

The Future Development of Short Video Platforms and Similar Internet Enterprises in China: A Case Study of TikTok and Kuaishou

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Abstract:

In today's era of social media, short-video platforms such as Kuaishou and TikTok have become essential social tools for people. These platforms have attracted a large number of users due to their unique community culture and convenience. However, taking TikTok and Kuaishou as examples, how will short-video platforms and similar internet companies in China develop in the future? This paper will analyze the future development trends and opportunities of similar internet companies in China from multiple perspectives, including overseas expansion directions, market, users, and technology.

Keywords: short-video platforms, internet companies, overseas expansion directions, future development trends

1. Background

Since its inception, the internet has been continuously progressing and evolving. Due to the inherently global nature of the internet sector, internet enterprises inevitably gravitate towards the path of "going global" for future development. This is both a necessary and inevitable trajectory. In comparison to traditional enterprises, internet companies, especially those in the short video sector, face numerous formidable challenges. Overall, the global market for the internet is vast, and no single internet enterprise can monopolize an entire global industry of short videos. Against this backdrop, the path of international expansion holds great allure. However, China's two major internet short video platforms, TikTok and Kuaishou, have chosen different development paths. TikTok has achieved significant success and occupies a large market share and influence. By examining the divergent development directions of these two major short video platforms and analyzing their respective development strategies, we can gain insights into the future development space of similar internet enterprises in China. Additionally, comparing the characteristics of these platforms with TikTok can aid Chinese internet enterprises in making informed choices regarding their international development paths.

2. Research object and methodology

2.1 Research object

This study focuses on the development directions of two leading short video platforms, TikTok and Kuaishou. While our investigation is constrained by space, the ad-

vancement of technology and the widespread availability of the internet and smartphones have greatly facilitated our research endeavors. Currently, the development of short videos has matured considerably, occupying a significant portion of the market.

2.2 Methodology

Comparative Analysis Method: This study utilizes data from the two major short video platforms, Kuaishou and TikTok, since their inception, alongside various domestic indicators, including user data, key business metrics, and developmental characteristics, to analyze the distinct competitive advantages and developmental features exhibited by these platforms.

3. Basic information about the two major short video platforms

3.1 Kuaishou

As one of China's largest short-video platforms, Kuaishou possesses significant advantages in user growth, content distribution, and brand establishment. Firstly, Kuaishou boasts a broad user base spanning various age groups and interest areas. This allows the platform to offer more precise targeting services to advertisers, thus attracting more advertisers to join. Secondly, Kuaishou has strong content distribution capabilities, efficiently disseminating both user-generated content (UGC) and professionally generated content (PGC)[1]. Lastly, Kuaishou has established a favorable brand image with high user trust, which is crucial for attracting more users and advertisers. Kuaishou holds enormous development potential in the short-video

field. Firstly, its positioning in short videos has quickly gained favor among a large number of young users. Secondly, Kuaishou has launched a series of user expansion programs to attract users from various age groups and interest areas. Additionally, the commercialization process of Kuaishou is accelerating, bringing in more revenue streams through collaborations with e-commerce, live streaming, and other fields.

The development strategy of Kuaishou's short-video platform primarily includes the following aspects:

Accurate Positioning: Kuaishou's short video platform has a distinct positioning strategy, primarily targeting young user demographics. By continuously refining its product features and services to meet the demands of young users in music, dance, food, travel, and other areas, Kuaishou swiftly garnered a reputation among this demographic.

Rich Content: Kuaishou places emphasis on the richness and quality of its content by collaborating with professionals from various fields to consistently deliver innovative, entertaining, and high-quality short videos. Additionally, Kuaishou actively partners with major brands and celebrities to launch customized content and challenge activities, thereby enhancing user engagement and retention.

Technological Innovation: Kuaishou remains vigilant and committed to technological innovation. By integrating artificial intelligence, machine learning, and other technologies, Kuaishou continuously refines its recommendation algorithms to enhance user experience. Furthermore, Kuaishou actively explores technologies such as virtual reality and augmented reality to provide users with novel interactive experiences.

International Expansion: Kuaishou's short video platform has achieved notable success in international expansion. By introducing customized products and services tailored to different countries and regions, as well as collaborating with local businesses and celebrities, Kuaishou has expanded its brand influence. Currently, TikTok has penetrated multiple countries and regions worldwide, attracting a large number of overseas users.

3.2 TikTok

The primary users of TikTok short videos are predominantly young people who are enthusiastic about sharing snippets of their daily lives, talents, and hobbies. Research findings indicate a youthful demographic, with a strong representation from individuals born in the 1990s and 2000s. These user groups prioritize personal expression and social interaction, eagerly showcasing their unique talents and aesthetic tastes through TikTok.

Diversified content: Users share a wide variety of content on TikTok, including music, dance, food, travel, fashion, and more. These diverse contents not only meet users'

personalized needs but also inspire their creativity.

Immersive experience: TikTok short videos provide users with an immersive experience through carefully designed product features and a user-friendly interface. For example, TikTok's recommendation algorithm offers personalized content recommendations based on users' interests and behavior patterns. TikTok also introduces features such as dynamic backgrounds and filters to enhance the visual effects and attractiveness of videos. TikTok short videos prioritize originality and the effectiveness of content strategy. Here's a specific analysis:

Originality: TikTok encourages users to create original content by organizing challenges and custom activities to stimulate their creativity. TikTok collaborates with numerous celebrities and brands to launch exclusive content and challenge activities, thereby enhancing the platform's originality and appeal.

Content moderation: TikTok strictly controls the re-uploading of content. Content must undergo review before being published to ensure its legality and appropriateness. Additionally, TikTok collaborates with major video websites and copyright holders to jointly combat piracy and unauthorized content re-uploading, thereby maintaining a healthy content ecosystem.

Tagging and categorization: TikTok provides detailed tagging and categorization for short videos, facilitating users in quickly finding content they are interested in. Through continuous optimization of its recommendation algorithm, TikTok enhances the accuracy and utility of its tagging and categorization system.

Marketing strategies: TikTok employs marketing promotion through partnerships with brands and customized activities. For instance, brands can collaborate with TikTok to launch challenge activities, attracting users to participate and share their creative works. These marketing strategies not only increase brand awareness but also enhance user engagement and involvement.

3.3 Pace of development

From Figure 1, it can be observed that TikTok took the shortest time among numerous internet apps to surpass 400 million MAU (Monthly Active Users). TikTok and Kuaishou are the dominant platforms in the internet short video sector. Kuaishou entered the short video market in 2012, but TikTok, despite launching its short video service in 2016, rapidly overtook Kuaishou in all respects, leading to the duopoly of these two platforms in the short video market. By January 2020, TikTok and Kuaishou had reached 550 million and 490 million MAUs, respectively. However, it took Kuaishou four years to transition from its community-based approach to reach 100 million MAUs, and over three years to grow from 100 million to

400 million MAUs. In contrast, TikTok achieved 100 million MAUs in just a year and a half after its launch, and it took only nine months to increase from 100 million to 400 million MAUs.

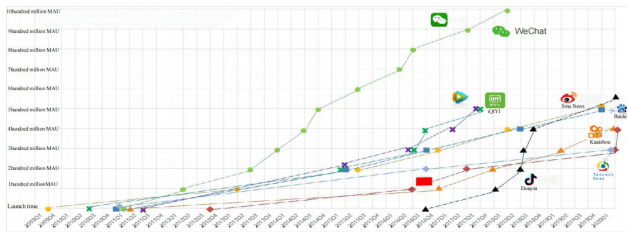


Figure 1 Monthly Active User Growth Chart of Major Internet Apps

Kuaishou and TikTok lead other short video platforms in most operational metrics. Kuaishou was the first to enter the short video market in 2012, followed by TikTok, which launched its short video service in 2016 and quickly established itself among the market leaders. Both platforms have gained widespread popularity due to their extensive user engagement, but there are notable hetero-

geneities between them. While both have become deeply integrated into people’s daily lives and satisfy consumer demands, they differ significantly in terms of characteristic indicators, revenue models, and platform positioning[1]. TikTok’s revenue model during its development has been more inclined towards advertising revenue and some e-commerce income, with its primary content creators being influencers or celebrities with high fan bases[2]. TikTok focuses on distributing traffic to top-quality content creators, initially allocating its traffic pool to 90% of users based on tags and 10% to followers. The profit model of Kuaishou mainly relies on live streaming [3], with its strong social connections giving it an advantage in terms of live streaming revenue. Kuaishou is more closely aligned with grassroots content creation, with the majority of top creators coming from grassroots [4]. However, in 2022, TikTok’s user retention surpassed Kuaishou’s by a 3% margin, indicating a continuously increasing influence within the domestic internet industry, ultimately surpassing Kuaishou.

Table 1 Comparative Analysis of TikTok and Kuaishou (2021)

Name	TikTok	Kuaishou
Profit Model	Advertising revenue accounts for 80% of total revenue.	Live streaming revenue accounts for 60%.
Key Indicators	Top creators mainly consist of celebrities (33%) and internet influencers (24%); the ratio of likes to comments is 42:1.	Top creators mainly consist of grassroots (44%) and internet influencers (38%); the ratio of likes to comments is 13.05:1.
User Stickiness (2022)	TikTok has 421 million DAU and 675 million MAU, with a user stickiness (DAU:MAU) of approximately 62.4%.	Kuaishou has 347 million DAU and 586 million MAU, with a user stickiness (DAU:MAU) of approximately 59.2%.
Enterprise Scale and Influence	Ranked 6th among China’s Top 100 Internet Companies in 2021.	Ranked 9th among China’s Top 100 Internet Companies in 2021.

Table 2 Main APPs and Geographic Distribution of Internet Companies

1	Alibaba (China) Co., Ltd	Taobao, Tmall, Alibaba Cloud, Amap	Zhejiang Province
2	Tencent Computer Systems Co., Ltd. (Shenzhen)	WeChat, Tencent Video, Tencent Cloud, Tencent Meeting	Guangdong Province
3	Baidu Inc.	Baidu Search, Baidu Intelligent Cloud, Xiaodu, Apollo Autonomous Driving Open Platform	Beijing Municipality
4	JD.com Inc.	JD.com, JD Logistics, JD Health	Beijing Municipality
5	Meituan Inc.	Meituan, Dianping, Meituan Waimai	Beijing Municipality
6	Beijing ByteDance Technology Co., Ltd.	TikTok, Toutiao, Watermelon Video	Beijing Municipality
7	Shanghai Xunmeng Information Technology Co., Ltd.	Pinduoduo	Shanghai Municipality

8	NetEase Group	NetEase Games, NetEase Youdao, NetEase Yanxuan, NetEase News	Guangdong Province
9	Beijing Kuaishou Technology Co., Ltd.	Kuaishou	Beijing Municipality

From Table 2, it can be observed that TikTok and Kuaishou not only differ in their profit models but also exhibit significant differences in the proportion of creators and the ratio of likes to comments. Moreover, TikTok’s user data surpassed Kuaishou’s as early as 2022, and TikTok’s corporate scale and influence have also surpassed Kuaishou’s.

4. The current status of the short video industry in China

4.1. Scale and stage changes in the short video industry

Market size: In 2021, the short video industry in China emerged as one of the fastest-growing segments in terms of mobile internet usage and user base. The daily active user base of short videos nearly reached three times that of online videos. In terms of market size, the short video industry has seen a remarkable rise in recent years, with the market continuously expanding. According to data from QuestMobile, the market size of the short video industry surged from 55.3 billion yuan in 2017 to 291.64 billion yuan in 2021, and it reached as high as 376.82 billion yuan in 2022.

User base: In terms of user base, the scale of short video users in China has experienced rapid growth in recent years. According to statistics, the number of short video users in China increased from 190 million in 2016 to 897 million in 2021. The demand for “staying at home” during the pandemic in the past two years indirectly accelerated the strong growth of the short video user base.

The short video industry in China has now entered a stable period. From the emergence of short videos in 2011 to the industry transformation in 2016 (such as Kuaishou’s community-oriented transformation) and its rapid development, followed by the continuous growth of the two leading platforms, TikTok and Kuaishou, in 2018, resulting in an explosive growth of 744.67% in various aspects in 2018. As of now, the short video industry in China has entered a stage of mature and stable development. The scale advantage of leading platforms has become evident, and they have successively sought paths to capitalization, leading to a clear competitive landscape within the industry[5].

4.2 Changes in the distribution of short video

user base

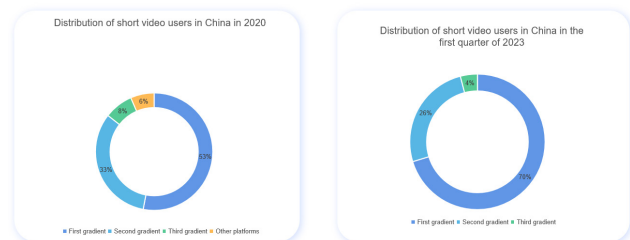


Figure 2 The distribution of short video users in China in 2020 and 2023.

It is shown in figure 2 that China’s short video market is dominated by the first and second tiers, with the third tier holding a relatively smaller market share. The first tier is represented by TikTok (TikTok) and Kuaishou: TikTok enjoys high platform popularity and a large user base, which favors the platform’s social attributes. Moreover, its user base is predominantly young with a balanced gender distribution, indicating significant potential for user consumption. In contrast, Kuaishou boasts a favorable platform reputation and strong online marketing operations, with distinct user label attributes, giving it an edge in brand reputation building and promotion. The second and third tiers witness fast replacement cycles, with intense competition among multiple platforms and factions.

As for the top-tier platforms: In January 2020, TikTok’s monthly active users (MAU) reached 550 million, while Kuaishou’s MAU reached 490 million. In the short video enterprise market share of 2018, TikTok and Kuaishou, the two major short video platforms, accounted for 53% of the market, with the remaining 47% shared among the second and third tiers and other platforms. This indicates the pronounced dominance of top-tier players in the current short video industry.

Mid-tier platforms: Competition remains fierce. In comparison to the same period in 2018, in June 2019, the proportion of users installing a single short video app decreased from 47.6% to 38.7%, while the proportion of users installing two or more short video apps increased from 30.8% to 35.7%. This indicates that numerous internet companies are developing short video apps in today’s landscape, with both download numbers and user data on the rise, intensifying competition in the mid-tier platform market.

Long-tail platforms: Facing a survival challenge. Com-

pared to the same period in 2018, in June 2019, the proportion of apps with monthly active users (MAU) between 10 million and 50 million experiencing year-on-year growth decreased from 66.7% to 57.1%, and the proportion of apps with MAU less than 10 million experiencing year-on-year growth decreased from 69.8% to 62.3%. From the data, it is evident that long-tail platforms are facing a survival challenge. As the market gradually matures, the barrier to entry for startups increases, leading to the gradual acquisition or elimination of long-tail platforms.

5. Comparative analysis of overseas expansion between two platforms

5.1 TikTok

TikTok, through comprehensive television and advertising campaigns, along with leveraging various overseas influencers, effectively attracts local users. Users on TikTok highly appreciate the ability of professional influencers to promote products, exhibiting strong loyalty towards these influencers. Furthermore, they possess the capability to attract a significant number of engaging followers, who pay close attention to any videos related to your product or brand. In response to different markets overseas, TikTok's primary strategy is to adopt a "global product, local content" approach[6,7]. Throughout its international expansion, TikTok has established local offices in various global markets, hiring a considerable number of local employees and international students. This continual self-adjustment enables TikTok to adapt to diverse market conditions and achieve significant success overseas.

In October 2022, TikTok garnered over 10.8 million downloads in Southeast Asia, with Indonesia leading at 44.5%, followed by Vietnam at 20.2%, and Thailand at 12%. On iOS, the majority of TikTok users are from the United States (44%), followed by Vietnam (9%), India (8%), and Japan (8%). On Android, the user distribution is as follows: 23% from the United States, 22% from India, 19% from Vietnam, 11% from Australia, 9% from Thailand, and 7% from Japan. According to data from Sensor Tower, in January 2021, TikTok ranked second globally in terms of downloads, while Kuaishou, by contrast, remained relatively obscure. TikTok consistently maintains its position at the forefront of app downloads in numerous countries worldwide, often holding the top spot, both on iOS and Android platforms.

In 2022, ByteDance witnessed a year-over-year revenue growth of 25%, reaching \$69 billion USD. This growth rate contrasts with a 150% increase in 2019, a 105% increase in 2020, and a 68% increase in 2021.

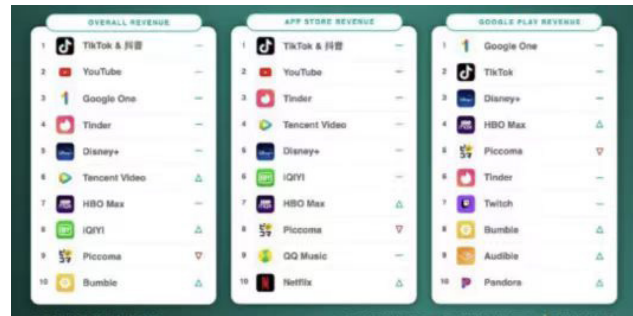


Figure 3 Top 10 Global Mobile App Revenue in October 2022

Benefiting from a doubling of revenue from overseas operations, ByteDance achieved a global total revenue growth of 38%, reaching \$85 billion USD. Apart from TikTok, ByteDance's overseas ventures encompass gaming, enterprise services, among others, with overseas revenue reaching \$16 billion USD in 2022. However, in its pursuit of rapid user acquisition, TikTok has heavily invested in promotional activities across various channels such as major media outlets, social networks, newspapers, and radio stations in different countries. For instance, in the Indian market alone, ByteDance has spent tens of millions of dollars on television and online advertising. Additionally, it faces fines due to varying regulatory policies in different countries. The overseas expansion of TikTok has thus brought considerable financial pressure to ByteDance.

5.2. Kuaishou

Kuaishou has officially shut down its short video application, Zynn, marking the end of Kuaishou's relatively short-lived venture in North America, which lasted only 15 months. The fundamental reason for TikTok's dominance in the North American market lies in its divergent development path from its parent company, ByteDance. Firstly, during the early stages of its international expansion, Kuaishou's overseas teams operated out of its headquarters in Beijing rather than locally. This directly resulted in a lack of communication with the local market and a limited understanding of local cultural norms. Secondly, despite encountering numerous obstacles in its overseas operations and facing challenges in developing new products, Kuaishou persisted in investing heavily in foreign markets. While such user acquisition and promotion cash-back strategies are common in China, they are perceived as attention-grabbing and sensationalist abroad. Within just three months, Kuaishou spent at least \$250 million. This lavish spending helped Kuaishou gain a foothold in the Latin American market and achieve rapid growth in user traffic. However, this rapid growth was short-lived, as Zynn was forced to slow down due to the controversy

surrounding its removal from app stores within just one month after its explosive growth.

Kuaishou's development approach directly contributed to the early challenges faced by Zynn in localizing content. The platform lacked professional content creators to alleviate the scarcity of short video content. Additionally, the early monetization model brought about by user-generated content further disrupted the content ecosystem, making it difficult to repair. Ultimately, Zynn failed to establish a lasting presence overseas and was merely a flash in the pan. By the time of its shutdown, Zynn's momentum had significantly declined. According to SensorTower reports, as of the first half of 2021, Zynn had only been downloaded 400,000 times, while leading competitors had reached hundreds of millions of downloads.

In 2023, Kuaishou's overseas business shifted its focus towards "key regions," establishing a differentiating advantage and providing fertile ground for commercialization abroad. Significant growth was observed in terms of daily active users (DAU) and user engagement metrics in key regions such as Brazil and Indonesia. Kuaishou experienced a 17% increase in DAU in Brazil, surpassing 60 million monthly active users, covering 30% of the Brazilian population, with an average user engagement time exceeding 70 minutes. Concurrently, in 2023, Kuaishou launched its e-commerce business, expanded its live streaming operations, and continued to advance localized original content production, encompassing a diverse range of offerings including short dramas, casual games, paid courses, and sports content. Through steadfast, thorough, and sustained localization efforts, Kuaishou's overseas commercialization also propelled rapid revenue growth and consumption among clients in various industries such as e-commerce and gaming. The commercial revenue of Kuaishou's overseas operations saw a 300% increase in 2023, accompanied by an 87% rise in clientele and a total consumption surge exceeding 400%. Kuaishou's ongoing commitment to localized development in commercialization endeavors aims towards becoming a mainstream media outlet in respective regions. By focusing on industry-specific deep cultivation at the content level, fostering key sectors, and promoting localized capabilities, Kuaishou aims to explore a wide array of opportunities in local public domain traffic, private domain traffic, and offline businesses.

6. Conclusion

Based on an overview of the domestic short video industry, the short video sector in China has emerged relatively late, yet has experienced rapid growth and achieved

maturity in its business models. Monopolistic tendencies are apparent, and the competitive landscape has become stable, with platforms like TikTok and Kuaishou leading the first tier. As the market reaches saturation, it becomes less conducive for new entrants, signifying the industry's entry into a stable phase. The future development of short video platforms hinges on attracting more users and maintaining user engagement. Therefore, to ensure sustained platform growth, the functionalities and content of these platforms play a pivotal role in determining their development potential. Chinese short video internet enterprises venturing abroad can build upon their domestic development experiences to propagate Chinese culture overseas. This represents a unique competitive advantage. However, it is crucial to adapt to local preferences and customs, emphasizing a more localized approach to cater to overseas markets. The path to international expansion should integrate local cultures with Chinese culture, facilitating the seamless integration of Chinese culture with local cultures in other countries. Only through such integration can a successful path be forged.

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