

Walmart Makes Sense for TikTok: But Watch Out for Amazon's Response

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Walmart Makes Sense for TikTok: But Watch Out for Amazon's Response

By Glenn Fishback, CEO, [TopLooks.ai](http://www.toplooks.ai) (www.toplooks.ai)

When it was reported in August that Microsoft was in the bidding for TikTok, a lot of us who've been in online media and commerce had to be shaking our heads. Why would Microsoft, which endured a \$6.2B write down after its failed purchase of Aquantive, get into the TikTok bidding? In the wake of the Trump administration's demand that TikTok be owned by a US company by September 20, or be closed, it seemed there were better suitors than Microsoft. Then Oracle raised its hand, and the "huh?" shrug could be heard from coast to coast.

But another company has emerged as something of a front runner for TikTok, and this one makes a lot of sense. Walmart, with plenty of cash and a need to reach younger buyers online, makes perfect sense for TikTok, the price tag for whom could exceed \$25B. Despite this exorbitant number, when Walmart announced its intentions shareholders jumped, inflating company stock 7 percent in hours. Strategically why would Walmart even consider jumping into the TikTok bake-off? What could the purchase of TikTok mean for Walmart?

Expanding and Engaging Younger eShoppers

Walmart has long been the go-to physical retailer for American consumers. But Amazon had taken so much retail share from the Bentonville, Arkansas prior to the Covid-19 Pandemic that Walmart scrambled to launch its own version of Amazon's Prime. Walmart's \$98/year Walmart+ Service is expected to claw back some of the ground it's ceded, but not enough to make much of

a difference – especially with younger consumers. With TikTok, Walmart would exclusively influence up to 100M consumers, all ready to engage on their favorite social channel with a major retailer not called Amazon. This acquisition plus Walmart's recent integration with Shopify are leap-frogging initiatives, and potentially game changing for not just Walmart, but for Walmart's partners and Walmart's emerging advertising business.

...which is why I can't see Amazon merely sit by the sideline and let it happen.

Walmart entered the bidding only after Oracle had replaced Microsoft as the darling of the dance. Oracle's reported bid of \$20B included \$10B in Oracle stock and 50% of annual TikTok profit, with underwriting by Sequoia, General Atlantic, and other deep-pocketed funds. Here's betting that Amazon is similarly watching and waiting now, with more than \$37B in cash on hand and no reason to worry about whatever terms TikTok owner ByteDance may require, thanks to its seemingly ever-rising market cap.

Analysts agree that Walmart needs TikTok more than any other potential suitor. UBS Analyst Michael Lasser wrote, "Harnessing the reach of a rapidly growing media platform should allow Walmart to build links with advertisers and third-party sellers, giving the company 'valuable' exposure... to younger consumers as they enter their prime consumption years."

...which (again) is why I can't see Amazon letting it happen.

If you're ByteDance, and you know you're going to have to tie at least 30% and maybe more of the sale price of TikTok to future cash flow, wouldn't you rather sell it to a company that is already the digital retail leader, and not just to a retail leader that needs your assets but might not be able to integrate as well? Amazon already has a TikTok influencer page and a seamless integration to multiple products through TikTok's interface. Walmart only started its first TikTok campaign less than a year ago.

The Trump administration has been worried about TikTok's security. What has been reported recently revolves around Chinese spying through the app, though regulators had other issues with ByteDance before TikTok became such a major phenomenon. TikTok is the successor company to Music.ly, which was a bad actor for other reasons, according to the US Federal Trade Commission. The \$5.7M fine paid by Music.ly was the largest in the history of the FTC in 2018, and revolved around COPPA violations, not spying. Music.ly had millions of under-age users, and they knew it. But, they did nothing about it.

Amazon has the Washington presence to manage whatever may come next for TikTok, and the security to prevent future hazards. Does Walmart?

Sometimes, the most apparent solution is the one you least suspect. You won't find anyone covering the would-be acquisition of TikTok by Amazon today. All the focus is on Walmart. Once the dollar figures of such a deal begin to appear in the press, here's betting that another

Washington State-based suitor emerges. And it won't be Microsoft.

Glenn Fishback is CEO at TopLooks.ai, which leverages artificial intelligence to grow eCommerce through social channels.

Author's Note:

Retailers need to leverage social channels to engage younger shoppers. Just like a Tiktok could help Walmart transform how they influence 100 million consumers, TopLooks' A.I. Technology is transforming Product Content into Dynamic Personalized Shoppable Commerce.

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