

ByteDance: The Biggest Media Company in a Decade

Ivan Jiang

WLSA Shanghai Academy, Shanghai, China.

Abstract. Beijing ByteDance Technology Co., Ltd. is an information technology company in China, which was officially established in March 2012. Full-year 2021 operating income is approximately \$58 billion. With the rapid development of the Internet, advertising marketing is evolving in the direction of programmatic. With the acceleration of technological media transformation and the increase in advertising demand, related advertising sales technologies and services have gradually become mature. The emergence of SSP professional services represents a future trend in digital advertising. The business model adopted by ByteDance is almost perfect. When the popularity of video producers rises, whether it is live streaming, giving gifts, or advertising and marketing, the platform only needs to provide traffic to extract high profits. This article mainly analyzes, explains, and summarizes ByteDance's business model, marketing method, and supply model, and finally gives my suggestions for the future development of ByteDance.

Keywords: ByteDance; TikTok; Media; Business Model.

1. Introduction

Beijing ByteDance Technology Co., Ltd., established in March 2012, is an information technology company in Beijing with an operating income of approximately US\$58 billion in 2021. The company's development goal is the vision of a "Global Creation and Communication Platform". ByteDance's global layout began in 2015. "Technology going overseas" is the core strategy of ByteDance's global development. Its products include Toutiao, Xigua Video, Douyin, Toutiao Baike, Pipi Shrimp, and Understanding Chedi, Wukong Q&A, many of which are very famous software media companies in China.

ByteDance operates a variety of content platforms. Its competitors include Baidu, YouTube, Hyperconnect, and Kuaishou. These companies are known for their ability to provide people with entertaining and educational content. ByteDance's strategy of providing its customers with access to the best in technology and operations has been very successful. It has been widely expected that other companies would follow suit. However, few have been able to do so. ByteDance's Supply-Side Platform (SSP) allows its customers to quickly develop new projects, and this became the dominant strategy for this entertainment company to develop so fast.

2. Analysis

2.1 SSP Platform

Unlike most companies, ByteDance uses its SSP platform to manage its product teams and units. Unlike other companies, this platform does not require the management of its operational resources. Instead, it allows the company to create and manage specialized teams dedicated to its customers' specific needs. Through the use of shared operational tools and cloud computing, ByteDance can maintain its complex organizational setup. While the company's product and related teams are focused on serving its customers, they also rely on SSP teams to accelerate their development and growth. For instance, when ByteDance commissions an independent risk team to look into the market opportunities, the team can utilize SSP's data support experts to analyze the data and find the best ways to improve its customer experience. In most companies, the task of gathering information about a potential use case for a new product or feature is typically undertaken by the product team. This is usually done by the SSP-level engineers. Once the use case has been identified, the team will then work with the engineers to develop the new feature or application. In some cases, the product teams of SSP work with the engineers of the company to customize the features of their existing

technologies. For instance, ByteDance's team works with the engineers of the SSP to improve the recommendation engine's performance. The other members of the organization's various teams include the User Growth team, which identifies and acquires the users, the Content team, which builds relationships with publishers, and the Analytics team, which helps build deeper user insights. Since the SSP has such a large number of capabilities, most product teams are typically small and focused during the exploratory phase. For instance, the education team at ByteDance started with two people, while the Ticktock team had a handful of employees. The company's relationship with its market-facing team is also beneficial.

ByteDance's SSP has allowed it to develop a unique strategy for growth and innovation. It has five main characteristics: extensive exploration, multiple teams being sent to the same market segment, a focus on new product development, and a commitment to continuous improvement. In its first few months, the company released 12 entertainment content apps, and in 2015, it launched 20 apps to test potential opportunities in foreign markets. It also has two teams working on developing short videos, while one is operating Douyin. From 2018 to 2020, it had over 140 apps in the app store. ByteDance is known for its rapid development and bringing new products to market, which is partly due to its SSP. According to an employee, it only took the company four months to create an educational app, which is significantly faster than the 18 months it took for competitors. However, after it launches new products, the company often disbands or eliminates underperforming teams. Unlike other companies, ByteDance has a variety of projects that its employees can cycle through each year. Although it's possible to get carried away by endless exploration, the company's focus is on identifying and prioritizing the projects that will make the most impact. During the first three years of its existence, ByteDance experimented with various types of content, such as text and photos. In 2016, it shifted its focus to short videos. After three years of trials, the company has launched 11 different products in seven different market segments. In 2021, ByteDance's SSP was supposed to be launched, but it was delayed due to government regulations. The company's strategy allowed it to focus on its core business and develop new products more efficiently. Its team members can easily integrate the latest features and technologies into their apps, which saves them valuable time and resources.

2.2 Business Model

Companies in many transition economies can take advantage of the characteristics of their location to develop innovative business models before internationalizing. ByteDance is using this model to innovate the business model for the TikTok app, which has become one of the most downloaded apps in the world. Leveraging its large and increasingly demanding domestic market, ByteDance has experimented with creative combinations of business model elements to craft a unique business proposition, positioning the TikTok app as a hybrid of social networking and video sharing. In addition, TikTok benefits from China's IT strength supported by the national high-tech policy, and AI-based recommendation algorithms serve as non-location-bound resources. ByteDance's innovative business model has helped TikTok become one of the most successful platforms in the world. It combines the power of social networking and video-sharing to create a unique value proposition for consumers. Through its domestic market, ByteDance has been able to test various parts of its business model before it is implemented in other countries. This project shows how organizations can create new business models by leveraging the lessons learned from successful business models.

TikTok is a live social networking service that allows users to perform various types of music-related activities, such as lip-synching, dancing, and comedy. Videos posted on the platform typically last up to 60 seconds. TikTok users are mainly young adults and teens, with around 41% of them between the ages of 16 and 24. They spend around 52 minutes a day using the app. Unlike YouTube, TikTok and Douyin allow users to watch their favorite videos right after opening the app and then scroll through to another one in a more labor-saving manner. The appeal of these platforms is that they allow young people to express themselves and get information. One of the most attractive

features of the product is its fast-paced mode, which allows users to use it without having to think about it. This eliminates the need for them to spend a lot of time thinking about it. It can also be stopped at any time during use to allow people to watch ticktock while they're waiting for their turn. The platform's social capabilities and friendship function are very good. ByteDance launched Douyin in China in September 2016. It was designed to be a music video community for young people. In 2017, it was merged with TikTok, which was then acquired by ByteDance for \$1 billion. Following the merger between TikTok and Musical.ly, users moved to TikTok. According to Sensor Tower, TikTok became one of the most popular apps worldwide in 2019. It has been downloaded over 738 million times in 2019 and has a combined total of over 1.9 billion downloads on the Apple Store and Google Play. TikTok has also been launched in over 150 countries and regions and has over 800 million monthly active users.

2.3 Money-making Model

ByteDance's money-making model is also very special. The company's applications have an extremely large user base. And no matter how large the number of these users is, there is no way to make money. Advertising is the best way for a company to monetize. On July 9, ByteDance officially announced that as of July 2019, the total global DAU of ByteDance's products exceeded 700 million, and the total MAU exceeded 1.5 billion, of which Douyin DAU exceeded 320 million. Advertising revenue in 2017 was 15 billion-yuan, advertising revenue in 2018 was 50-55 billion yuan, and advertising revenue in 2019 is expected to be 100 billion yuan.

ByteDance relies on advertising to generate revenue, because the users of ByteDance's products are huge, making money through advertising is already the revenue model of many Internet applications, and ByteDance has a very mature advertising team, just take For Douyin and Toutiao, these two applications both have huge user bases. Every day we use Douyin and Toutiao, we will see a lot of advertisements. This is how ByteDance makes money. The rise of ByteDance is actually to grasp the needs of general reading in the Internet era, relying on precise content distribution technology to achieve the ultimate in content consumption based on those personalized recommendations.

2.4 Future Suggestion

I think ByteDance can maintain a simple, easy-to-understand, fast-paced user experience model, and try other industries to its advantage. At present, ByteDance mainly makes software, and the company can make some other software-based products in a few years. A ticktock-based phone would be a good choice. This phone will only have ticktock, and the basic functions that other phones should have, such as calls, text messages, emails, etc. Such a manufacturing concept not only highly promotes the original software, but also keeps the concept simple and easy to understand. The consumer group of this mobile phone is aimed at middle-aged and elderly people, because they have a lot of free time and consumption needs, which is very in line with ByteDance's method of making money through live streaming and advertising. In addition, middle-aged and elderly people do not know how to use products that are too complicated. This mobile phone with extremely low operation difficulty will be a good choice for them.

3. Summary

3.1 Conclusion

ByteDance's success comes from capturing the big age of information. The beginning of the short video era has driven the development of countless industries, such as e-commerce delivery, food and game industries. ByteDance provides a perfect platform, and time has proven its business theory to be correct, almost perfect. The Internet's greatest invention in business was the first separation of product and profit from a business model. Profits are not limited to the product itself, and excess profits can be invested in high-tech in exchange for future profits. ByteDance not only brings a fast-

paced life, but also because we show unique business innovation. Whether it is the platform model of SSP or the supply of countless videos, these have always supported the development of ByteDance. In addition, the company focuses on the development of different applications to make the surviving applications more complete. In the future, I think ByteDance can continue to survive by continuing this business model, but it can also try to enter new industries or develop fast-paced physical products. It is best for ByteDance to retain its fast-paced characteristics, manufacture technology products that are convenient for people's lives, and focus on artificial intelligence. This will make ByteDance more promising and room for development.

References

- [1] Cemindos Daren, etal. Harvard Business Review. "How Bytedance Became the World's Most Valuable Startup." Vol. 24 (2022).
- [2] Ma, Yulun, Yue Hu, etal. "Business Model Innovation and Experimentation in Transforming Economies:ByteDance and TikTok: Management and Organization Review". Cambridge Core, Cambridge University Press.Vol. 25 (2021).
- [3] Mackida, Nickie, etal. ZDNET. "Bytedance CEO to Step down, Focus on 'Long-Term' Strategy.". Vol. 22 (2021).
- [4] Information: <https://hbr.org/2022/02/how-bytedance-became-the-worlds-most-valuable-startup>.