

TikTok's targeted advertising: Reshaping American Consumer Behavior Amidst Government Scrutiny

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ABSTRACT

Targeted advertising has emerged as an innovative force in the digital economy, particularly within the e-commerce sector, by leveraging consumer data to deliver personalized advertisement. In the United States, platforms like TikTok have significantly influenced consumers behavior through such targeted strategies. However, the extensive use of consumer data by TikTok has raised national security concerns, leading the U.S. government to consider measures such as forcing ByteDance, TikTok's parent company, to divest its U.S. This situation underscores the profound impact of targeted advertising on American consumers, affecting their purchasing behavior and information consumption patterns. This paper would argue TikTok's targeted advertising strategies has reshape American consumers' purchasing behavior and decision making pattern by enhancing online shopping experience and more preferable goods.

KEYWORDS

TikTok; personalized; advertising

1 Introduction

Targeted advertising has fundamentally transformed China's e-commerce industry by influencing consumer purchasing behavior through hyper-personalization, reshaping competition among platforms, and testing the boundaries of ethical data practices.

2 How Targeted Advertising Enhances Consumer Engagement in U.S. E-Commerce Industry

One of the most significant impacts of targeted advertising is its ability to enhance consumer engagement by making ads more relevant to individual users. In the United States, platforms specifically like TikTok leverages advanced algorithms to analyze browsing history, purchase behavior, and even demographic information to deliver highly personalized product recommendations. This hyper-personalization significantly influences purchasing decisions, as consumers are more likely to respond to advertisements that align with their interests and needs.

For example, during the annual "Black Friday" which well-known as shopping festival where most of products have relatively discount, they would use targeted advertising to push specific promotions to users based on their shopping history and browsing history. A user who frequently purchases skincare products may see deals on new skincare brands or discounts on their preferred items. According to a report by Allie Mistakids(*6) post on Triple Whale personalized ads during Black Friday, the Click-Through Rate (CTR) increased by 17.46% compared to the previous year and boosted sales by 165% which is a dramatic raise. This demonstrates the power of targeted advertising in capturing consumer attention and driving purchases.

Moreover, US's integration of social media platforms with e-commerce sites amplifies the effectiveness of targeted advertising. Platforms like Instagram allow brands to promote products directly through influencers, creating a feedback loop where users see both ads and user-generated content endorsing the same products. This dual-channel engagement strategy fosters a sense of trust and urgency, further encouraging purchases.

3 Creating Competitive Advantages Through Data-Driven Strategies

In the United States's highly competitive e-commerce industry, targeted advertising is not just a tool for engaging consumers—it is a critical strategy for gaining a competitive edge. TikTok use consumer data to optimize pricing strategies and personalize content delivery, identify emerging market trends, and design promotional campaigns that cater to specific demographics.

For instance, TikTok uses machine learning algorithms to predict consumer demand and curate content tailored to individual user during peak shopping seasons. The platform discerns patterns and delivers content and products that aligns with each user's interest by analyzing user interactions such as likes, shares, comments, and viewing duration. Also, by targeting high-value customers—those who frequently make large purchases—with exclusive discounts and pre-sale

offers, the platform successfully drives repeat business. This personalized approach enhances user engagement and retention, fostering a highly active user base.

The platform's data-driven approach extends to its Marteling strategies, offering businesses and influencers robust tools to track performance and optimize content. This directly enhances users engagement among content creators, influences, and business, elucidating why many oppose the government's mandate for BytheDance to divest TikTok.

However, this reliance on targeted advertising also raises concerns about fairness and market competition. Smaller retailers often lack access to the sophisticated data analytics tools and ad platforms that major players TikTok use, putting them at a significant disadvantage. Additionally, the use of targeted ads may create a "winner-takes-all" dynamic, where a few dominant platforms continue to consolidate market share at the expense of smaller competitors.

4 Ethical Challenges: Privacy and Consumer Trust in Targeted Advertising in TikTok

While targeted advertising drives consumer engagement and competition, it also raises significant ethical concerns, particularly regarding data privacy and consumer trust. American e-commerce platforms collect vast amounts of personal data, often without explicit consent from users. This practice has sparked debates about the ethical boundaries of data usage and the potential for consumer exploitation.

In 2020, TikTok faced criticism by President Donald Trump who issued an executive order to prohibit transactions with TikTok's parent company, ByteDance, citing national security. The major reason of it is its use of location-based advertising. Although part of user appreciate the platform's ability to deliver content and advertisements that aligned with their interests, everal users reported a privacy concerns: they had seen ads for local services and products immediately after enabling location tracking on the app. Although this feature was designed to enhance personalization, many users felt uneasy about how quickly their data was being used, leading to public outcry and discussions about informed consent.

Furthermore, targeted advertising can create a sense of surveillance among consumers. A report by the Surfsharkfound that 50% of U.S. TikTok users were worried about their privacy on the platform, leading to adjusted their privacy setting to limit the data collection. Critics have argued that TikTok's data collection is excessive raising concerns about user privacy and national security, therefore, raising a general mistrust in users. This mistrust can have long-term consequences, as consumers may become more cautious about sharing their information, ultimately reducing the effectiveness of targeted advertising.

To address these challenges, TikTok initiated " Project Texas," aiming to store U.S. user data domestically and restrict access to authorized personnel. This initiative was part of broader efforts to alleviate national security concerns. Also, TikTok had updated its privacy policies to provided clearer information on data collection, usage , and sharing practices. These revisions aimed to enhance transparency and build user trust.

5 TikTok's Target Advertising: Shaping User Behavior Amid U.S. Government Scrutiny

In recent years, TikTok has faced significantt scrutiny from the U.S. government due to concerns over its data collection practices and potential influence on user behavior the platfrom's algorithm leverages user date to deliver personalized content and targeted advertisements, effectively shaping user engagement and consumption patterns. This data-driven approach has raised apprehensions about user privacy and the extent of behavioral manipulation, In response, the United States government has taken steps to mitigate perceived risks, including legislative actions aimed at restricting TikTok's operations within the country . These measures reflect a broader concern about the influence of foreign-owned applications on American citizens and the potential implications for national security.

Despite's these challenges, TikTok's targeted advertising strategies have significantly imparted user behavior in the United States. By analyzing user interaction preferences, and demographics, TikTok delivers customized advertisements that resonate with individual users, thereby increasing engagement and conversion rates. This personalized approach has proven effective in capturing user attention and driving consumer behavior contributing to the platform's rapid growth and popularity.

However, it has also lead to debates about the ethical implications of such targeted advertising particularly concerning user autonomy and informed consent.

The ongoing tension between TikTok's data-driven strategies and regulatory scripting underscores the complex landscape of digital advertising and user privacy in the modern era. As the platform continues to evolve, it faves the challenge of balancing innovative advertising techniques with the need to address privacy concerns and comply with regulatory standards. The outcome of this dynamic will likely influence the future of targeted advertising and data privacy practices across the digital ecosystem.

6 Conclusion

TikTok's targeted advertising strategies have significantly reshaped American consumer behavior by providing personalized content that enhances user engagement and influences purchasing decisions. The platform's sophisticated algorithms analyze user data to deliver tailored advertisements, creating a more interactive and appealing online shopping experience. This approach has led to increased sales and a shift in consumer expectations towards personalized marketing.

Amazon employs the similar strategy to TikTok, utilizing consumer data to deliver personalized product recommendations and advertisements. By analyzing customer behaviors—such as browsing history, purchase patterns and demographic information—Amazon tailor its marketing efforts to individual preferences, enhancing user engagement and driving sales. This data-driven approach has been instrumental in Amazon's success, with personalized recommendations accounting for a significant portion of its sales. For instance, as of 2021, recommendations contributed to approximately 35% of Amazon's total sales, underscoring the effectiveness of targeted advertising in influencing consumer behavior.

The widespread adoption of such strategies by major e-commerce platform like Amazon and TikTok highlights the prevalence and effectiveness of targeted advertising in the digital marketplace. Both companies have demonstrated that leveraging consumer data to personalize marketing efforts can lead to increased user engagement, higher conversion rate, and substantial revenue growth. Amazon's success with targeted advertising not only validates the approach but also exemplifies how data-driven strategies can reshape consumer behavior and set new standards for personalized marketing in the e-commerce industry.

However, these advancements have not been without controversy. The extensive data collection required for such targeted advertising has raised serious privacy concerns among users and policymakers. The U.S. government's scrutiny of TikTok, including legislative actions aimed at restricting its operations, underscores the tension between technological innovation and data privacy. As TikTok continues to navigate these challenges, its experience serves as a critical case study in balancing the benefits of targeted advertising with the imperative of maintaining consumer trust and adhering to regulatory standards.

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