

TikTok's Innovation Strategy: An In-depth Analysis of its E-commerce Expansion

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Abstract. This paper explores TikTok's evolution and business prospects as a global social media platform. The purpose of studying TikTok's innovation strategy on e-commerce is to have an in-depth understanding of TikTok's innovation practice in the field of e-commerce and to provide valuable insights and enlightenment for academic research and practical application in related fields. First of all, to understand TikTok's innovation strategy in the field of e-commerce, this paper studies TikTok's innovation strategy in the field of e-commerce. It explores the principle and way of thinking behind it. Learn how TikTok combines social media and e-commerce and offers a unique user experience. Secondly, based on some actual successful cases of TikTok, evaluate the effect of TikTok's e-commerce strategy: study the effect and influence of TikTok's e-commerce strategy; Put forward suggestions for TikTok's e-commerce development. Based on the research results, suggest corresponding improvement or expansion suggestions for TikTok's innovation strategy in the e-commerce field.

Keywords: TikTok, Innovation Strategy, E-commerce Expansion, Social Media Marketing.

1. Introduction

TikTok's parent company, China's Byte Dance, is one of China's few overseas and relatively successful short video companies. Since its global launch, TikTok has become a dark horse in the social media world. However, the short-form video app has not been content to succeed in the social space alone. Instead, it has actively explored the possibility of expanding further into e-commerce. Since 2017, five years after the sea, the global MAU has reached 1 billion magnitudes. In January 2018, there were 55 million monthly active users worldwide. In 2019, users increased explosively after the continuous expansion of new markets. In December 2019, global monthly lives reached 500 million. In 2020, the epidemic spread, seizing the opportunity to expand rapidly. The global monthly life of nearly 700 million global downloads once exceeded Instagram and Facebook. In January 2022, "Douyin" and TikTok ranked first in global APP revenue. In 2023, the attention of the product has fluctuated due to the ban storm proposed by the United States. After internal and external rectification, the team led by Zhou Zisheng started to develop the e-commerce sector to create a new round of investment and innovative development [1, 2].

2. Analysis

2.1. Global Reach and User Demographics

TikTok is available for download in over 150 countries worldwide, ranking No. 1 in 141 and available in over 75 languages. According to the latest report, TikTok was downloaded 246.9 million times globally as of the first quarter of 2023, up 19.7% from the fourth quarter of 2022. [1]

TikTok has many customers worldwide, including the United States and Southeast Asia, especially Indonesia, Brazil, Turkey and Russia. Male users reached 61.38%, female users reached 38.62%, and the overall situation was relatively balanced at 64.

According to the statistics of the TikTok version on May 30, 2023, young users aged 13-34 accounted for 92.4%, which shows that the main service customers of this app are young people and middle- and low-income groups. They have a trend. With a certain purchasing power, the market demand is greater.

2.2. E-commerce Market Conditions and Trends in Relevant Countries and Regions

TikTok does not have a mall section, but bloggers have tried to develop a market by bringing goods from the live broadcast room, recommending good things, and sending links in the comments section. In the preliminary market research, as of the first half of 2023, TikTok live delivery transaction amount, in the global live delivery, Southeast Asia's daily sales and total sales are the largest, of which the total sales of the Philippines reached 2,535,700 US dollars, Indonesia reached 1,886,700 US dollars. Such a group of Southeast Asian countries have a certain representative amount of transactions. The United States has many users and only completed \$30,800 in transactions, greatly impacting the ban.

2.3. TikTok E-commerce Success Case Study

Currently, 48 light luxury brands have been promoted on TikTok, from Monons, a famous Canadian travel product brand with a 205%ROAS target, to Oppo, an electronic product brand with 170 million exposures, to Cool-Vita, a lifestyle skincare brand. Various brands will be promoted with festivals such as Black Friday and mega sales. Open individual national nature of e-commerce sales, such as the Indonesian men's wear brand Round Neck and skin care brand Wight Lab, which are especially boosted by mega-sales, have a regional nature of explosive and good reputation [3, 4].

2.4. Challenges and Opportunities of Overseas TikTok E-commerce

The data is stored overseas, the audit system is placed overseas, the regulatory needs of overseas markets are met to the maximum extent, internationally renowned senior executives are widely invited to join, and many local employees are hired in open positions. Such action has also brought challenges to the TikTok e-commerce project.

The conversion rate is extremely low; the average conversion rate of ordinary products through advertising is only 0.7% to 3%, and most are low-priced daily necessities. In the case of very high requirements for the accumulation of original traffic, the product cannot be sold, and it often occurs that the account is highly well-known but still cannot be realized.

Employee benefits could be better. Starting in 2022, TikTok ushered in the most difficult challenge: many internal executives resigned in June this year after the chief operating officer Papas left. TikTok continues to usher in a new round of layoffs and resignation trends. Talent losses are serious. Almost every week in the United States headquarters, more than 30 people were laid off. Although the week is invested in the e-commerce project, it can be challenging.

TikTok has high security and protection of user privacy. According to the New York Times, the CIA did not find any trace of information theft after investigating TikTok, and the security of this software is still being continuously renovated and improved. In iOS14, it was confirmed that some security risks of TikTok may cause clipboards on users' devices. TikTok actively cooperated and removed related functions such as anti-spam filters after being aware of the problem. TikTok is graded by age, like Twitter and other related products [5-8].

3. SWOT Analysis

3.1. Strengths

Wide User Base: TikTok boasts a massive user base with millions of active users worldwide. This extensive reach provides a strong foundation for launching an e-commerce platform, as it offers a large potential customer base for sellers.

Engaging and Viral Content: TikTok is known for its short-form videos that are creative, entertaining, and often go viral. This engaging content format can be leveraged to promote products and brands, generating higher visibility and user engagement in e-commerce.

Influencer Marketing Potential: TikTok has a thriving community of influencers who have amassed significant followings. These influencers can drive product awareness, reviews, and endorsement within e-commerce, increasing sales and consumer trust.

3.2. Weaknesses

Limited User Purchase Intent: TikTok is primarily seen as a content consumption and entertainment platform. Users may need a stronger purchase intent while using the app, which could pose a challenge when trying to convert them into active e-commerce shoppers.

Lack of Trust and Security Concerns: Building trust in e-commerce transactions is crucial. TikTok might face skepticism from users regarding the security and privacy of their personal and financial information. Addressing these concerns and establishing robust security measures will be vital for successful e-commerce integration.

It mainly sells daily necessities at low prices: According to the survey, TikTok's e-commerce platform mostly sells daily necessities, and a few more expensive luxury brands have entered the e-commerce. As a short video platform, TikTok has a weak foundation as an e-commerce sales platform and lacks reliable credibility and cargo capacity.

3.3. Opportunities

Extensive social capabilities: TikTok can seamlessly leverage its existing social media capabilities to integrate e-commerce capabilities. By allowing users to discover, share and buy products directly within the app, TikTok can create a unique and engaging social shopping experience.

Heavy use of ads: TikTok offers significant opportunities for cross-promotion and advertising between content creators/influencers and brands. TikTok can drive product discovery and increase sales for e-commerce businesses by offering sponsored content, product placement, and targeted advertising.

3.4. Threats

Competition from Established Platforms: TikTok will face tough competition from established e-commerce platforms like Amazon and Alibaba and social media giants like Instagram and Facebook. These platforms already have a strong presence in the e-commerce sector and enjoy user trust and loyalty.

Social threat: TikTok's entry into the e-commerce space could invite more regulatory scrutiny, especially regarding data privacy, security and consumer protection. In addition, the improper comments and blind following characteristics of netizens will likely make TikTok's ability to operate e-commerce become the object of people's attack due to some opportunities.

4. Recommendations

TikTok has had a lot of success with recommendation algorithms, which analyze users' behavior and interests to provide them with personalized content recommendations. In the export e-commerce project, TikTok can further optimize its recommendation algorithm, recommend products and merchants related to users' interests based on their geographical location, language preferences and past purchase history, and improve user experience and purchase intention. By leveraging augmented reality (AR) technology, TikTok can introduce features like virtual fitting rooms for export e-commerce projects. Through the TikTok app, users can virtually try on clothing, accessories and other goods on the screen, enhancing the shopping experience and reducing the risk of mistaken purchases.

TikTok started by focusing on the selection of low-end products for sale. It is suggested to focus on expanding the relevant e-commerce business in Southeast Asia and actively looking for local

partners. Customized promotion according to different regions and countries' cultures and consumption habits. By analyzing user data, we can understand the regional characteristics of users to be more accurate in promotion and content creation.

Build a diverse, cross-disciplinary, cross-cultural, and international team internally, including marketing experts, international trade experts, data analysts, creatives and technicians. Such cross-disciplinary teams can work together to develop and execute project strategies from different perspectives. According to the Wall Street Journal, in 2023, TikTok also promised to recruit 3,000 top engineers in the United States and globally on the same basis to catch up with the wave of layoffs of other companies, pick up the leak, and want to go against the current. It is suggested to expand the number of positions, a subdivision of job types, easy to build relevant teams, and more conducive to attracting diversified talents.

Carry out the training and development of enterprise special talents: TikTok needs more internal training on stepping into the sea, e-commerce delivery and managing public relations. Many of them, we found, are conducted by private enterprises or other operating units and provide courses on their own. TikTok can set up an internal training program to provide training on international trade, cross-border e-commerce and other aspects to help employees constantly improve their skills and adapt to the project's needs.

Start the team and individual performance appraisal mode: TikTok's evaluation system is imperfect. If an individual fails to pass the 2-month evaluation system twice a year, he will be put into the adjustment plan. Moreover, the equalization system is unclear; most use vague personal images as the benchmark and lack data. The staff is bloated and tired, resulting in talent not being promoted, refined, and finally lost. We suggest. Individual performance is not abandoned, and team performance is included in the single assessment of business ability. The quarterly performance is regularly evaluated based on the time of team formation, and the evaluation results are relative to personal promotion and team revenue. To implement incentive mechanisms for employees and relevant responsible persons to stimulate the creativity and teamwork of the whole team.

5. Conclusion

In conclusion, TikTok is a software with unlimited potential. Its internal operation model and external audience should be combined to find the most appropriate management method, and the commodity sales module of TikTok should be opened up at the most appropriate time. Let it have an explosive point: hope that one day TikTok can also click left to enter the dazzling shopping interface and occupy a place in the world's e-commerce business.

Authors Contribution

All the authors contributed equally, and their names were listed alphabetically.

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