

Marketing Strategy of Byte Dance to Operate TikTok

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Abstract. Don't know when to started, TikTok started to stand out from all short video platforms. The emergence of TikTok not only changes people's leisure and entertainment mean and reading habits, but also changes people's value orientation, forming a modern TikTok culture and having a profound impact on information dissemination. After the domestic germination and expansion to overseas market, TikTok has become the top stream of the short video industry. With the continuous development of network technology, TikTok has met the needs of social development and satisfied customers' need. However, as the development of advertisement and live streaming on TikTok, the user experience which directly related to the customer loyalty and user stickness has been more or less influenced. One of the difficulties of TikTok's future development is commercial monetization. In order to keep operation, TikTok should focus on improve user experience and increase customer stickness. The most common way to acheive commercial monetization is to consume user experience, but TikTok's goal is to pursue a brand-new method to ahceive commercial monetization without expending customer loyalty.

Keywords: Commercial monetization; short video; continuous development.

1. Introduction

There appear to be an increasingly diversified means to entertain since the rapid development of technology. Short videos and live streaming are driving a new e-commerce revolution since 2018. They have become one of the most essential part of people's life, and undoubtedly Byte Dance who created TikTok is the bellwether of this grand revolution. Byte Dance was established in 2012, and is one of the earliest companies that put artificial intelligence technology into information distribution.

However, people hold opposite opinions towards the most important component of short video-data recommendation engine. With all of the controversy around short video or data recommendation engine, sorting through huge volumes of information can seem like a daunting task. However, the charm of TikTok lies in the fact that even users know that they are controlled by the big data, or data recommendation engine, but still cannot prevent themselves from continue use TikTok. The development of Byte Dance is generally divided into three stages: 2018-2019, the difficult germination and the initiation of Byte Dance's success; 2020-2021, collective awakening in the teeth of the storm which is the controversies about data recommendation engine; 2022-2023, accelerated growth under the new pattern. This essay will discuss about how can TikTok achieve such a huge success under suspicion [1].

2. Germination

TikTok was first established in 2016, and the core function is creating, sharing, and watching videos about fifteen seconds long.

However, the germination of TikTok was not that smoothly. At the same time, there appears to be a competent competitor--KuaiShou developed by Tencent. Similar to TikTok, Kuaishou is also a short video application. In 2018, the revenue of Kuaishou live streaming business is about 20 billion, which is mainly due to the creative and unique live streaming mode that is different from the conventional live streaming forms. Unlike traditional live streaming that only give views to certain influencers, Kuaishou has a "decentralized" mode of live streaming, which means they use short video views and

exposes to attract audiences, and change the content of live streaming to be more life-oriented. There are two types of profit model of Kuaishou live streaming: first, attracts audiences to send gifts and Kuaishou deduct a percentage from that money. Second, insert covert advertisements and get a commission. This success of Kuaishou cannot be copied by TikTok, and facing such a competent competitor, TikTok started to germinate. From 2018, TikTok increased its user base by rolling out other innovations like “TikTok challenger”, “TikTok live streaming”, and “volcanic version of TikTok”, which further increased users’ stickiness to the app.

The estimating data of Byte Dance’s advertising revenue in 2019 is 84.55 billion CNY, which is expected to exceed Tencent and close to Baidu. There are three main driving factors for the rapid growth of Byte Dance advertisement business: sufficient exposure and high liquidity ratio; artificial intelligence algorithm, accurately sending advertisement to target customers; and the growing overseas market. The expansion strategy of TikTok is to clearly define the target users by using competitive analysis and market research, increase the attractiveness of the product, create content strategy by choosing related topics that will attract the target customers, ensure the quality of the content and quantity of the videos, use popular tags to motivate influencers to get greater exposures by engaging into relevant challengers and events. For advertising, using TikTok advertisements and collaboration with influencers to amplify the influence and increase exposure. Also, TikTok offers data like view counts, likes for influencers to review and analyze, improving the content and promotion strategy according to the data, and thus making high-quality videos that can attract users.

2019, Douyin, the domestic version of TikTok, started to do promotions and expansions worldwide, like the establishment of overseas version of TikTok. After this expansion, TikTok increased its user base immediately by eighty million people. In 2020, TikTok expanded to e-commerce business, launching a shop within the app, providing a solution to connect buyers and customers through Douyin [2, 3].

3. Awakening and Growth

After TikTok has established in September 2016, it has rapidly become famous and even equally famous with the most popular short video application Kuaishou in China. This established its position in China, and its huge success in overseas version of TikTok indicates its awakening and growth period [4].

Revenue growth increased to 40% year on year in the second quarter, which is 29 billion dollars. This growth is much higher than that of other advertising-led Internet companies, including Facebook and Meta. The later revenue growth increased to 11% year on year in the second quarter. Besides, other data show that the revenue of Byte Dance or TikTok group reached 85 billion US dollars in 2022, and increase of 38%. In the first half of this year, TikTok’s revenue reached about 54 billion dollars.

Breaking down the revenue by region, analysts found that the majority of Byte Dance’s revenue comes from the domestic version of TikTok which is Douyin, while most of the growth comes from the overseas version of TikTok. In other words, overseas version of TikTok is the key driver of revenue growth for the entire Byte Dance, which also indicates the success Byte Dance achieved by entering the overseas market.

Data show that in 2022, the overseas market revenue of TikTok reached 16 billion US dollars, an increase of nearly twice from 6.5 billion US dollars in 2021, far more than 1.2 billion US dollars in 2020, accounting for about 19% of the group's overall revenue, and in the second quarter of this year, overseas market revenue accounted for nearly 20% of the group's total revenue, showing a small growth.

By breaking down the revenue, it is obvious that its advertising and e-commerce business revenue is still growing significantly. In terms of e-commerce business, data show that from January to October this year, TikTok e-commerce GMV was close to 2 trillion yuan, with a year-on-year growth rate of nearly 60%. In the past two years, TikTok e-commerce GMV has achieved a rapid growth of 60%

and 100% year-on-year, respectively. In a data released in January this year, it can also be seen that the huge development potential of TikTok e-commerce. Chinese consumers spent 1.41 trillion yuan (\$195 billion) on TikTok last year, up 76 percent year on year, data showed.

The domestic e-commerce business has obviously become a crucial part of the development process of the Douyin Group. The prospects at home are bright, and TikTok is not far behind overseas. The data in Figure1 shows that overseas consumers spent nearly \$2 billion on TikTok in the first nine months of 2023, an increase of 62% compared to the same period last year. Among them, TikTok's in-app purchasing revenue exceeded \$680 million in the third quarter, setting a record single-quarter revenue record. It can be seen that e-commerce has long become one of the fastest growing businesses of TikTok Group. Whether it is domestic or overseas, the performance of e-commerce business is quite amazing. In terms of advertising business, data show that in 2022, TikTok's core advertising business achieved revenue of about \$10 billion, 2.5 times more than in 2021.

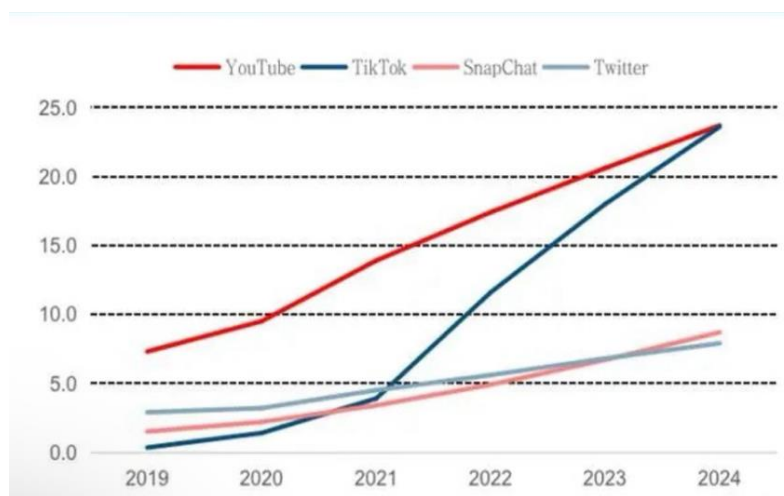


Figure 1. Advertisement revenue (Billion dollar)

Large customer base indicates large opportunity. In order to seek larger incremental market, TikTok accelerated the replication of the domestic e-commerce mode into the overseas market, investing a lot of resources and energy into the e-commerce business.

Especially since the beginning of 2022, TikTok has continuously accelerated its pace of layout in cross-border e-commerce business. Since February, TikTok has been launched in Thailand, the Philippines and other Southeast Asian countries, and landed in the UK in June. In May, TikTok launched a new project codenamed “S” to test the full custody mode in the UK and Saudi markets. In September, TikTok in the United States was officially launched to develop e-commerce closed-loop. By the end of 2022, TikTok Shop has more than 130,000 sellers and is still growing rapidly. It is worth noting that the US market, as the most difficult "hard bone" for cross-border e-commerce, has an amazing performance. The data shows that from July to September, TikTok's US stores grew rapidly, with estimated sales of more than \$27 million in July and \$68 million in August, an increase of nearly 250%. Sales in September increased by about 47% compared to August, and the monthly total has exceeded \$100 million, which means that TikTok Shop in the United States has officially entered a rapid development stage [5-7].

4. Stable Progression

According to Sensor Tower, Douyin and its overseas version, tiktok, have been downloaded more than 2 billion times until March 2024.

2023 was a year of significant improvement in mobile app performance, characterized by record-breaking data and changes in user preferences. TikTok's \$10 billion in sales, which is an achievement that underscores the platform's global rise and its innovative approach to monetization. TikTok's success depends on its unique strategy of enabling users to directly support their favorite content

creators through virtual tipping and live streaming, which promotes a symbiotic ecosystem where user engagement drives ecological development, a model praised by experts as potentially key to unlocking mobile monetization opportunities.

According to the official data of TikTok, compared with 2022, the short video release volume of TikTok in 2023 increased by nearly 1.4 times, the transaction volume of short video increased by 83%, the number of graphic contents released increased by 2.68 times, and the transaction volume of platform live broadcast increased by 5.7 times. As of December 2023, TikTok (including both domestic and overseas version of TikTok) became the fifth app in the world to exceed \$10 billion in consumer spending, and the only non-gaming app to enter the "\$10 billion club".

Byte Dance's revenue in the first three quarters of 2023 increased 40% year-on-year to \$84.4 billion; Third-quarter revenue was \$30.9 billion. 2ByteDance's operating profit in the first three quarters of 2023 rose 53% year on year to \$23 billion. 3 Byte Dance bought back shares from current employees for \$171 a share, valuing the company at \$268 billion [8, 9]

TikTok gradually became a sustain and stable driving force of development of Byte Dance [10].

5. Conclusion

Sustainable development and commercial monetization are two key words for TikTok's future development.

Nowadays, TikTok's content are mostly composed of funny videos, which is the horizontally fast spreading period. However, until the further dissemination reached certain extent, users will start to seek the depth and quality of videos, which is the vertical development. Being an e-commerce platform, commercial monetization is the fundamental goal of TikTok. While commercial monetization is contradicted to the user experience, TikTok must seek for commercial monetization if it wants to sustain its operation. Nevertheless, the short video industry competition is very fierce, short video marketing is still in the development stage, most merchants are still looking forward. The advertising model is rough and the content is mixed with advertising, which results in a negative impact on the user experience. Combining the characteristics of Tiktok communication and the principles of commercial realization, Tiktok will change the simple advertising presentation mode in commercial realization in the future. On the basis of ensuring content quality, combining the characteristics of products and the advantages of Tiktok, a healthy and shameful communication concept will be formed. On the creative side, work with businesses to develop narrative, ornamental, and oriented content, rather than direct advertising. TikTok's future development will be finally reflected in the customer stickness. It should not acheive commercial monetization by consuming user experience, and this will and must be one of the key features of TikTok's future sustainable development.

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