

Business Success in the Long-Term: A Case Study of Douyin

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Abstract:

Douyin is at the center of China's short-video social media landscape through its intuitive offerings and innovative ideas. Through its continued focus in these core areas, this firm has the potential of further maintaining its position and further increasing its competitive advantage. In this essay, a comprehensive exploration into the current state of Douyin, including its current strategy is explored. The goal is to understand the key elements that make Douyin successful in a highly competitive market and to see whether these efforts are enough or more needs to be done. Observations show that Douyin is successful due to its comprehensive AI-driven content recommendation algorithm, e-commerce integration, and adaptation to the Chinese regulatory environment. Evidently, these advantage factors are not enough to ensure Douyin's success in the long run, which is why a close assessment into the firm and its competitors is presented as premises for strategic recommendations that will ascertain its market dominance even in the event of new competitors.

Keywords: Douyin, Short-form video, Social media, Chinese digital market

Introduction

Digital media is rapidly evolving with numerous entities taking a key grip in its key elements, innovations, and practices to improve on current platform offerings. Among these aspects is the short-video format whereby platforms have specialized on this emerging field that reshapes how content is created, consumed, and monetized. China is a vital player in this field, with major entities, among which Douyin reigns supreme thanks to its significant user base and innovative boundaries for social media engagement and e-commerce integration.

Douyin was launched in 2016 by ByteDance and has since grown to become a dominant force in the Chinese short-form video content scene. This approach is similar to TikTok, although Douyin is tailored to the Chinese market due to stringent internet regulations. Here, it faces stiff competition primarily from three entities, including Kuaishou, Bilibili, and Xiaohongshu that have also managed to diversify in the same market through strategies similar to Douyin. This report explores the strategic position that Douyin has forged for itself, specifically focusing on its strategy and what potential it has an industry leader. This approach ensures that both perspectives are presented to understand what the competition is doing better and where it can improve on through strategic recommendations tailored for Douyin's success in the long-term.

Current Strategy

The current strategy employed by Douyin has seen it grow to become a key player in the market. Specifically, it has put much effort into technological adaptation for innovation, content diversity, and strategic partnerships that have seen it retain its leadership in the market (Cooke, 2024; Perdana & Bharathi, 2023). For instance, the firm relies on a dedicated algorithm-driven content-delivery system that is responsible for analyzing user behavior, preferences, and engagement patterns to tailor content feeds for them.

Beyond this, Douyin has a robust monetization strategy that has been a core for its revenue generation through a series of channels. For instance, the platform has incorporated an in-app purchase system that allows users to buy virtual gifts and coins to support their favorite content creators with Douyin taking a percentage of these transactions (Ding, 2021). The platform also provides brands and public figures with various advertising formats (e.g., in-feed ads, branded effects, and hashtag challenges) that allow them to reach their target audiences in innovative and captivating ways. Some users of Douyin have influencer status as content creators who are among the key partners that the firm works with to foster a growing influencer ecosystem. Today, Douyin is taking its monetization strategy a step further through the integration of an e-commerce

system that will allow users to seamlessly purchase products directly from videos and create a frictionless shopping experience for them while opening up new revenue streams.

Douyin may be a reserve for the Chinese demographic, but this has not stopped it from expanding its content offerings to ensure that diverse user interests are catered for. One way it has achieved this is through encouraging users to become a content creator and come up with new content types, ranging from entertainment and lifestyle to educational and informative videos. This is one strategy that helps Douyin broaden its appeal across different demographic groups, while increasing its utility in the daily lives of its users. It has also illustrated its clear intent of becoming a disruptive entity in the market that will likely drive other brands to shift their strategy (Liu, 2022). For instance, Douyin is heavily investing in improving its technological infrastructure and talent acquisition.

The Potential of Douyin

Although it is only focused on one market, Douyin's has the potential for future dominance in the digital media sector. In part, this is influenced by several strategic advantages that align well with the evolving market conditions and technological advancements. For instance, the firm enjoys a superior algorithm that delivers highly personalized content to every user. This algorithm analyzes user behavior and watching time to create a model, presenting users with the most satisfied content. The algorithm is very robust that it has prompted the competition to follow a similar approach, none of which comes close to what Douyin offers. For instance, Kuaishou uses AI for content recommendations with a stronger emphasis on social connections and interactions as its primary priority is content from friends and followers (Li et al., 2020). At the same time, Bilibili's approach for AI recommendations exists, although focus is more on niche interests (e.g., anime, comics, and gaming) to cater to a dedicated community (Yan, 2024). In this realization, Douyin has been working to further advance its algorithm through improved research and innovation, especially in the field of artificial intelligence (AI). This is not surprising since AI has slowly influenced almost all industries, including social media (Sadiku et al., 2021). This means that with this technology, Douyin's ability to refine and enhance the personalized model will largely increase, keeping the users more engaged and willing to spend more time. This is just one example of what makes Douyin have a key stake in the digital media landscape.

Another factor that drives its potential is its willingness to try new ideas before they have been taken over by

numerous entities in the market. China has the world's largest population, most of which are active internet users, with 1.09 billion users as at June 2024 (Thomala, 2024b). This number represented 20% of the global internet users during this time, which stood at 5.4 billion. Douyin's move to tap into e-commerce is more of a strategy to providing its users with a seamless way to transact online. Interestingly, 72% of the Chinese internet users use Douyin, a figure that is projected to grow beyond the current 835 million individuals (Market Me China, 2024; Thomala, 2024b). This reveals the potential of adaptation and chance-taking to improve user experience while also opening up new revenue streams.

Douyin has also found a way to adapt to the Chinese regulatory environment. For instance, the platform is recognized by the Chinese government, with most organizations having Douyin profiles (Lu & Pan, 2022). This means that the firm will likely receive significant support from the government in the long term. The targeted user demographic is also a factor that proves Douyin's potential to be a market leader. As at 2023, one in three of the platform's 730 million monthly active users was under 26 years, ranging from middle school students to workers (Chernavina, 2023). A key characteristic of this demographic is that they have very segmented times, which is well addressed by Douyin through its short-video approach that caters for the entertainment needs of this audience. Secondly, this demographic is highly socialized, a feature that Douyin has focused on to keep users engaged. Douyin has also embraced a sustainable and responsible business ethic which is vocal in digital inclusion promotion, cultural enrichment, well-being enhancement, and addressing climate change (CDB Team, 2023). This means that the firm puts the people first, including its creator community, that will make it a beloved platform for most Chinese users.

Strategic Recommendations

Despite its position in the market and an elaborate current strategy, there are several avenues that Douyin needs to focus on to bolster this position. One of the key recommendations is to improve its AI integration and personalization. The firm owes its current success to its comprehensive algorithm, which should be an area of further investment to ensure that it is often improved as technology advances. This calls for constant innovation in AI development and adaptation, learning from the market, and making reliable changes to its systems. One recommended approach here is to invest in AI algorithms that incorporate contextual factors (e.g., time of day, location, and current events) beyond the current analysis of user

behavior. The goal here is to ensure that users are engaged in the platform, which will further increase retention rates. According to Cao (2021), firms that integrate AI-powered personalization can provide their customers with more satisfactory experiences while helping the brand reach their sale targets. This means that Douyin has the potential of further improving user experience, which will directly bolster its position in the market.

Another recommendation for Douyin is to further enhance its content creator ecosystem. Content creators are the backbone of any social media platform as they come up with new trends and challenges that other users look into for entertainment. For Douyin, this should be a key area of focus owing to the need to ensure that there is a consistent supply of high-quality and innovative content. In its bid to nurture and expand this system, the firm should focus on retaining the existing top creators but also identify and develop new talent. To achieve this, Douyin should: (i) enhance the revenue-sharing models to incentivize high-quality content production; (ii) provide professional development resources and workshops for creators; (iii) develop and produce advanced analytics tools to help creators understand and grow their audience; and (iv) develop collaboration tools to facilitate partnerships between creators and brands. These approaches would go a long way to making the creator system in Douyin advanced and tailored to the needs of different creators to further increase their impact in marketing thanks to their current influential role that is rapidly competing with traditional marketers (Schram, 2020; Tafesse & Dayan, 2023).

While Douyin has a specific target audience, which is among young users, this is an area that needs to be re-considered. Therefore, it is recommended that this demographic be expanded to open up new revenue streams and increase its overall user base. The recommended approach here is to develop targeted content strategies and features for users over 35 through: (i) curated content channels that focus on topics such as health, finance, and lifestyle; (ii) simplified user interface options for less tech-savvy users; and (iii) partnerships with brands and influencers that resonate with older demographics. Over the years, older generations have illustrated an increasing intention to adopt digital technologies, which should be a driver that influences Douyin's future plans (e.g., Schroeder et al., 2023). If Douyin makes the effort to cater to such demographics, it will be capturing a significant market share that is constantly overlooked by the competition.

It is also important for Douyin to diversify its video formats to capture a larger share of users. Yes, the short-form videos are the core of Douyin's offering, but there are users with unique needs in what kinds of videos they consider in satisfying their digital entertainment time. This is

informed by what Kuaishou has been doing as it supports both short and longer videos, as well as live streams that appeals to users interested in more in-depth content and real-time interaction (Baber & Yao, 2022; Zhang, 2019). The recommended approach is to incorporate mid-length videos (5-10 minutes), live streaming capabilities, and interactive video formats that allow users to influence the content. At the same time, Douyin should consider the introduction of episodic content that will encourage return visits.

To further differentiate itself from other competitors, Douyin should expand into the movie distribution space following its success with "Lost in Russia" during the COVID-19 pandemic (Graziani, 2020). This led to sales that amounted to 630 million Chinese Yuan with more than 180 million people tuning in to watch the film on the platform, proving that video distribution could work for Douyin (Graziani, 2020). To make this a reality, it is recommended that Douyin: (i) partners with film studios for exclusive digital premieres; (ii) creates a dedicated section for feature-length films within the app; and (iii) develops original Douyin-produced movies tailored for its diverse audiences. Following the feedback in this approach, the firm could establish an independent platform under the Douyin umbrella, such as what Tencent did with Tencent Video.

Conclusion

Douyin has demonstrated its solid position in the digital media landscape thanks to its innovative approaches in the short-form video platform. However, for a secure future, more has to be done to retain its position and a key player in new standards in the market. Observations from Douyin's current strategy and potential for its future support this argument for a successful entity in the market. At the moment its success is attributed to its cutting-edge AI-driven content recommendation algorithm, seamless integration of e-commerce functionalities, adept navigation of the regulatory environment in China, and cultivation of a vibrant content creator ecosystem. However, the competition from Kuaishou, Bilibili, and Xiaohongshu have the potential of challenging this opportunity as they also operate in the same market. The recommendations proposed in this report exist to ensure that Douyin manages to emerge successful in the long-term.

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