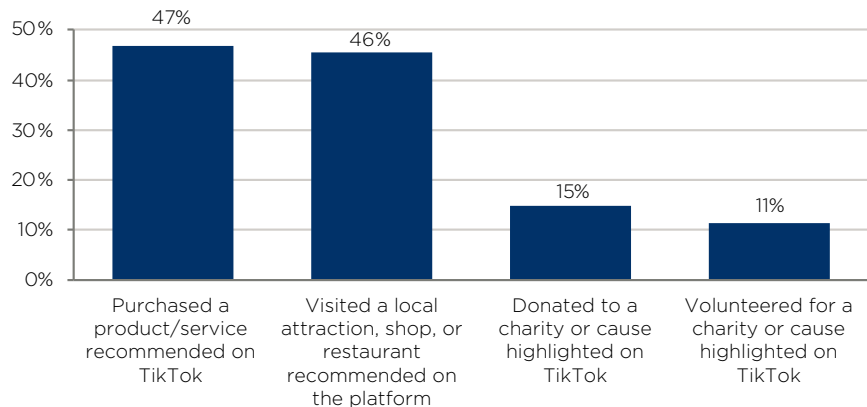
According to survey data collected by YouGov for this research, around half (47%) of users had purchased a product or service recommended on

the platform, and similarly around half (46%) had visited a local attraction, shop, or restaurant that they had come across on the platform. Commercial engagement is higher for younger users. For example, 59% of those aged 18-24 had visited an attraction, shop, or restaurant seen on TikTok.

Visiting local attractions, shops, and restaurants recommended on the platform is also an example of TikTok helping to create real world interactions between users and their local communities, as is volunteering with charities

or causes highlighted on TikTok, which over one in 10 users (11%) said they had done. Charities also benefit from recognition on the platform through donations, with 15% of users having donated to a charity or cause highlighted on TikTok.

Fig. 6: Percentage of weekly users who have engaged off-platform in one or more ways at least once in the past year



Source: Oxford Economics analysis of YouGov data

TikTok can also help users to develop real world skills and interests across the spectrum of content available on the platform.

One popular type of content on the platform is DIY & home-related content, which more than four in 10 users (44%) watch.³⁷ Of those, almost six in 10 (57%) have learnt practical DIY skills as a result of watching DIY-related content. Even more popular than DIY & home content is food & drink content, watched by almost two-thirds (62%) of users.

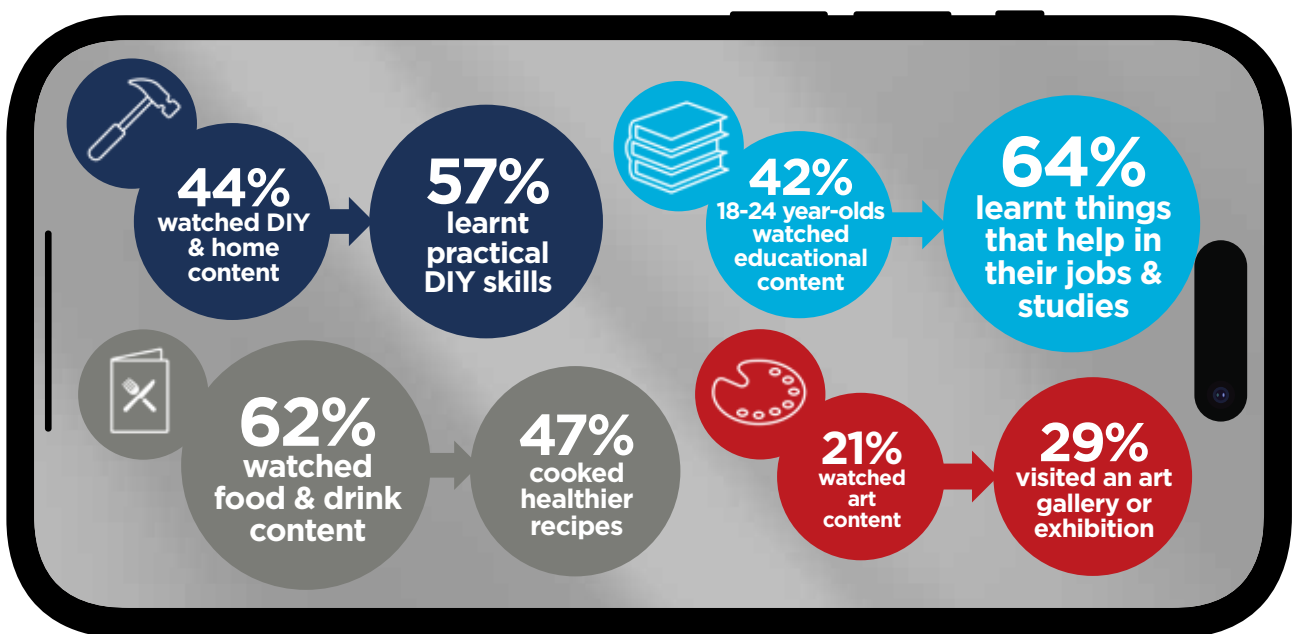
Almost half (47%) of those who watch food & drink content say they have cooked healthier recipes discovered on TikTok.

Art content is an example of a more niche category, but which nevertheless roughly one in five users (21%) view. Around a third (29%) of those who view art content have visited an art gallery, exhibition, or art event seen on TikTok, which rises to as many as half in London.

Certain subcommunities also use the platform in different ways. For example,

when looking specifically at 18–24-year-olds, around 42% watch learning content on TikTok. Over half of those (64%) have learnt things that help in their studies or work, a figure which is higher than for those aged 25 and up. Younger users are also more likely to have visited a particular restaurant or bar featured on TikTok, with around a third (34%) of those aged 35 and under having done so at least once in the past year.

Fig. 7: Examples of how users develop real world skills and interests through watching content on TikTok



Source: Oxford Economics analysis of YouGov data

³⁷ Commonly referred to as #DIYTok.



3. TIKTOK AS AN ENABLER OF SME GROWTH

SME SURVEY DATA

- This chapter draws on an online survey of 1,100 senior decision makers within UK private sector SMEs who identify as having at least significant decision-making responsibility when it comes to the advertising, marketing, or media buying decisions within the business. The online survey was carried out by Ipsos on behalf of Oxford Economics. The sample was drawn from Ipsos panels and those of its partner providers, and the fieldwork was carried out from 1-16 February 2023.
- Ipsos undertook the data collection, with Oxford Economics responsible for survey design, analysis, and reporting of the data.
- The survey used soft quotas for six sectors where TikTok is understood to have a meaningful presence.³⁸
- The survey was not restricted just to SMEs using TikTok, so as to give an understanding of the percentage of SMEs using TikTok in the sectors surveyed. As such, SMEs using TikTok were identified from the full sample of SMEs in the sectors surveyed (that is, they were “natural fallout”). This resulted in a total sample of 513 respondents who said the businesses uses TikTok at least once a year for advertising and marketing purposes.³⁹

Chapter 2 demonstrated that users not only value the time they spend on TikTok, but that **users also interact with the platform in ways that are of potential benefit to SMEs**. For example, almost half of users report having purchased products or services recommended on the platform, and a similar proportion have visited locations such as restaurants and shops viewed on the platform. SMEs which successfully leverage these interactions can use TikTok to facilitate growth.

3.1 PROFILING SMES ON TIKTOK

Our research focused on six sectors where TikTok is understood to have a large presence. These were:

- Food and beverages
- Health, beauty, and fitness
- Culture and entertainment
- Other consumer goods
- Other consumers services
- Business services

We used our survey to investigate the types of SMEs which are most likely to use TikTok. In the sectors surveyed, **younger businesses, SMEs with majority ownership by individuals from an ethnic minority, and SMEs with majority ownership by individuals under 30 are most likely to use TikTok**.

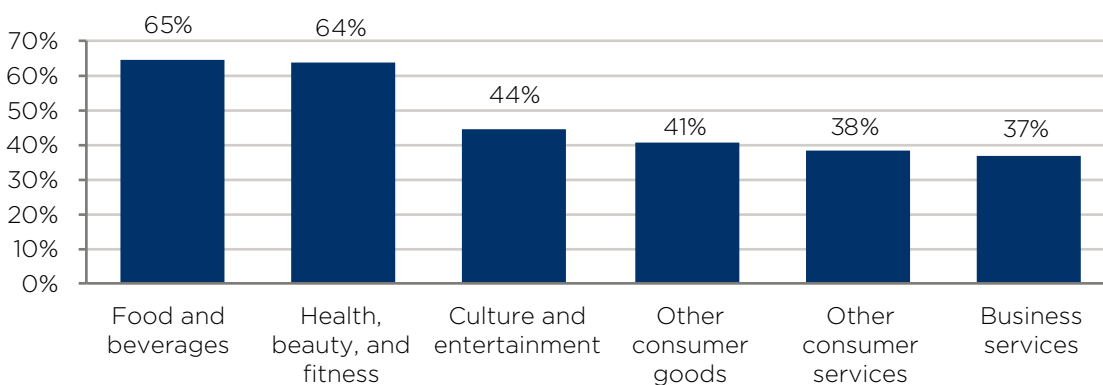
³⁸ The use of these quotas led to respondents whose business was in the following sectors being included in the survey: Culture and entertainment (n=195), Food and beverages(n=195), Health, beauty and fitness (n=110), Other consumer goods (n=200), Other consumer services (n=200), and Business services (n=200). Whilst not representative of the wider business population, use of the quotas ensured there was a wide spread of respondents in terms of the sectors in which the respondents’ businesses operate.

³⁹ Our 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; or selling its goods/services through the platform.

Sectors

Among the sectors surveyed, participants from **SMEs in food and beverages (65%) and health, beauty, and fitness (64%) were most likely to say their business used TikTok**, with just under two in every three participants whose businesses are in these sectors stating that their business used TikTok at least once a year or more for advertising and marketing. The likelihood of using TikTok among respondents in the other four sectors surveyed is lower, with business services and other consumer services being the lowest, at 38% and 37% respectively.

Fig. 8: Percentage of SMEs in the sectors surveyed which use TikTok at least once a year for marketing and advertising purposes⁴⁰



Source: Oxford Economics (data collection managed by Ipsos)

Base: n=1,100 respondents identifying as SME Marketing decision makers from target sectors, online fieldwork conducted: 1st - 16th February 2023



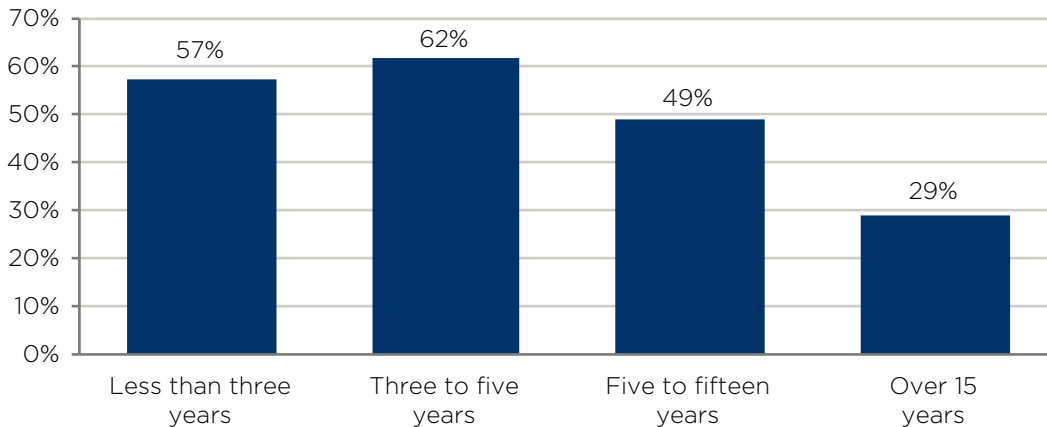
HOLLYWOOD
PRODUCTION _____
DIRECTOR _____
CAMERA _____
DATE _____ SCENE _____

Business age

The majority (60%) of survey participants from SMEs founded in the last five years said their business used TikTok for advertising and marketing at least once a year. This timescale roughly coincides with TikTok’s UK launch, implying that **businesses founded since TikTok launched were more likely to use the platform.**⁴¹

This compares to 49% of those in businesses founded between five and 15 years ago, and 28% in businesses founded at least 15 years ago.

Fig. 9: Percentage of SMEs in the sectors surveyed which use TikTok at least once a year for marketing and advertising purposes, by business age⁴²



Source: Oxford Economics (data collection managed by Ipsos)

Base: n=1,100 respondents identifying as SME Marketing decision makers from target sectors, online fieldwork conducted: 1st - 16th February 2023

⁴¹ TikTok was launched in the UK in August 2018. Businesses in the “less than three years” category were founded between January 2020 and February 2023. Businesses in the “three to five years” category were founded between January 2018 and February 2020.

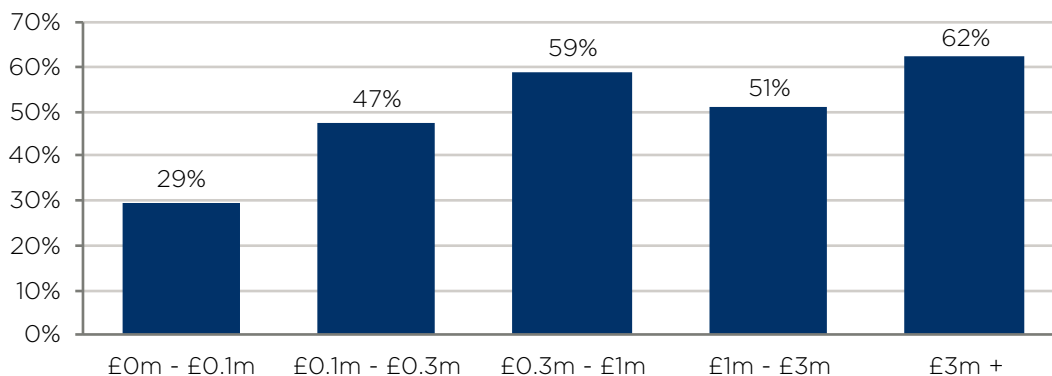
⁴² Questions used to form this figure: Q10_1: “How often, if at all, does the business use the following social media and content platforms for marketing and advertising purposes? (percentage of respondents answering at least once a year) - TikTok”; Q6_bis: “How long has the business been operating for?”

Business size

In terms of participants across the sectors surveyed who said their business used TikTok for marketing and advertising purposes at least once a year, **TikTok usage rates are similar in different-sized SMEs, with the exception of those in the smallest SMEs with less than £100,000 turnover.** For businesses with turnover in excess of £100,000, usage

rates in the sectors surveyed range from just under half (47%) for participants in businesses with a turnover of between £0.1-£0.3 million to almost two-thirds (62%) for those in businesses with a turnover in excess of £3 million. For participants in businesses with turnover of less than £0.1 million usage declines greatly with less than three in 10 saying their business uses TikTok at least once a year (29%).

Fig. 10: Percentage of SMEs in the sectors surveyed which use TikTok at least once a year for advertising and marketing purposes, by turnover⁴³



Source: Oxford Economics (data collection managed by Ipsos)

Base: n=1,100 respondents identifying as SME Marketing decision makers from target sectors, online fieldwork conducted: 1st - 16th February 2023

⁴³ Questions used to form this figure: Q10_1: "How often, if at all, does the business use the following social media and content platforms for marketing and advertising purposes? (percentage of respondents answering at least once a year) - TikTok"; Q8: "Approximately what is the annual turnover of the business in the UK?"

SME owners

As with TikTok's user base (described in section 2.1.1), in our survey results, **respondents in SMEs that use TikTok are more likely to be in businesses owned by people under 30, and more likely to be in businesses that are ethnic minority owned.**⁴⁴

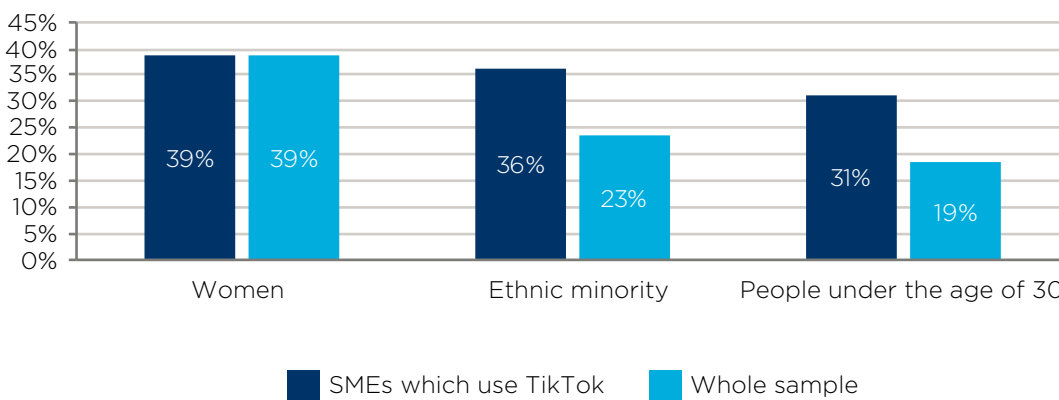
When comparing the respondents in our sample whose business uses TikTok⁴⁵ to the sample as a whole, around four in 10 respondents (38%) in SME's which use TikTok have ethnic minority ownership compared to just over a quarter (26%) in the

whole sample. In percentage terms, the respondents in SMEs in the sectors surveyed which use TikTok are 55% more likely to be in ethnic minority owned SMEs than respondents from across the whole sample.

Looking just at respondents in our samples whose business has ethnic minority ownership, almost three-quarters (72%) said their business used TikTok at least once a year, compared to less than half (47%) across the sample as a whole.⁴⁶ This suggests that using TikTok for marketing and advertising is particularly valued by SMEs with ethnic minority ownership.

Moreover, around three in 10 (31%) of respondents in SMEs which use TikTok are in businesses owned by individuals under the age of 30, compared to just under two in 10 (19%) respondents across the whole sample.⁴⁷ Expressed differently, almost eight in 10 of the respondents surveyed from SMEs that are majority-owned by individuals under the age of 30 in the sectors surveyed use TikTok, which is substantially higher than the sample average of less than half (47%).

Fig. 11: Share of SMEs which are majority owned by women, people of an ethnic minority, and people under the age of 30⁴⁸



Source: Oxford Economics (data collection managed by Ipsos)

Base for "whole sample": n=1,100 respondents identifying as SME Marketing decision makers from target sectors. Base for "SMEs which use TikTok": n=513, answering "at least once a year" or more often to the question posed regarding TikTok use. Online fieldwork conducted: 1st - 16th February 2023

⁴⁴ In line with ONS guidance on ethnicity, we use "ethnic minority" to refer to all ethnic groups except the White British group.

⁴⁵ Here, "uses TikTok" refers to the use of TikTok for marketing and advertising purposes at least once a year.

⁴⁶ 257 respondents were from SMEs with ethnic minority ownership.

⁴⁷ 206 respondents surveyed were from SMEs that are majority-owned by under 30s.

⁴⁸ Questions used to form this figure: Q10_1: "How often, if at all, does the business use the following social media and content platforms for marketing and advertising purposes? (percentage of respondents answering at least once a year) - TikTok"; Q45: "Thinking about the ownership of the business, is 50% or more of the business owned by any of the following groups? If it is owned by just one person, please state if they are described by any of the following groups."



MATERS & CO

(@matersandco)

Maters & Co, headed by husband-and-wife team Naveed Bashir and Kate Maters, was born from a beekeeping hobby, started in 2009. They shared any excess honey among family and friends and, following the overwhelmingly positive feedback they received on their Cambridgeshire-produced additive-free honey, they then decided to develop their hobby into a business. After two years of product development on the jars and branding they launched in 2018.

Not necessarily fond of social media at the time, they were initially hesitant to embrace TikTok. That changed when they uploaded a video of their honeycomb being cut that went viral overnight in March 2021. The video has now had over 10 million views.

"I went to TikTok and that's when I saw that the inbox was just crazy. Every time I refreshed the page, there were hundreds of comments. That really shed a light to me on TikTok. I knew from there that this platform has a crazy ability—the organic reach is like nothing I've seen before."—Naveed, Director

Understanding the potential that TikTok had for their business, they then put time and effort into their TikTok profile and are now reaping the rewards after more and more videos went viral. This led to an increase in revenue growth of at least 35%, and further growth followed their onboarding to TikTok Shop in January 2022.

Maters & Co is now using livestreams via TikTok Shop, and has found that sales from

this new source can even exceed the sales it makes via its website. Although the sales aspect of livestreams is important for the business, for Maters & Co other key elements are being able to interact with customers and build a rapport. It's an opportunity to educate users on bees, support their local beekeepers, and share their passion for their hobby, which shines through in their content.

"TikTok is incredible—it has the ability to reach and engage with your customers and viewers where you simply wouldn't be able to ordinarily on other platforms or in person"—Naveed.



MATERS & Co
REAL NATURAL
HONEY
100% PURE
45g



great
taste
1221



MATERS & CO
REAL NATURAL
HONEY
100% PURE
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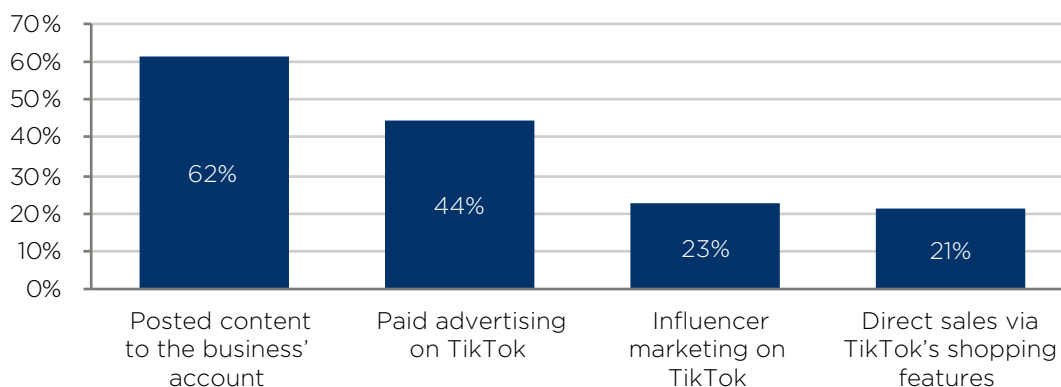
3.2.2 How SMEs use TikTok in practice

Survey participants who said their business used TikTok at least yearly were asked “In which, if any, of the following ways has the business used TikTok in the past year?”. In the sectors surveyed, the most common way in which participants said their business used TikTok was to post content to their account, which was cited by almost two-thirds (62%) of respondents in TikTok-using SMEs.⁴⁹ The second

most common use was paid advertising, with over four in 10 (44%) respondents in SME users of TikTok saying their company used some form of paid advertising on TikTok at least once a year.⁵⁰

Among the remaining uses, a quarter said their business had engaged in creator marketing (also referred to as influencer marketing or branded content) using TikTok (23%) and around one in five said their business had used TikTok’s direct sales features in the past 12 months (21%).

Fig. 12: Percentage of SMEs in the sectors surveyed which use TikTok and interact with the platform in one or more ways⁵¹



Source: Oxford Economics (data collection managed by Ipsos)

Base: n=513 respondents identifying as SME Marketing decision makers from target sectors, online fieldwork conducted: 1st - 16th February 2023

⁴⁹ This is the sum of businesses reporting at least one of the following two survey responses: posting content to directly market the business' products or services, and posting content related to the business, but not to directly market products or services.

⁵⁰ This is the sum of businesses reporting at least one of the following two responses: paid advertising on TikTok, and use of TikTok Promote (which is a form of paid advertising).

⁵¹ Questions used to form this figure: Q14: “In which, if any, of the following ways has the business used TikTok in the past year?”

3.2 HOW SMES USE TIKTOK FOR ADVERTISING AND MARKETING

3.2.1 TikTok's offering to SMEs

TikTok summarises its offer to businesses as consisting of **four core solutions: creative, advertising, commerce, and measurement.**⁵² These solutions are designed to help businesses effectively create content (“creative”), promote their own content and that of creators who the business collaborates with (“advertising”), sell products directly in the app (“commerce”), and understand the efficacy of the businesses’ marketing activities (“measurement”).

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

The four core solutions that TikTok offers to SMEs

1. TikTok offers several options for businesses wanting to use paid advertising to promote their content or that of creators working on their behalf.⁵³ 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—and can be integrated with TikTok’s ecommerce solution.
2. 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.⁵⁴
3. TikTok also offers in-app integrated commerce solutions such as the TikTok Shop, which allows users to go directly from viewing a video where a product is shown to purchasing the product within the app.⁵⁵
4. Lastly, TikTok offers measurement tools to help businesses understand the impact and efficiency of advertising campaigns using data driven insights.⁵⁶

⁵² TikTok, “Our solutions”, accessed May 2023.

38 ⁵³ TikTok, “Advertising solutions”, accessed May 2023.

⁵⁴ TikTok, “Creative solutions”, accessed May 2023.

⁵⁵ TikTok, “TikTok Shop. Turning discovery into purchase”, accessed May 2023.

⁵⁶ TikTok “Measurement solutions”, accessed May 2023.

LUCKYTRIP (@luckytrip)

Founded by brothers Tiff and Alex Burns back in 2015, LuckyTrip is a mobile travel app that suggests holiday destinations based on the preferences provided by the user. After entering a budget and suggested dates, the user taps the “Lucky” button to receive a holiday suggestion within their budget, including flights and accommodation. The app has been downloaded over a million times in the UK and the business has a seven-figure turnover. The founders say they have seen several benefits since they began using TikTok in 2021.

LuckyTrip went “viral” on TikTok after they worked with a creator, who uploaded a video comparing the cost of travelling with LuckyTrip to a train ticket. The video received over 6 million views and led to markedly increased activity on the LuckyTrip app.

This has now formed the basis for LuckyTrip’s marketing approach of working with creators and TikTok’s “SparkAds”, which they view as an easier way for SMEs to work with creators on TikTok. Through SparkAds, rather than LuckyTrip providing a brief to creators, the creators use their own content and style to promote the brand as they believe the creators themselves know their audience best. SparkAds makes up around three-quarters of LuckyTrip’s marketing, and has reduced their customer acquisition costs by around 70%.



As Tiff explains: *“The efficiency of our marketing spend has probably increased by about 50% than what we were doing prior to TikTok. And that has caused a huge boost in revenue for our business, with far more customers accessing our product.”*

LuckyTrip has tripled its revenue growth when comparing January 2023 to January 2022. Being on TikTok

and working with creators has allowed them to reach 50,000 downloads a month for relatively little marketing spend compared to what would have been achievable a year ago.

“I’m not confident we would’ve achieved that level of growth without it [TikTok.]” says Tiff.

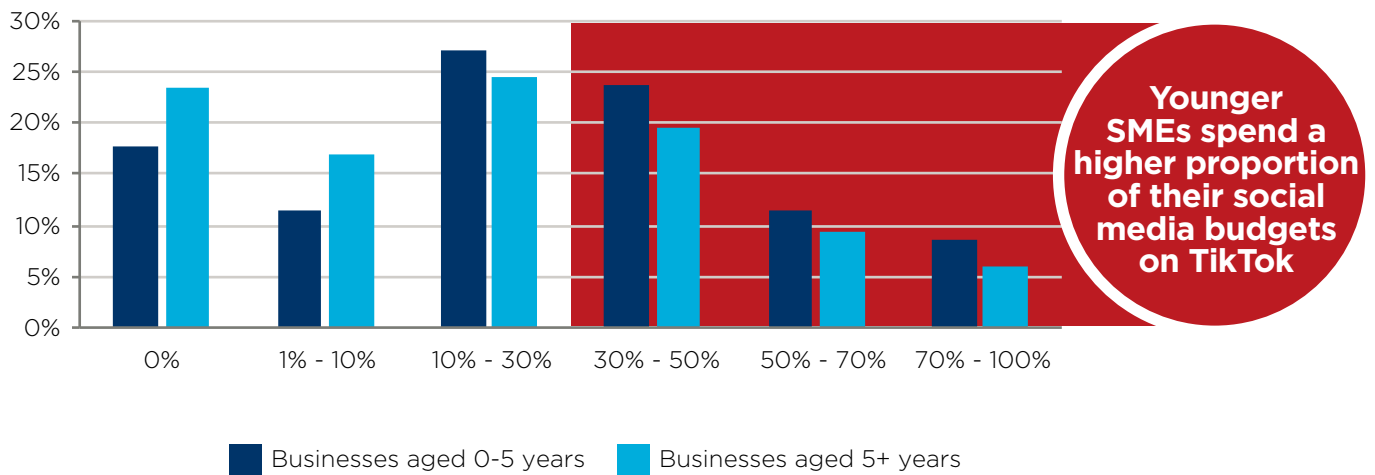
3.2.3 Younger SMEs spending on TikTok

Section 3.1 established that respondents in younger businesses in the sectors surveyed were more likely to report that their business used TikTok.⁵⁷ In addition to this, **younger businesses also allocated a greater share of their social media marketing budgets to TikTok** in the sectors surveyed than those in older businesses which use TikTok.⁵⁸

For example, 20% of respondents in businesses founded less than five years ago said their business spent more than half of their social media budgets on TikTok. For those in businesses founded five years ago or more, only 15% reported their business spent more than half of their social media budget on TikTok.

As such, in the sectors surveyed, respondents in **younger SMEs were both more likely to say their business used TikTok, and those that used it did so at a greater intensity.**⁵⁹ This highlights the perceived importance of TikTok to this next generation of businesses.

Fig. 13: Percentage of social media budget spent on TikTok in the sectors surveyed for businesses aged less than five years vs. businesses aged five years or more⁶⁰



Source: Oxford Economics (data collection managed by Ipsos)

Base: n=473 respondents who were aware of social media spend and whose business uses TikTok, at least yearly. Those in businesses aged 0-5 years n=193, those in businesses aged 5 years or older n=277. Online fieldwork conducted: 1st - 16th February 2023.

⁵⁷ Where use of TikTok is defined as at least once a year for marketing and advertising purposes

⁵⁸ This is among respondents who are aware of their business' social media spend and whose business uses TikTok at least once a year. There are 473 respondents whose business uses TikTok at least once a year for advertising and marketing purposes, and who are aware of their business's social media spend.

40 ⁵⁹ That is, a higher proportion of business social media spend is allocated to TikTok by younger businesses than older businesses using TikTok.

⁶⁰ Questions used to form this figure: Q6_bis: "How long has the business been operating for?"; Q18: "Over the past 12 months, roughly how much, if anything, did the business spend specifically on TikTok, as a proportion of total spend on all social media activity?"



00:00:00

4K · 30



.5 1x 3

หน้ากล้อง 1080p 30FPS 1080p 30FPS



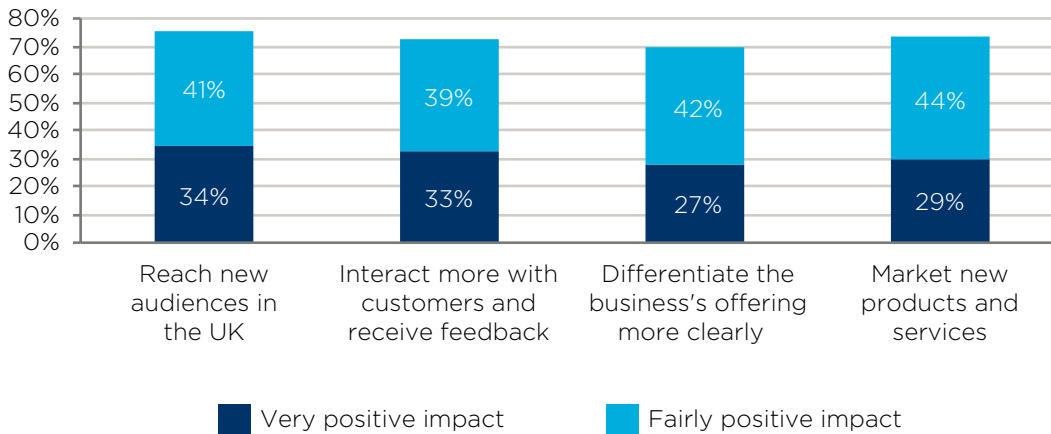
3.3 THE BENEFITS TO SMES OF USING TIKTOK

In the sectors surveyed, a majority of SME respondents whose business used TikTok at least annually reported a **positive impact of TikTok** in the eight areas they were asked about, which included their **ability to reach new audiences in the UK, interact more with customers and receive direct feedback, connect with existing customers, and market new products and services.**⁶¹

Almost three-quarters (75%) of respondents whose business uses TikTok at least annually said that TikTok had either a fairly positive (41%) or very positive (34%) impact on their ability to reach new audiences in the UK.⁶² A similar proportion of respondents reported either a very positive or fairly positive impact of TikTok on their ability to: market new products and services (74%), interact more with customers and receive feedback (72%)

and differentiate the business' products and services more clearly versus those of its competitors (70%).

Fig. 14: Reported impacts of TikTok on SMEs' ability to achieve certain advertising and marketing objectives⁶³



Source: Oxford Economics (data collection managed by Ipsos)

Base: n=473 respondents who were aware of social media spend and whose business uses TikTok, at least yearly. Those in businesses aged 0-5 years n=193, those in businesses aged 5 years or older n=277. Online fieldwork conducted: 1st - 16th February 2023.

⁶¹ Positive impact here refers to either a very or fairly positive impact.

42 ⁶² Respondents were asked "To what extent does TikTok have a positive or negative impact on the business' ability to do each of the following, or does it have neither a positive nor negative impact?"

⁶³ Questions used to form this figure: Q25:"To what extent does TikTok have a positive or negative impact on the business' ability to do each of the following, or does it have neither a positive nor negative impact?"

3.3.1 Indirect impact of SMEs which do not use TikTok

Seven percent of respondents in the sectors surveyed who said their business did not use TikTok said that the business had benefitted indirectly from exposure on TikTok in the past year.⁶⁴ This may happen if the business’s product(s) and/or location(s) are featured in content produced by creators on the platform who have no connection to the business. Fig. 15 showcases examples of businesses which have benefitted indirectly from TikTok.

Fig. 15: Examples of businesses which have benefitted indirectly from TikTok



Source: Oxford Economics (data collection managed by Ipsos)

⁶⁴ Number of respondents whose businesses do not use TikTok is 587.



4. THE ECONOMIC IMPACT OF SMES USING TIKTOK FOR ADVERTISING AND MARKETING

ECONOMIC IMPACT METHODOLOGY SUMMARY

- Chapter 4 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 on TikTok in the six sectors surveyed. It then applied a TikTok-specific estimate of the returns on advertising spend to estimate the resulting change in turnover.
- We employ a standard economic impact assessment framework, which considers three channels through which turnover driven by SME activity on TikTok contributes to the UK economy⁶⁵:
 - Direct impact, which is the economic activity supported by the turnover 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 businesses who are needed to fulfil TikTok-driven sales, and the consumption supported by additional wages paid by supply-chain businesses.
- The full methodology is in Appendix B.

4.1 TIKTOK AS A DRIVER OF SME GROWTH

In the six sectors surveyed, **the total increase in business turnover due to SME advertising and marketing on TikTok was £1.2 billion in 2022.**

The model estimates that the largest impacts on turnover are in food and beverages (£0.6 billion), business services (£0.3 billion) and culture and entertainment (£0.2 billion) with smaller impacts in the remaining sectors.

When looking at individual SMEs which invest in advertising and marketing on TikTok, SMEs with the average level of investment can attribute between 1% and 2% of their turnover to advertising and marketing on TikTok depending on their sector.⁶⁶ This rises to between 3% and 11% for those businesses in the top 10% of their respective sectors with regards to the amount invested in advertising and marketing on TikTok.⁶⁷

4.2 THE IMPACT OF SME ACTIVITY ON THE UK ECONOMY

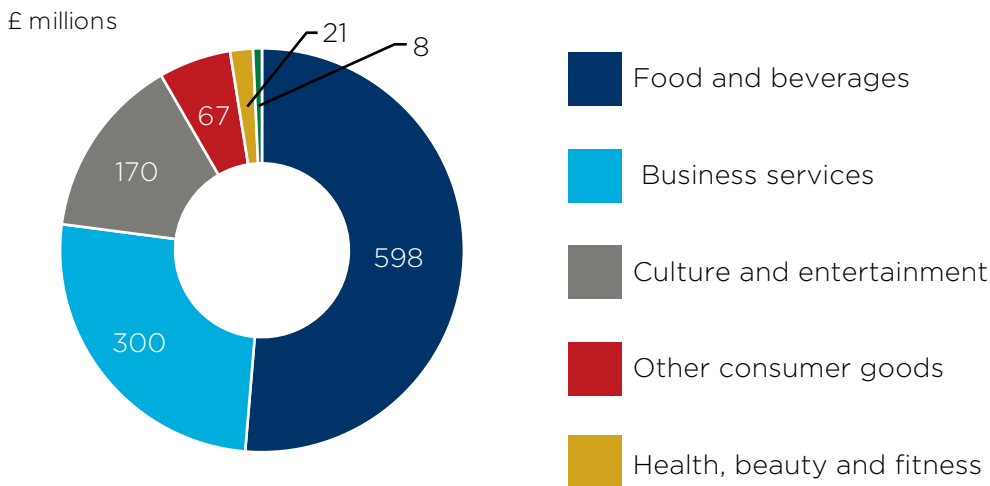
We estimate that in 2022 TikTok-driven SME turnover supported a £1.63 billion GVA contribution to UK GDP along with 32,000 jobs. On a sectoral level, we find that the biggest contribution from within the six sectors surveyed is made by SME activity in the food and beverages sector.

⁶⁵ The results presented are on a gross basis, meaning we do not make an assessment of the turnover that SMEs would otherwise generate if they allocated their marketing and advertising expenditures in another way. These impacts also do not consider the displacement of sales elsewhere in the UK.

⁶⁶ Figures are for SMEs which report positive expenditure on TikTok with regards to any of the following: paid advertising on TikTok, posting content on TikTok, the use of creator marketing on TikTok. This represents 40% of all SME users of TikTok in the sectors surveyed.

⁶⁷ This assumes linearity in the Return on Advertising Spend (i.e., that a firm spending 1% of turnover on TikTok earns the same percentage return as one spending 10%). We were not able to test this using the TikTok commissioned research, but did not find evidence that SMEs self-assessed return on investment from our survey varied by the relative size of their expenditure.

Fig. 16: Increase in SME turnover from additional sales generated by advertising and marketing on TikTok, by sector (2022)



Source: Oxford Economics

This economic activity is generated through three channels:

Firstly, the increased turnover from SME advertising on TikTok generated **a direct contribution to UK GDP of £0.65 billion, and supported 19,000 jobs.** This direct contribution to GDP includes, for example, the share of employee remuneration and the share of the business's EBITDA related to the turnover they earn via TikTok.⁶⁸

Secondly, SMEs on TikTok have UK-based supply chains through which they

procure goods and services to fulfil sales generated via TikTok, creating a further impact. **This channel is known as the indirect impact and is estimated to have contributed £0.46 billion to GDP, and to have supported around 7,000 jobs in 2022.**⁶⁹

Lastly, TikTok supports further economic activity as the additional employees of SMEs active on TikTok, as well those employed in their UK supply chains spend their wages on goods and services in the wider economy.⁷⁰ **This is known as**

the induced impact, which we estimate supported a further £0.51 billion contribution to UK GDP and 6,000 jobs in 2022.⁷¹

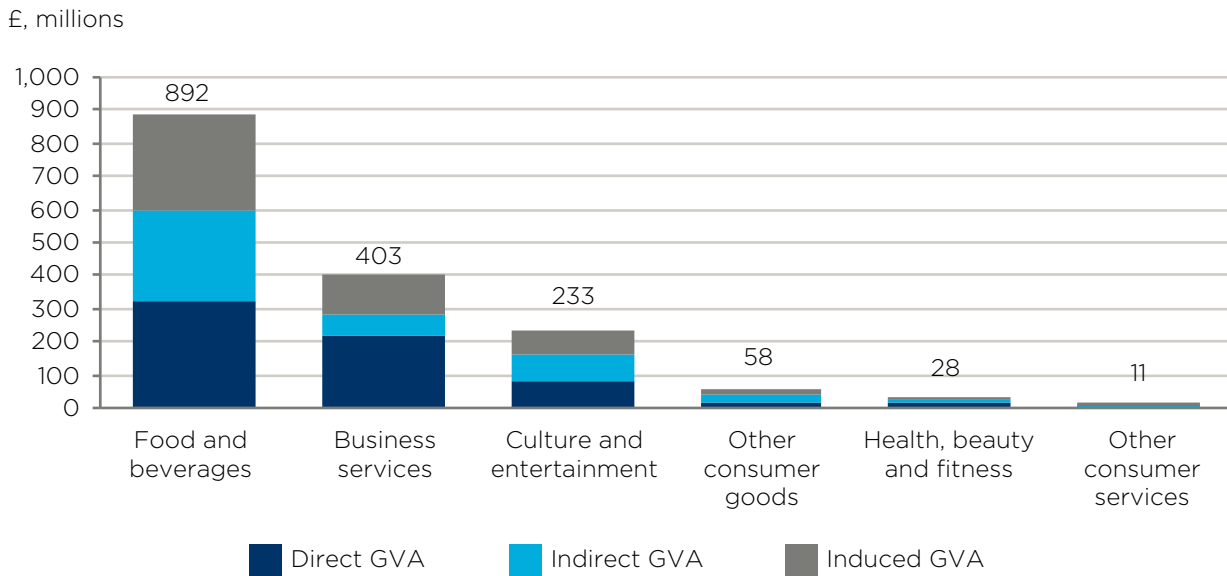
46 ⁶⁸ EBITDA is "Earnings Before Interest, Taxes, Depreciation, and Amortization".

⁶⁹ Jobs supported through this channel will be in both SMEs and non-SMEs as SMEs procure from both types of firm.

⁷⁰ Strictly speaking, it is the additional employees in SMEs which use TikTok who are needed to fulfil TikTok driven sales. Similarly, for businesses in the SMEs' supply chains, it is the additional employees needed to fulfil the additional supply chain demands.

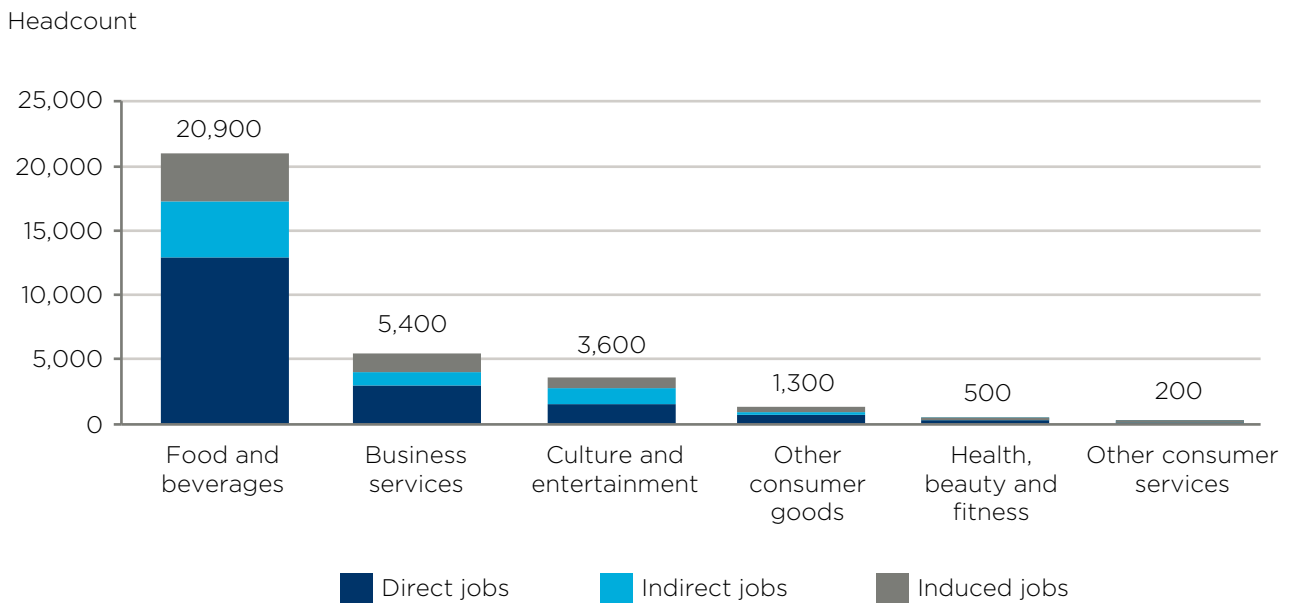
⁷¹ Jobs supported through this channel will be in both SMEs and non-SMEs as consumers purchase goods and services from both types of firm.

Fig. 17: GDP contribution of SME activity supported by TikTok, by sector (2022)



Source: Oxford Economics

Fig. 18: Jobs supported by SME activity on TikTok, by sector (2022)



Source: Oxford Economics



SOSWEET

(@sosweetshopuk)

SoSweet is a family-run confectionary retailer founded in 2014. It positions itself as the UK's favourite sweetshop, with its 905,000 TikTok followers and 14 million likes providing ammunition for this claim. Starting with just one store in a small village on the coast of North Devon, it has now expanded to nine stores across South-West England and has ambitious plans for growth, with five more stores scheduled to open this year. It attributes this phenomenal success largely to TikTok.

The business expanded to online sales with the launch of its website in April 2020, and then started uploading content on TikTok a few months later. By Christmas it had steadily built up to 10,000 followers. At the start of 2021, in response to a customer's request, it posted a video showing staff preparing their order and tagging them in the post. The video went viral, leading to them replicating this order-tagging approach, snowballing to around 30 to 40 videos per day.

This generated great exposure and a corresponding increase in sales. It also cemented part of SoSweet's modus operandi of audience engagement in their content. A pinned video on their TikTok page shows them responding to a customer query of whether they stock Haribo turtles, which has racked up over 6.1 million views.

In 2022 TikTok Shop expanded to include the food and beverage sector, and this was

instrumental for SoSweet in their next phase of TikTok-boosted growth. They started to utilise it fully in October 2022, taking £500 worth of sales on 1 October, then growing to average £18,000 a day later in the same month, with total sales for the first month coming to £290,000. As George Robinson (Director) says:

"We had the following, but we just carried on creating the same great content that we used to create, but with the ability for people to check out there and then on the platform. And now, it's a big sales channel for us."

SoSweet also benefits from the affiliate creator scheme, whereby creators make content featuring SoSweet products, and then tag them. Some of these creators generate up to

£40,000 per month in sales for SoSweet from their content, receiving 10% commission paid out to them from TikTok Shop. SoSweet risked running behind on orders to keep up with this demand from TikTok. As George Robinson explains,

"For a small local business, we're booming. We've added at least five full-time jobs in the last six months, and we'll probably create another five in the next six to 12 months as well, just as a result of TikTok Shop and the impact it's had. So, I think the impact TikTok has for small businesses is huge."

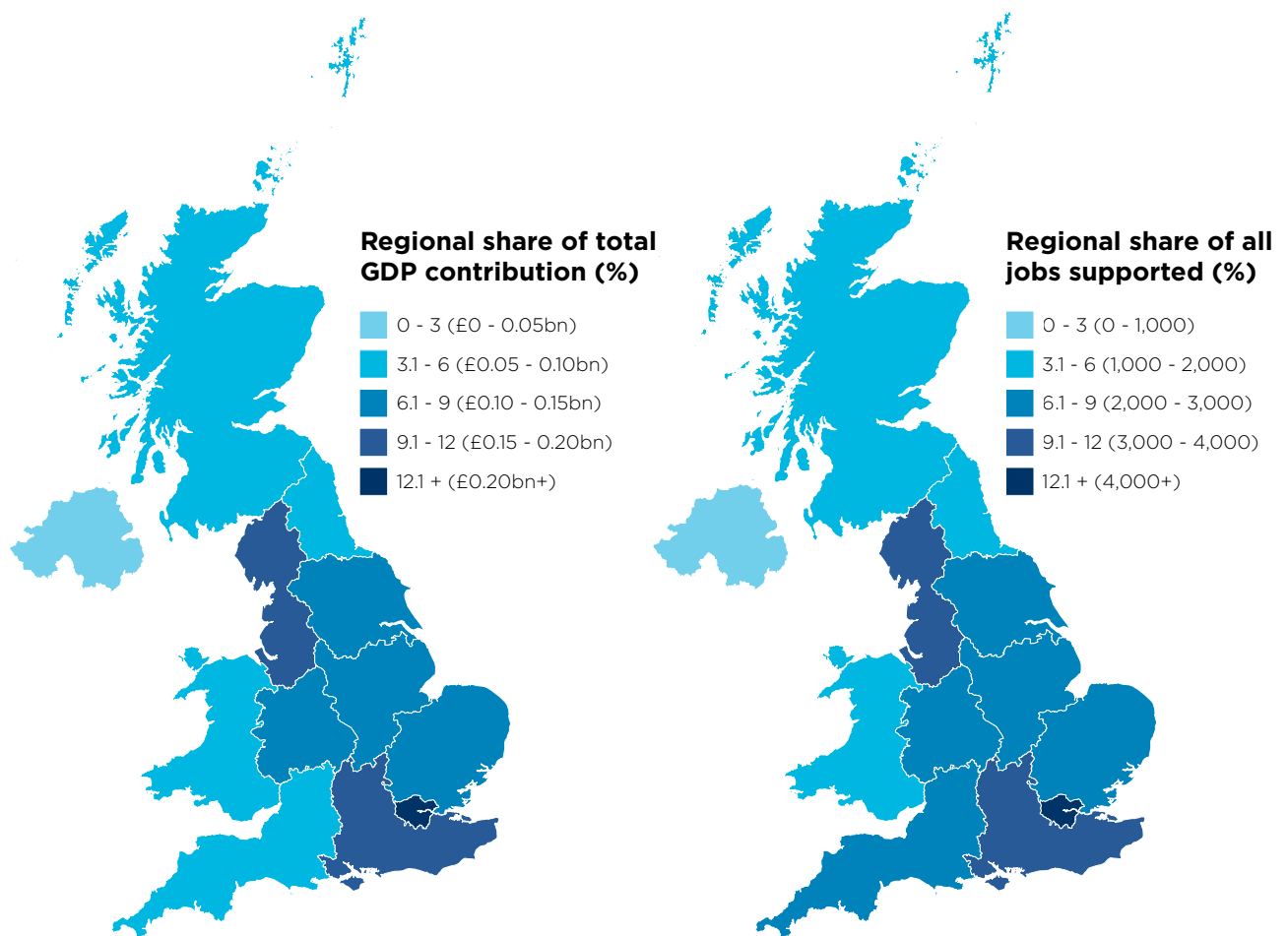


4.2.1 The regional impact of SME activity on TikTok

Breaking down the UK-level impact into the 12 countries and regions of the UK, we find that almost three-quarters (74%) of the GVA contribution to GDP from SME advertising on TikTok occurs outside of London.

Secondly, we find that almost eight out of 10 (78%) of the jobs supported by SME advertising and marketing on TikTok are outside of London.

Fig. 19: Regional shares of total GDP and jobs supported from SME advertising and marketing on TikTok (2022)



Source: Oxford Economics

BEE INSPIRED

(@beeinspiredclothing)



Bee Inspired was founded back in 2013 by two ex-footballers, Mark Corcoran and Steven Robb. Based in Glasgow, the company offers contemporary menswear clothing, with a specific focus on streetwear for Gen Z and Millennials. The business has grown to an average of £10 million a year in online sales, as well as additional wholesale revenues from high street retail stores. Bee Inspired joined TikTok back in 2019, and its channel has now grown to having 119,000 followers, and over 3.2 million likes.

Their content falls under two main categories: organic content uploaded by the business of “street styling”, and paid content using creators.

The organic content from the street styling videos is where it has seen viral growth in the number of views, which has helped most to build brand recognition. The videos feature the founders, or other Bee Inspired employees, on the street in locations across the UK and abroad, with a rail of Bee Inspired clothing which is

modelled on passers-by, who are then gifted the items. The impact of this, as an example of “in-feed” advertising, is huge for Bee Inspired as these videos feature on users’ “For You” threads, providing the potential for much greater reach.

This has allowed Bee Inspired to compete with much larger firms in the menswear sector than would otherwise have been possible. Traditional advertising campaigns on TV or advertising billboards would not have been accessible to it, but it has been able to profitably run a successful brand campaign using TikTok. This highlights the value that TikTok can bring to SMEs by

facilitating access to cheaper and more effective advertising tailored to the brand’s style.

Bee Inspired has learnt how to adapt to the TikTok format, and that copies of content posted on other social media platforms will not necessarily have the same level of success on TikTok. It is now reaping the benefits from this approach:

“Since September last year, is really when we’ve honed in [on] the [TikTok] channel and it’s become a big focus for the brand. We’ve seen 30% year-on-year growth since then,” says Drew Goldie, Marketing Director.







APPENDIX A: ESTIMATING CONSUMER SURPLUS OF TIKTOK'S USERS

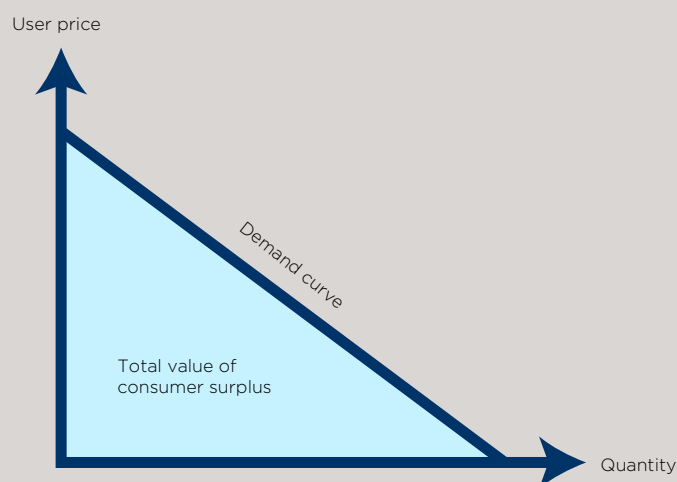
We draw on a methodology which has been used by economists to estimate the consumer surplus associated with digital services such as TikTok, which users are able to access at zero price. Due to their zero price, they are not captured in traditional measures of economic output such as GDP, but they may nevertheless contribute to consumer welfare, which GDP is often used as a proxy for.

THE CONCEPT OF CONSUMER SURPLUS

Consumer surplus is defined as the difference between consumers' willingness to pay for a good or service and the amount that they actually pay. For instance, if a person were willing to pay up to £15 for a book but only had to pay £10, then that person would have £5 of consumer surplus from the transaction. Economists consider changes in consumer surplus to be a measure of changes in consumer well-being (or welfare).

The concept of consumer surplus is analytically linked to demand curves. A demand curve shows the quantity demanded of a product or service at every level of price. For each user, the value of TikTok is given by their position on the demand curve less the price they pay for TikTok. However, users consume the core TikTok product without paying a monetary sum.⁷² Therefore, the value of the consumer surplus for all TikTok users broadly corresponds to the total area under the demand curve (as the price to users is zero).

Fig. 20: The concept of consumer surplus



Source: Oxford Economics

ESTIMATING THE DEMAND CURVE

Economists use survey-based “stated preference” methods as one approach to estimate how much value—or consumer surplus—is created by zero-price goods or goods for which there is no market (e.g., public goods such as clean air).⁷³ One such method is to ask individuals to estimate the amount they would be hypothetically willing to pay for a free service, or, conversely, what they would be willing to accept to forego access. The latter is known as the “willingness-to-accept” (WTA) approach.

⁷² There are in-app purchases on the platform but these are not required to use any of the platform's core functionality. For example, TikTok Coins can be purchased to donate to content creators.

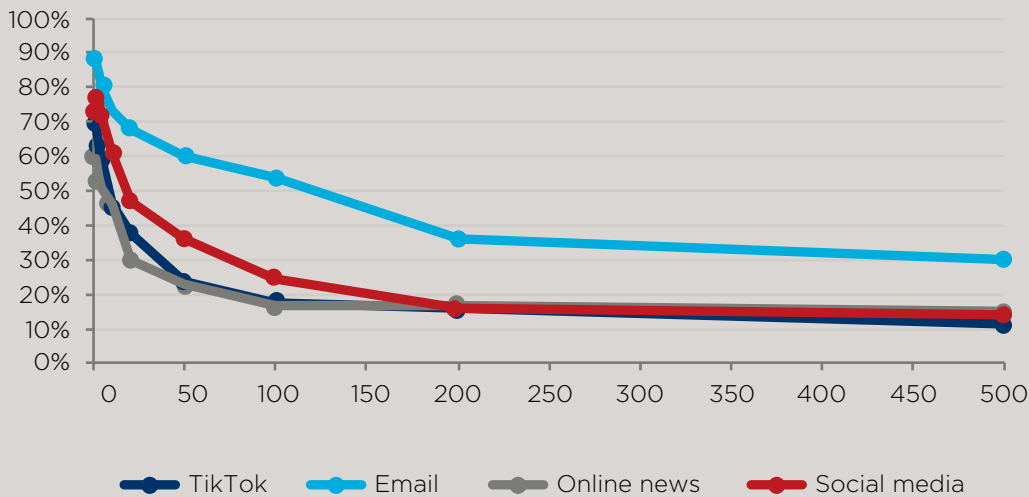
⁷³ HM Treasury, “The Green Book” Box 20, accessed May 2023.

For this study we adopted the WTA approach given that TikTok is free to access, and therefore a loss of access represents a change to the status quo. As part of the user survey, we asked participants a single yes-or-no question of “Would you prefer to keep access to TikTok or go without access to TikTok for one month and get paid £[Price]?”, with the price offered randomised between £1.25, £2.50, £5, £10, £20, £50, £100, £200, £500. To put our findings in perspective, we also asked TikTok users the same question for three other services: their preferred email provider, favourite source of online news, and favourite social media platform (or second favourite if they considered TikTok to be their favourite).⁷⁴

Using the survey responses, for each service and price, we calculated the share of respondents who responded that they would prefer to keep access to the service at each price level. The raw data giving the fraction of monthly users that would demand each product at various price points are summarised below.

Fig. 21: Share of users who keep access to corresponding product at each price point

Share of monthly users who chose to retain products



Source: Oxford Economics

ESTIMATING THE TOTAL AND MEDIAN CONSUMER SURPLUS

Estimating the demand curve

We linearly regressed the results from the survey to derive a demand curve relating price, p , to quantity, q . We developed regressions using two alternative functional forms:

- a linear model of the form of $p = a - bq$.
- An exponential function of the form of $p = a \cdot \exp(-b \cdot q)$ or $\log(p) = a - bq$.

We found that the exponential function fitted the model much better than the linear model. The R-squared for the linear model was 49% compared to 97% for the exponential model.

Total consumer surplus for TikTok

We combined the coefficients from the regression analysis with estimates of the total number of TikTok users to estimate the total consumer surplus for TikTok, measured as the area underneath

56 ⁷⁴ Our survey is weighted to be representative of the population of TikTok users. The demographic characteristics of people using email or other social media platforms are likely to be different to those of TikTok users. Therefore, if we were to estimate a median valuation for these other services based on a sample which was not restricted to TikTok users the results would likely differ from our estimates.

the demand curve.⁷⁵ As in a previous published study⁷⁶, we use the linear regression to estimate the total consumer surplus despite the superiority, in terms of goodness of fit, of the exponential model. Our use of the linear regression results in a much more conservative valuation than would be obtained from the exponential model.

Consumer surplus for the median user—TikTok and other services

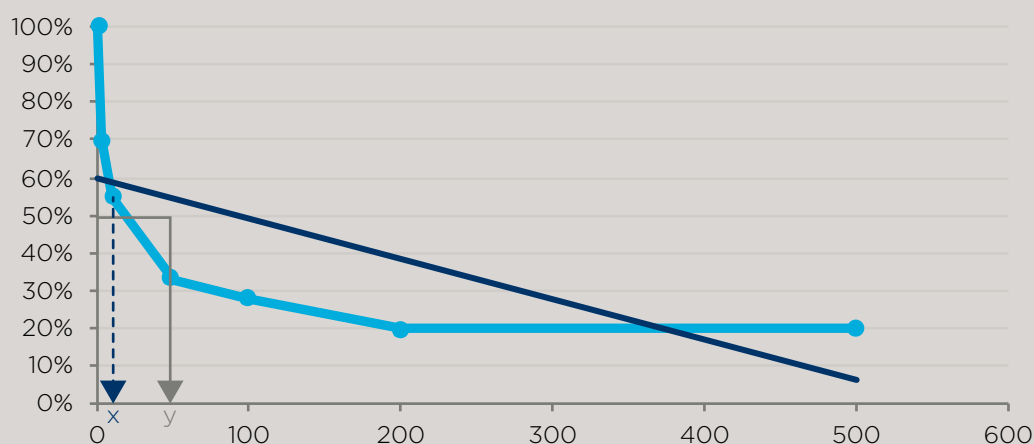
A casual inspection of the distribution of users’ valuations implied by Fig. 20 shows that they are highly skewed. In particular, there is a very high level of kurtosis (or fat-tails) compared to a normal distribution. The result is that users’ mean valuation (obtained by dividing the total consumer surplus by the number of users) provides a misleading picture of the value derived by the typical (median) user.

Given this disparity we elected to report per user valuations in this report in terms of the median rather than the mean values. To obtain a better estimate for the median user and better match the shape of the demand curve, we used the coefficients from the exponential function.

Using an illustrative example, Fig. 21 shows the median valuation from the linear and exponential curves for a skewed distribution of responses. The median user corresponds to 50% on the vertical axis, i.e., half the respondents have a valuation higher than the median user and the other half have a lower valuation. The median valuation based on the linear curve (shown as y in Fig. 21 based on following the solid line⁷⁷) is much higher than the valuation based on the exponential curve (shown as x in Fig. 21 based on following the dotted line⁷⁸). We are therefore, once again, selecting the more conservative option by using the exponential curve to estimate the median value.

Fig. 22 Comparison of median valuations based on linear and exponential functions (for illustration purposes only)

Share of monthly users who chose to retain TikTok



Source: Oxford Economics

⁷⁵ We surveyed weekly users of TikTok, but only had an estimate of monthly active users for the purpose of aggregation. Informed by the frequency of TikTok use in our survey and variation in WTA values by frequency of use, we assume that 2.5% of monthly users use TikTok less than once a week and that these users have a WTA value of zero. As such they are discounted from the aggregation.

⁷⁶ Public First, “Google’s Impact in Finland”, 2019, accessed May 2023.

⁷⁷ Indicative and not to scale.

⁷⁸ Indicative and not to scale.

LIMITATIONS

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

- The estimates in this study are based on respondents' stated preferences. Certain respondents may have wilfully misrepresented their preferences to influence the results (this is most typically an issue in surveys relating to health or the valuation of public goods).⁷⁹ Our survey question was worded carefully to avoid implying it would be used to inform any future pricing decisions and we do not therefore believe there is any strong reason to expect our estimates to suffer from stated preference bias in either direction.
- A strong body of academic evidence has shown that consumers suffer from "loss aversion bias".⁸⁰ This leads individuals to place a higher value on a product they own versus an identical good that they do not own. In turn, this can lead values identified through willingness to accept (WTA) approaches to be higher than those based on willingness to pay (WTP) approaches. This issue is unlikely to be mitigated within our analysis as all of our survey respondents were TikTok users. Estimates of the extent of this bias vary. Heffetz and List (2011)⁸¹ find no bias, whereas Ericson and Fuster (2011)⁸² find that valuations could increase by 20% to 30% due to loss aversion. Plott and Zeiler (2005, 2007)^{83,84}, show that changes in experimental conditions can significantly affect the magnitude of the gap between WTP and WTA analyses, which is helpful in explaining the wide variation in estimates of bias found in different studies.
- A further limitation may arise from the hypothetical nature of our questions. Given the scale of our study, it was not practical to run our survey in an incentive-consistent way. That is, we had no means to actually make respondents give up a product for one month in exchange for payment. Their answers are therefore hypothetical. In a recent meta-analysis of studies investigating the discrepancy between a consumer's hypothetical WTP and the actual WTP, Schmidt and Bijmolt (2019)⁸⁵ find that the average bias due the hypothetical nature of surveys is approximately 21%.
- By aggregating on the basis of a monthly willingness-to-accept value to derive a per annum value for TikTok, we assume that users' valuations do not change over time. In practice, there are reasons to believe that valuations may change nonlinearly over time in a way that is consistent with users valuing the app more or less highly as time goes on. We are unable to test this. However, 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).⁸⁶ Were this to be the case for TikTok, the use of a monthly WTA for aggregation on a yearly basis would understate the yearly WTA of each user.

Despite these limitations, our study provides estimates of consumer 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 consumer surplus of TikTok.⁸⁷

⁷⁹ Robert J. Johnston, Kevin J. Boyle, Wiktor Adamowicz, Jeff Bennett, Roy Brouwer, Trudy Ann Cameron, W. Michael Hanemann et al. "Contemporary guidance for stated preference studies." *Journal of the Association of Environmental and Resource Economists* 4, no. 2 (2017): 319-405.

⁸⁰ Daniel Kahneman, Jack L. Knetsch, and Richard H. Thaler. "Experimental tests of the endowment effect and the Coase theorem." *Journal of political Economy* 98, no. 6 (1990): 1325-1348.

⁸¹ Ori Heffetz, and John A. List. Is the endowment effect a reference effect?. No. w16715. National Bureau of Economic Research, 2011.

⁸² Ericson Marzilli, Keith M., and Andreas Fuster. "Expectations as endowments: Evidence on reference-dependent preferences from exchange and valuation experiments." *The Quarterly Journal of Economics* 126, no. 4 (2011): 1879-1907.

⁸³ Charles R Plott, and Kathryn Zeiler. "The willingness to pay-willingness to accept gap, the endowment effect," subject misconceptions, and experimental procedures for eliciting valuations." *American Economic Review* 95, no. 3 (2005): 530-545

⁸⁴ Charles R Plott, and Kathryn Zeiler. "Exchange asymmetries incorrectly interpreted as evidence of endowment effect theory and prospect theory?." *American Economic Review* 97, no. 4 (2007): 1449-1466.

⁸⁵ 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.

⁸⁶ 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

⁸⁷ As a test of plausibility, we compared our results to that of Brynjolfsson et al. (2019), who find a yearly willingness-to-accept for all social media of \$322 (2017 USD), or approximately £504 in 2023 prices. The authors validated their results using incentive compatible experiments. The yearly median willingness-to-accept for TikTok is £91, or around 18% of Brynjolfsson's "all social media WTA", which we view as plausible given the prevalence of TikTok among UK internet users.



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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 their use of TikTok as an advertising and marketing platform. 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.⁸⁸ This suggests that investments in advertising and marketing on TikTok have the potential to contribute to SME growth.

SME advertising and marketing 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.⁸⁹
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 six sectors in scope for this research, and separately for each of the 12 countries and regions of the UK.⁹⁰ 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).

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

⁸⁸ The Return on Advertising Spend (RoAS) estimate used comes from pre-existing research commissioned by TikTok. Where available, a sector-, UK-specific RoAS was used, and otherwise an average of several European countries including the UK was used.

⁸⁹ 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.

⁹⁰ The six sectors are: culture and entertainment, food and beverages, health, beauty and fitness, other consumer goods, other consumer services, and business services.

SME TURNOVER GENERATED ON TIKTOK

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:

- 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 turnover uplift associated with a given volume of advertising spend.⁹¹

To estimate the first of these two inputs, we used our survey of SMEs to calculate the share of turnover which SMEs in each sector spend on advertising and marketing on TikTok. We consider three components of a business’s expenditure on TikTok: paid advertising (e.g., using TikTok’s Promote feature), creator marketing, and the costs associated with posting content to a business’s TikTok account.⁹²

We then used Office for National Statistics (ONS) 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 turnover figure downwards to reflect this.⁹³ 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. To break turnover and hence spend down to a regional level we use ONS data on the regional shares of turnover 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 turnover.⁹⁴ 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 and the direct posting of content, 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.⁹⁵

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.⁹⁶

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.

⁹¹ Defined as additional revenue earned per pound that a business spends on advertising. For example, if a business spends £10,000 on advertising and this results in £20,000 in turnover, the implied RoAS would be two.

⁹² We exclude internal costs, and any miscellaneous costs, as we take these to be fixed costs, which are not considered in the methodology used to model the Return on Advertising Spend.

⁹³ Business services is an exception as this is assumed to influence business-to-business (B2B) spend. For business services, we take the share of intermediate consumption and final consumption by non-profits (the latter under the assumption that they also consume business services) as a share of total domestic industry demand.

⁹⁴ Where available, a sector-, UK-specific RoAS was used, and otherwise an EU average was used.

62 ⁹⁵ These are: food and beverages; health, beauty, and fitness; and other consumer goods. For sectors which are services-based (business services; other consumer services; and culture and entertainment), no such adjustments are necessary.

⁹⁶ We adjust this indirect impact downwards to account for the share of imports in the relevant sector, as the retail sector sales uplifts will partially be fulfilled by manufacturers based abroad.

ECONOMIC IMPACT MODEL INPUTS

Direct GVA, jobs, and compensation of employees

To estimate direct GVA, we use 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 ratio of compensation of employees to output.

To break direct GVA and jobs supported down to a regional level, we use estimates of the regional share of SME turnover for each sector.

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 ONS data on the procurement inputs needed to produce one unit of output in each 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.⁹⁷

We estimated regional procurement expenditures in a similar way using regional turnover changes and the ONS A-matrix to determine how much domestic procurement was required to support the additional regional output. We then computed a regional A-matrix using regional employment data to estimate how much of the necessary regional procurement would be sustained in the region itself, and how much would be “imported” from other UK regions. We subtracted the total procurement required to sustain regional turnover uplifts from the procurement that is produced within the region itself given the level of specialisation to estimate how much would be imported from other parts of the UK. This imported procurement was spread amongst neighbouring regions dependant on their relative specialisations, geographical concentrations of industry throughout the country, and road travel distances (as a proxy for transport costs). The final regional procurement used in the Oxford Economics’ economic impact model thus consisted of procurement supporting businesses in the same region and “exported” procurement supporting businesses in other regions.

RUNNING THE MODEL

Estimates of procurement, and the compensation of employees were used in six iterations (one for each of the six sectors) of Oxford Economics’ economic impact model to generate indirect GDP and induced GDP, as well as indirect and induced jobs.

⁹⁷ 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, 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.

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July 2023

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