Tiktok Analysis

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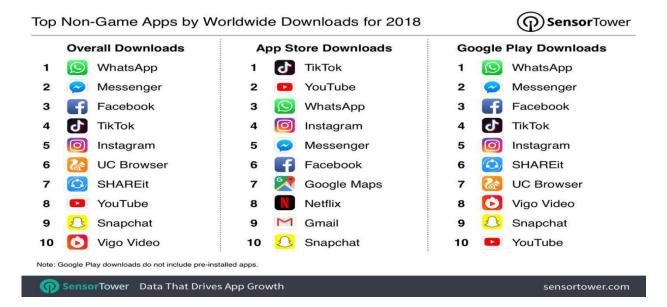
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Abstract: The purpose of the report was to analyze TikTok basing on various factors such as the user views and the impact the application has on its users and lastly the market trend for the application. The paper uses a qualitative analysis method by focusing on the analysis and evaluation of already published sources that are related to the topic of study. To effectively address the research problem, the paper has narrowed down to an experimental research design which enabled the researcher not only to gather the relevant data but also to analyze it effectively and come to the conclusion.

1. Introduction

TikTok or Douyin is a short-video sharing app owned by Bytedance. It was launched in the Chinese market in 2016 and was later launched on IOS and Android devices outside of China in 2017. TikTok allows users to create short videos that are between 3 to 60 seconds. Users can like, comment, and share the video (Omar & Dequan, 2020). The purpose of TikTok is to inspire and bring creativity. By the first half of 2018, TikTok reached 104 million downloads on the App Store. In February 2019, TikTok reached 1 billion downloads worldwide; excluding downloads from Android in the Chinese market. TikTok was also the most downloaded app on the App Store in 2018 and 2019. The business model for TikTok is through advertisement, which is where they make most of their money, and TikTok also has a freemium model, which generates a smaller portion of their profit. For the advertisement, there are a couple of ways that TikTok makes money through ads. The first kind of ad is, companies usually provide a short description of their product, and TikTok would simply put that on the "for you page", the fyp is where the company would get the most attention from users. At the bottom corner, there is an indicator to tell users that they are looking at an ad. And if they are interested in the product, they can simply click on it and it will automatically jump to the purchase page. The second kind of ads are similar to the first one, the only difference is that TikTok provide an account for the company that wants to advertise through TikTok and they put up videos on their own, it's like TikTok is the owner of a mall and it rents its spot out to other companies to sell their product.

Top Non-Game Apps by Worldwide Downloads for 2018

Overall Downloads	App Store Downloads	Google Play Downloads
1 WhatsApp	1 TikTok	1 WhatsApp
2 Messenger	2 YouTube	2 Messenger
3 Facebook	3 WhatsApp	3 Facebook
4 TikTok	4 Instagram	4 TikTok
5 Instagram	5 Messenger	5 Instagram
6 UC Browser	6 Facebook	6 SHAREit
7 SHAREit	7 Google Maps	7 UC Browser
8 YouTube	8 Netflix	8 Vigo Video
9 Snapchat	9 Gmail	9 Snapchat
10 Vigo Video	10 Snapchat	10 YouTube

Note: Google Play downloads do not include pre-installed apps.

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2. How Tiktok Works

In 2018, TikTok made 35 million US dollars and in 2019 the revenue quintupled to 177 US dollars, all of these are purely from ads. For Douyin, it has made 18 billion CNY (around 2.57 billion US dollars) in 2018, and in 2019, the revenue tripled to 60 billion CNY (around 8.57 billion US dollars). In TikTok, users can also give virtual gifts to the content creator they like, and that requires the user to purchase its coins. Although TikTok has many users, it's not the biggest company with the most people using it, so how does TikTok make so much money on ads? It all thanks to their brilliant AI system.

When first introduced to the app, there are many tags that users can select, and show what kind of people they are, like are they a mom, are they a student, are they a teacher, etc. And what are their interests, hobbies, etc? After all of this, TikTok's AI system would categorize that user and show them the type of videos they might like and the type of product they might be interested in. After that, it will also analyze how users react to certain ads. Do they scroll down instantly? Don't make a purchase but watched the whole ad? How long do they spend on that ad? Do they liked, commented, or shared the ad? Those are the aspect that they are going to see how users react to ads and make adjustments to make their ads more accurate.

The target users for TikTok are mostly teenagers and people who just graduate from college. Statistics show that around 85% of Douyin users are under the age of 35. Most of them are located in big cities like Beijing, Chengdu, Shenzhen, and Shanghai (Yang & Zilberg, 2020). This also helps TikTok to promote its ads. The purchasing power of teenagers in China is immense. Many of them go after things they don't need. If they see their classmates with the newest Air Jordan shoes, they would go back home and ask their parents to buy them for their kids. And because most of the families in China have only one child, their wishes are more likely to be granted. This helps TikTok tremendously because it can put its ads accurately to them and they can't resist the temptation of not buying it. In addition to the teenagers in the app, people from age 18-35 also takes a large number of TikTok's users. Although they may be more reasonable than teenagers, they have the power of buying things with their own money, which means no restrictions from their parents.

I don't see a part that TikTok's business model is being challenged. But there are some potential risks for TikTok, TikTok has many users that it can't control the quality of each video that gets posted, although every video will be examined before release, there is still accidence. In 2018, because a video in TikTok teased a Chinese soldier who died during ww2, the Chinese government banned its ad service for a short duration of time. As we know, advertisement is very important for TikTok, so if this happens again, TikTok is going to bear huge losses in profit. Second, some people on TikTok would do anything to get likes. That may lead to problems like promoting wrong ideas. Like teenage girls trying to become gold diggers based on some gold diggers showing off their luxury products on TikTok. Although the Chinese government hasn't talked about this, there are some voices in society that TikTok is slowly poisoning new generations of kids. Besides, because users can purchase virtue coins, kids sometimes buy them when their parent's phone. There have been a few times on news that some 8-year-old kid used his mom's phone and used hundreds of thousands of CNY.

3. User Impacts and the Market Challenges of the App

According to Palupi, Meifilina, and Harumike (2020), TikTok is very addictive and since 85% of the users are under 35 years old, being addicted to TikTok is certainly not what their parents or employers want to see. It would make them less focused and therefore reduce their efficiency of studying or working. If it gets series at some point, angry parents may sue TikTok and employers may force their employees to delete TikTok on their phone.

As of right now, TikTok is also facing bans in the US and India, which are the two biggest markets besides China. The Indian government has already banned a series of Chinese apps which include TikTok. The US government has already stated that TikTok would either be bought to be a US company or quit the US market. Both of which would cause some series damage to TikTok. Once it gets banned, the close allies of the US are likely to ban TikTok as well (Weimann & Masri, 2020). And if that happens, TikTok is going to have to quit the global market and focus purely on the Chinese market. To make matters worse, because Zhang Yiming(the guy who owns ByteDance) agreed to the US government's to Microsoft right away when the US government proposed it, Zhang Yiming is being called a traitor by many angry Chinese people. A lot of them started deleting the app and appealing to others to delete the app

as well. If TikTok gets banned globally and gets boycotted by Chinese people, it's going to be very hard for TikTok to stand up again; especially there are other companies in China looking forward to replacing TikTok.

For quality control, I suggest that TikTok should work more on its AI since there are so many videos get posted daily. Hiring people to examine the video is a very costly solution, so develop a system that can automatically detect sensitive content and block it quickly is the way of doing it (Huang & Rust, 2018). Also, TikTok can cooperate with the government. They can let the local governments set up TikTok accounts, so maybe governments can be more generous on TikTok. For users that are under 18 years old, TikTok should set up a time limit for them. Also, when they are trying to make a purchase, TikTok should not allow that to happen. This will prevent a lot of potential users from TikTok.

For getting banned by the US government, I think TikTok should require legal action. Things are not going very well in the US right now, in terms of the coronavirus, and the conflict between the two parties. Especially that this year is the election year, so things can change quickly. The best TikTok can do is to delay as long as possible. To build a victim figure for themselves, because TikTok is very famous in the US and many teenagers are upset that TikTok is getting banned by the US government. They could be used by TikTok since they are so many people using and loving the app. On the other hand, by doing so, TikTok would probably be forgiven to be angry Chinese users. Even the US government banned TikTok at the end of the day; it won't lose the Chinese market.

Overall, I think TikTok can achieve and sustain reasonable profitability. First, it has many very active users, and the number of users is still growing rapidly. Second, TikTok has a very efficient and effective AI system either to put ads or making users keep using the app as long as possible (Lim, 2020). The only concern for TikTok is the ban from the US government. But I do think that if TikTok does what I have suggested for them, they would get through this.

4. Conclusion

The study found out that the TikTok application is mainly used by teenagers and individuals who are college graduates. This is because the demographic above usually spends most of its time on the internet and creating trendy video clips that make the application to be more suitable. The paper also found out that the TikTok application faces various challenges that are imposing a greater threat to its domination on the market. For instance, the app is very addictive to its users something that has made many users on the market to develop a negative attitude toward the app hence deleting it on their phones. The paper recommended that for quality control, the developers and managers of the app should enhance the Artificial Intelligence part of the app since many videos are getting posted daily. The integrated system will help in detecting sensitive content and blocking it quickly before reaching out to viewers.

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