

Analysis of Tiktok Business Operation Model from the Perspective of a Multilateral Platform

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Abstract

With the development of Internet technology, multilateral platforms have become an important part of the modern economy. As a leading global short - video social platform, TikTok's unique business operation model holds significant research value within the framework of multilateral platform theory. This paper conducts an in - depth analysis of TikTok, an emerging social media platform, from the perspective of multilateral market theory. Based on network externalities and platform competition theory, it explores how TikTok utilizes direct and indirect network effects to construct its business model, optimize pricing strategies, and maintain a leading position in the highly competitive digital market. By constructing a theoretical model, this paper discusses TikTok's pricing strategies and value creation mechanisms among content creators, advertisers, and ordinary users, as well as how it promotes user growth and engagement through platform strategies. Through an analysis of TikTok's business model and market performance, this paper proposes sustainable development strategies for TikTok in the future.

Keywords

Multilateral Platform; Network Effects; Business Operation Model; Pricing Strategy; Value Creation.

1. Introduction

A multilateral platform refers to a platform that connects two or more distinct user groups, facilitates transactions or interactions among them, and derives commercial value from these interactions. TikTok, as a typical multilateral platform, connects content creators, advertisers, and ordinary users, achieving commercial success by providing services such as content sharing, advertising placement, and social interaction[1].

This paper aims to conduct an in-depth analysis of TikTok's business operation model and explore how it maximizes user growth, engagement, and commercial value under the guidance of multilateral platform theory[2].

2. Overview of Douyin Platform

TikTok is a short - video social application developed by the Chinese company ByteDance. Since its launch in 2016, it has rapidly gained a massive user base globally. With its unique algorithm recommendation system, rich content creation tools, and high user engagement, TikTok has become a leader in the short - video field[3].

The user groups of TikTok mainly include content creators, advertisers, and ordinary users. Content creators share video content on the platform to attract fans and viewers; advertisers utilize the platform for brand promotion and product marketing; ordinary users are consumers of content who participate in the platform's social activities through watching and interacting.

3. Multilateral Platform Theoretical Framework

Multilateral platform theory posits that the value of a platform stems from its ability to connect different user groups. By providing services and products, the platform facilitates transactions or interactions among users, thereby creating commercial value. In this process, the platform needs to balance the needs and interests of different user groups to maintain its attractiveness and competitiveness. Multilateral platform theory emphasizes the core role played by the platform in connecting different user groups and highlights the challenge of solving the "chicken-and-egg" problem, i. e. , how to attract sufficient users to join in the initial stages[4].

4. Tiktok's Multilateral Platform Model

As a multilateral platform, Tiktok's core value lies in connecting content creators, advertisers, and ordinary users. Through its algorithm recommendation system, the platform pushes content of interest to ordinary users while providing advertisers with precise advertising placement services. Content creators attract user attention and interaction by producing high-quality video content, thereby obtaining platform traffic support and commercial cooperation opportunities. The success of this business model is largely attributed to its clever utilization of direct and indirect network externalities. Below, we will explore Tiktok's multilateral platform model from these two aspects and analyze how Tiktok constructs its unique business system in conjunction with relevant theoretical backgrounds[5].

4.1. Direct Network Externalities

Tiktok is not just a platform for watching short videos; it has also evolved into a social tool where users can establish connections and share life moments. This social functionality brings direct network externalities: as more users join, the social value on the platform also increases because everyone can reach and interact with more people. This enhancement in social utility makes Tiktok not only a content consumption venue but also a part of the social network, strengthening user stickiness and activity.

4.2. Indirect Network Externalities

As a platform connecting content creators and viewers, Tiktok exhibits significant indirect network externalities. As more content creators join, the content on the platform becomes more diverse and rich, attracting more viewers. Similarly, the growth in the number of viewers also incentivizes more creators to share their works. This interactive effect enhances the overall attractiveness of the platform and improves the user experience.

5. Tiktok's Business Operation Model

5.1. Content Creator Strategies

Tiktok incentivizes content creators to produce high-quality video content by providing creation tools, traffic support, and commercial cooperation opportunities. The platform's algorithm recommendation system pushes content to target audiences based on user behavior and preferences, thereby increasing content exposure and interaction rates.

(1) Creation Tools: Tiktok provides content creators with a wealth of creation tools, such as video editors, special effects filters, and music libraries. These tools help creators easily produce eye-catching videos. By offering a unified toolkit, Tiktok lowers the entry barrier for creators, enabling more people to participate in content creation.

(2) Traffic Support: Traffic support is one of Tiktok's key means of incentivizing creators. The platform's algorithm recommendation system pushes creators' works to users who are most

likely to be interested. This recommendation mechanism not only relies on user browsing history, like records, and other behavioral data but also considers content quality and freshness.

(3) Commercial Cooperation Opportunities: Tiktok also provides content creators with various commercial cooperation opportunities, such as brand collaborations, advertising revenue sharing, and live commerce. These opportunities enable creators to earn economic returns from their efforts, thereby incentivizing them to continue creating.

5.2. Advertiser Strategies

Tiktok offers advertisers a variety of advertising products, including splash screen ads, in-feed ads, and challenges. The platform's algorithms can precisely target user groups, improving ad conversion rates. Tiktok also provides advertisers with data analysis tools to help them optimize their ad strategies.

(1) Precision Targeting: Using advanced algorithm technology, Tiktok precisely identifies target user groups based on user behavioral data, geographic location, and other information, displaying splash screen ads to users who are most likely to be interested. This targeted placement increases ad click-through rates and conversion rates, ensuring effective utilization of ad resources while avoiding ineffective ad exposure.

(2) In-Feed Ads: Tiktok's in-feed ads utilize a sophisticated algorithm recommendation system to intelligently match the most suitable ad content based on users' browsing history, like records, comment behavior, and other data. This algorithm not only considers users' immediate interests but also their long-term interest preferences, ensuring a high degree of alignment between ad content and user interests.

(3) Challenge Campaigns: Tiktok's "challenge campaigns" provide advertisers with data analysis tools to understand activity participation, user feedback, and dissemination effects. These tools offer detailed user behavior data, including participation numbers, video view counts, likes, and shares. Advertisers can evaluate activity effectiveness based on this data and adjust subsequent marketing strategies accordingly.

5.3. Ordinary User Strategies

Tiktok continuously optimizes the user experience to enhance user engagement and satisfaction. The platform's recommendation system pushes personalized content based on users' viewing history and preferences, increasing user stickiness. Additionally, Tiktok increases user interaction and participation through various online activities and challenges.

(1) Personalized Content Recommendation: One of Tiktok's core competencies lies in its highly personalized recommendation system. By analyzing users' viewing history, likes, comments, and shares, the platform accurately identifies user interests and pushes video content that aligns with their preferences. This personalized recommendation not only improves user satisfaction but also increases user stickiness, encouraging more frequent returns to the platform and extending each visit's duration.

(2) Online Activities and Challenges: Tiktok frequently hosts various online activities and challenges to encourage user participation and content creation. For example, "Tiktok Challenges" allow users to create videos around specific themes or trends, offering opportunities to showcase creativity, win rewards, or gain higher exposure. This strategy not only boosts user participation but also promotes user interaction, enhancing the platform's social attributes.

(3) Data Analysis Tools: Tiktok utilizes advanced data analysis tools to continuously optimize the user experience. These tools not only analyze user behavior but also help the platform understand changing user interest trends. For example, by tracking user click paths and viewing durations, Tiktok can promptly adjust its recommendation strategies to ensure users always see the content they are most interested in.

(4) Enhanced Interaction Features: Tiktok encourages user communication through enhanced interaction features such as comment sections, live streaming, and private messaging systems. Users can interact with others in the comment section, share their opinions, and engage in real-time conversations with fans through live streaming. These interaction features not only increase user participation but also promote social connections among users, strengthening platform stickiness.

6. Pricing Strategies and Value Creation

6.1. Pricing Strategies

Tiktok's pricing strategies are primarily reflected in its charging models for content creators and advertisers.

For content creators, Tiktok implements a series of measures to incentivize the production of high-quality content. Firstly, the platform's algorithm recommendation system pushes creators' works to users who are most likely to be interested based on their viewing history, like records, and comment behavior. This personalized recommendation increases content exposure and interaction rates, attracting more creators to join the platform. Secondly, Tiktok provides creators with rich commercial cooperation opportunities, including brand collaborations, advertising revenue sharing, and live commerce. These opportunities enable creators to earn economic returns from their efforts, incentivizing them to continue creating.

For advertisers, Tiktok charges advertising fees based on ad type, exposure volume, and conversion effectiveness. The advertising products offered by Tiktok (splash screen ads, in-feed ads, and challenges) are not only diverse in form but also capable of precisely targeting user groups, improving ad conversion rates. The platform's algorithms intelligently match the most suitable ad content based on user viewing history, like records, comment behavior, and other data. This precision recommendation increases ad click-through rates and conversion rates, ensuring effective utilization of ad resources while avoiding ineffective ad exposure.

6.2. Value Creation

Tiktok creates significant commercial value by connecting different user groups.

(1) For Content Creators: Tiktok provides content creators with opportunities to showcase their talent and earn income. The platform not only offers rich creation tools such as video editors, special effects filters, and music libraries but also supports creators through traffic and commercial cooperation opportunities, helping them achieve economic benefits. This mechanism enables creators to continue creating content even without direct income. Through data analysis tools, creators can real-time monitor the performance of their works, including play counts, likes, and comments, allowing them to continuously optimize their creation strategies. This mechanism not only motivates creators but also enhances the platform's content quality, fostering a positive creative environment.

(2) For Advertisers: Through its algorithm recommendation system, Tiktok enables advertisers to precisely target user groups most likely to be interested in their ads. This precision targeting not only increases ad click-through rates but also improves conversion rates, allowing advertisers to achieve higher ROI. Additionally, Tiktok provides advertisers with data analysis tools to help them monitor ad effectiveness in real-time and adjust marketing strategies based on feedback. This mechanism enables advertisers to utilize ad resources more effectively and achieve brand promotion goals.

(3) For Ordinary Users: Ordinary users can not only watch a diverse range of short videos but also interact with other users through likes, comments, and shares. This interaction enhances user engagement and promotes social connections among users. By hosting various online events and challenges, Tiktok further increases user interaction and participation, forming a

vibrant community. This mechanism not only improves user satisfaction but also increases user stickiness, making them return to the platform more frequently and extend their stay duration each time.

7. Conclusion

Tiktok as a successful multilateral platform, has maximized user growth, engagement, and commercial value under the guidance of multilateral platform theory. By balancing the needs and interests of different user groups, Tiktok has created a dynamic and innovative business model. This model not only provides content creators with opportunities to showcase their talent and earn income but also offers advertisers precise marketing and brand promotion channels. Simultaneously, it provides ordinary users with rich entertainment and social experiences. Despite Tiktok's remarkable achievements, it still faces numerous challenges in the ever-changing market environment. In the future, Tiktok needs to continuously innovate and optimize its platform ecosystem to cope with increasingly fierce market competition. On one hand, Tiktok should further deepen its data analysis capabilities and enhance the intelligence level of its recommendation system to better meet users' personalized needs. On the other hand, Tiktok should explore new business models, such as virtual goods and paid content, to diversify its revenue streams. Additionally, Tiktok should strengthen content regulation to maintain a healthy platform environment and ensure users can enjoy high-quality content experiences.

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