TikTok Business Model

Idea In Short

TikTok's primary idea was fast content, with 15 seconds of homemade videos, with dancing, lip-sync, and make-up challenges. This new concept of video made TikTok a popular influence that it, in a few years, became a 50-billion-worth-startup.

A brief history of TikTok

TikTok was launched by ByteDance, a company founded by Zhang Yiming, a former software engineer, in 2016. The popularity of this social media increased in 2018, when another app of ByteDance, Musical.ly merged with TikTok. Today, it's available in 150 countries worldwide and in 75 languages, and it has reached the mark of 1 billion users around the world and 2 billion downloads, which places the application in fourth place with the highest number of users in the world.

Ownership

TikTok is owned by the company ByteDance Ltd., which is based in China and has Liang Rubo as the CEO.

Mission Statement

> Our mission is to inspire creativity and bring joy.

Business Model

Like any potential social media, TikTok's business model has started with advertising to make money, but increased two more revenues: app purchases (TikTok Coins) and e-commerce offers. Let's take a deeper look at these avenues below.

TikTok Advertising

The largest source of income in social media, TikTok has personalized advertising for each user, like Facebook. There are also TikTok Brands: Takeover, Hashtag, Effects. The TikTok Branded Takeover is a type of advertising that takes over the screen when the user opens the app. Similar to it, there's TikTok View Ads, where the advertising doesn't cover the screen, but in the feed. The TikTok Branded Hashtag Ads appear on the discovery page on a video exposing or using the product, challenging the users to engage the hashtag in making a video. These campaigns work especially well because they encourage users to create videos around the brand’s challenge, which increases engagement and organic reach across the platform. The TikTok Branded Effects Ads are very common and very popular. It's a filter to take photos with frames or stickers with the brand for 10 days. These campaigns work especially well because they encourage users to create videos around the brand’s challenge, which increases engagement and organic reach across the platform.

TikTok Coins

When a TikToker (a user of TikTok that creates content) reaches 1,000 followers, it's possible to receive gifts with TikTok Coins, from users in their live videos. To receive these coins, the TikTokers have to exchange them for real money through the app — and then TikTok charges a commission.

E-Commerce Offers

Considered new and recent, TikTok is working on ways to integrate e-commerce into its platform, with selling tools that make available shopping events or even ways to display products during a live stream. In each sale, TikTok profits a commission.

Customer Segments

TikTok's customer segments consist of:

- **Users**: Mostly people at the age of 34 that share their content;
- **Celebrity**: Public figures that want to share their every day, upcoming projects, gain new followers.
- **Brands**: companies that want to approximate their employers and products to the users, projects, engage with new followers.

Value Proposition

TikTok's value propositions consist of:

- *Users***:** Seeing shorts and funny videos;
- **Celebrities**: Sharing their daily life, create contents that increase the number of followers, make publish posts;
- **Brands**: Exposing and popularizing their products with brand awareness.

Channels

TikTok's channels consist of:

- Apple Store
- Google Play

Customer Relationships

TikTok's customer relationships consist of: To users, TikTok provides a customer help center, that provides the best experience to the user. To the advertisers, TikTok provides the metrics to publish their products.

Revenue Streams

TikTok's revenue streams consist of:

- TikTok coin commissions
- TikTok Ads
- E-commerce commissions
- Partners

Key Resources

TikTok's key resources consist of: Hans down, the platform is the most profitable key resource to TikTok, but millionaires' partnership contracts are also a source of income.

Key Activities

TikTok's key activities consist of: The most important activity is the development and updating of TikTok, to prevent bugs and attacks and increase user satisfaction.

Key Partners

TikTok's key partners consist of:

- Content developers, like YouTubers, are migrating to TikTok;
- Digital Influencers and celebrities;
- E-commerce business, like PRESTAShop;
- Companies and brands that want to sell or advertise on social media.

Cost Structure

TikTok's cost structure consists of:

- TikTok's data centers
- Employees (developers, marketing, etc.)
- Investments in infrastructure and administrative offices bills

Competitors

- **Snapcha**t: With 500 million users, the app was launched in 2011, and it was a revolution on fast and disappearing photos;
- **Twitte**r: Founded in 2006, it's a space for micro-posts — 280 characters per post, but recently the stories' resources — similar to the one on WhatsApp, Instagram, and Facebook — was added to the social media, which included Twitter as one of the top rivals of TikTok;
- **YouTube**: One of the biggest and oldest rival and the oldest, YouTube has 1 billion hours of content watched every day. But still, the website has been feeling the impact of TikTok. The result of it, it's the YouTube Shorts, a new tool to see random and short videos, just like TikTok;
- **Facebook**: The biggest social media nowadays, with 1.84 billion active users every day. Still, TikTok will exceed Facebook in 2020 in-app downloads;
- **Instagram:** The other bigger rival of TikTok is Instagram, with 1.2 billion users. It's a platform where you can share temporary photos, or post them in your account. It's

another social media that have been trying to stop TikTok's increase, adding the tool 'Reels', where you can share short videos with sound, pretty similar to TikTok;
- **Kawaii:** Unlike the other social media companies that are Americans, Kawaii is TikTok's countryman — was also founded in China. With 45.4 million monthly active users, it's a platform to beat the TikTok success, where you can share 15 to 60 seconds videos, just like the rival app.

SWOT Analysis

Below, there is a detailed swot analysis of TikTok:

Strengths

- The most important strength of TikTok that distinguishes it from any other social media, it's the algorithm. Different from Facebook, for example, which studies the user's preferences, family, and friends, TikTok doesn't care about it — it cares about the time you spend using the app. While Facebook chooses videos based in your likes, TikTok's algorithm chooses millions and millions of videos and filters them if you scroll to the next one too quickly — like a sign you don't like this kind of content;
- Another strength is the market share because TikTok is available in more than 150 countries, and it's for free, another plus.

Weaknesses

- TikTok, like many social media sites, has problems with inappropriate content. Some audios, profiles, songs escape from the terms and conditions filter, which ends up exposing children and teenagers to this
- Another weakness is addiction. A good point to the platform, but a bad thing to users. Studies show that the youngster's users — children to teenagers — spend 80 minutes on the app.

Opportunities

- TikTok is absolutely a great place for marketing and promotion. With millions of active users every day, many brands, companies, and digital influencers publish their products every day. Some use the tools — like the hashtag, to engage users —

worldwide — to use their products by sharing daily life, tips, thoughts, studies, accomplishments
- Alongside hashtags and other native promotional tools, creators and brands may also buy TikTok views to give selected videos an initial visibility boost. This tactic is most effective when combined with engaging content, strong opening hooks, and consistent participation in relevant trends

Threats

- Foreign boycotts are the most commented threat about TikTok. Donald Trump tried to forbid the use of TikTok in the United States. Indian and Pakistan blocked the use of some Chinese apps because of immoral and vulgarity;
- Also, the data collection is a point of concern. TikTok updated its privacy this year to collect 'faceprints and voiceprints'.

Summary

Even with all the recent controversy, TikTok is getting bigger. Although many people still believe that this social media will never reach Facebook or Instagram's status, TikTok provides a different algorithm, with a new way of using and producing content that can disturb the rivals.