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The Development and Exploration of TikTok's Commercialization Model

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ABSTRACT

This paper investigates the commercialization model of TikTok, tracing its development history, revenue generation mechanisms, and market strategies. Through a module analysis based on the Business Model Canvas, it aims to elucidate its current status, core logic, and future trends, providing theoretical and practical references for the commercialization of short-video platforms. The study reveals that TikTok has established a closed-loop ecosystem of "content–traffic–transaction," with its revenue structure dominated by advertising, rapid growth in e-commerce operations, and live streaming serving as a crucial supplement. Nevertheless, the platform continues to face persistent challenges, including an underdeveloped product governance framework, rising costs of traffic acquisition, and increasing compliance management difficulties.

KEYWORDS

TikTok, Business model, Short video platform, Traffic closed loop, e-commerce advertising

1. INTRODUCTION

With the rapid development of internet technology, the short-video industry has emerged as a new media format and become a crucial platform for information dissemination and entertainment consumption. According to relevant studies, short videos meet users' demand for information acquisition during fragmented time periods due to their concise content, fast dissemination speed, and high information density. TikTok, as China's leading short-video platform, has rapidly captured the market and amassed a vast user base since its launch in 2016, thanks to its advanced algorithmic recommendation technology and rich user experience. TikTok is the core short-video platform under ByteDance, operated by TikTok Co., Ltd., a large technology-driven internet company characterized by three key attributes: First, technology-driven: centered on artificial intelligence and big data algorithms, it independently develops recommendation engines and video processing technologies, which are extensively applied in scenarios such as content distribution, advertising placement, and e-commerce matching. Second, platform economy attribute: it builds a bilateral/multilateral marketplace connecting users, creators, and merchants, achieving value synergy among all parties through an "content-flow-trading" ecosystem, aligning with the characteristics of "intermediary matching + network effects" in platform economy theory. Third, diversified business integration: evolving from an early-stage short-video content platform, it has expanded into a comprehensive digital ecosystem encompassing e-commerce, local lifestyle services, live streaming, advertising, and enterprise services (such as Feishu), positioning itself as a "content-driven retail and service platform."

TikTok's profit model primarily relies on three core components: advertising revenue, live-streaming e-commerce, and live-stream monetization, forming its fundamental business structure. Among these, advertising serves as the traditional and dominant monetization channel, encompassing various formats such as feed ads, brand challenges, splash screen ads, and influencer collaboration marketing, covering diverse user scenarios with high flexibility. However, the homogenization of ad content has led to bottlenecks in conversion efficiency improvement. Live-streaming e-commerce, on the other hand, adopts a "content commercialization" approach by deeply integrating short video content with e-commerce transactions, including TikTok Shop, live-stream sales, and product showcases in short videos—which enhances user immersion while creating new consumption drivers. Nevertheless, this model faces challenges such as inconsistent product quality, inadequate after-sales service systems, and insufficient consumer trust. Additionally, live-stream monetization heavily depends on the host's personal appeal, fan engagement, and long-established trust relationships, with primary revenue sources including user tips, "sound waves," paid gifts, and brand-specific promotions. This segment currently exhibits significant growth momentum, particularly excelling in emotional connection and instant feedback, yet it continues to face challenges such as content homogeneity, intensified competition among top hosts, and user diversion across multiple platforms.

Overall, TikTok continues to optimize the synergies among the aforementioned three revenue streams in order to establish a more sustainable business model. This study aims to provide a comprehensive analysis of TikTok's commercialization model, revealing its developmental history, current status, and future trends, thereby offering theoretical support and practical guidance for the platform's optimization and development. Specifically, this study will integrate theories related to business models, such as analytical frameworks like the Business Model Canvas, to systematically examine TikTok's commercialization journey from its inception to maturity. Building on this foundation, the research will focus on the components of TikTok's current revenue model and its innovation pathways, exploring innovative practices in market strategies, operational models, revenue generation methods, and ecosystem development. Through this investigation, this paper seeks to provide actionable recommendations for the commercialization model innovation of TikTok and other short-video platforms, enabling them to achieve sustainable growth amidst intense market competition.

2. LITERATURE REVIEW

2.1. Theoretical Basis

As the core logic for enterprises to create, deliver, and capture value, business models have become a focal point of research in both academia and industry in recent years. The Business Canvas, proposed by scholars such as Osterwalder, is a visual tool for analyzing and designing business models. Its essence lies in breaking down a company's complex business model into nine interconnected core modules (customer segmentation, value proposition, distribution channels, customer relationships, revenue sources, key resources, core business activities, significant partnerships, and cost structure), presented in a concise grid format that enables businesses to clearly understand the entire logic of value creation, delivery, and capture. In the study of TikTok's commercialization model, the Business Canvas provides crucial theoretical support. For instance, Tan Lingwei and Lu Xiangyu conducted an in-depth analysis of TikTok's value proposition, customer segmentation, and key resources using the Business Canvas, thereby constructing a business value model for TikTok that reveals the sources of its competitive advantages in the market [1].

Furthermore, the "3-4-8" business model framework proposed by Li Xiaolei and Li Lin provides a structural basis for understanding the transformation of TikTok's business model, demonstrating strong explanatory power, particularly in terms of value proposition and value network [2]. These theories not only lay a solid foundation for this study but also offer clear insights for subsequent analysis of the development trajectory of TikTok's commercialization model.

2.2. Research Progress of TikTok Domestically and Internationally

Both domestic and international scholars have achieved notable progress in researching the commercial models of short-video platforms, though their research focuses and perspectives vary.

In domestic research, TikTok, as a leading enterprise in the short-video industry, has drawn significant attention for its commercialization model. Zeng Tuoyu used TikTok as a case study to explore the commercial value and monetization models of short-video apps, highlighting that ad integration, e-commerce monetization, and live-streaming tips are the primary revenue sources for TikTok, while emphasizing the critical role of content quality in traffic monetization [4]. Similarly, literature [3] provides a detailed analysis of TikTok's advertising monetization, e-commerce sales, and live-streaming monetization models, arguing that these approaches fully leverage users' demand for fragmented time and the platform's high interactivity. However, international studies focus more on the global development and technology-driven factors of short-video platforms. For instance, the success of TikTok (the overseas version of TikTok) in the global market is attributed to its precise algorithmic recommendation technology and localized operational strategies [5]. A comparison of domestic and international research findings reveals both commonalities and differences among various platforms' commercialization models. TikTok holds a leading position in the domestic market due to its massive user base and diverse revenue streams, whereas international platforms place greater emphasis on technological innovation and global expansion. This comparison provides valuable insights for this study's in-depth exploration of the unique aspects of TikTok's commercialization model.

2.3. Current Research Hotspots and Gaps

The rapid development and global expansion of the short-video industry have made TikTok a central subject of research in business models, platform operations, and technological applications. Current academic studies have identified multiple focal areas focusing on technological implementation, scenario expansion, and industrial integration. However, significant gaps remain in empirical research, cross-platform comparisons, and long-term impact analysis, leaving ample room for future exploration.

From the perspective of research priorities, the deep integration of algorithmic technology and platform governance has become a central focus in academia. Numerous scholars have examined issues such as algorithmic bias, transparency of recommendation mechanisms, and the echo chamber effect, exploring ways to optimize algorithmic recommendation logic through quantitative methods like causal inference to achieve scientific governance of platform algorithms (Dun Zhuoyue & Zheng Lixin, 2024) [5]. The advancement of AIGC technology has spurred research on short video content production and marketing models; scholars have not only investigated the practical applications of generative AI in short video creation and commercial marketing but have also addressed underlying challenges related to copyright protection and industry governance (Tan Lingwei & Lu Xiangyu, 2022) [1]. At the industrial integration level, the explosive growth of TikTok's search function (with daily search volume increasing by 40%) has given rise to a new e-commerce model driven by both interest-based engagement and search functionality. The emergence of search-driven e-commerce has become a key focus in studies on the integration of short videos and the e-commerce sector, attracting extensive scholarly attention to its operational mechanisms and conversion pathways.

While existing research continues to deepen, there remain numerous gaps in academic studies regarding TikTok and its algorithms that need to be addressed, making this a crucial direction for future research. Firstly, in the study of algorithmic mechanisms, current literature primarily focuses on correlation analyses between algorithms and user behavior (Li Kang, 2020) [3], but lacks empirical validation of the causal chain "algorithm parameters → content distribution → user decisions." Moreover, there is no direct comparative study comparing the underlying logic of TikTok's algorithms, hindering the identification of fundamental differences. In user research, existing studies emphasize the dominant role of platforms and algorithms while overlooking overseas users' proactive shaping and adaptive behaviors within TikTok, failing to fully recognize the value of user agency. Regarding platform compliance, there is a lack of quantitative research on the long-term effects of TikTok's "dual entity" architecture or the balance between compliance costs and commercial value, making it difficult to provide actionable recommendations for compliant operations. In terms of e-commerce models, systematic comparisons between TikTok's closed-loop and semi-closed-loop models in areas such as conversion efficiency, user trust, and repurchase behavior are lacking, preventing the formulation of optimization strategies or global insights. Finally, most existing studies employ short-term cross-sectional analyses rather than longitudinal tracking, making it challenging to assess the social value and risks associated with short-video platforms.

The existing research highlights a stark contrast between current focal areas and gaps, reflecting both the academic community's precise understanding of short video industry trends and the shortcomings in current studies regarding depth, breadth, and empirical rigor. These gaps also provide clear research directions and entry points for this paper to delve into the uniqueness of TikTok's commercialization model, optimization pathways, and its global reference value. This study aims to offer new theoretical perspectives and practical recommendations for the sustainable development of TikTok's commercialization model.

3. THE DEVELOPMENT HISTORY OF TIKTOK

3.1. Initial Stage

In September 2016, ByteDance officially launched TikTok, initially positioned as a social platform for music and creative short videos, with a core focus on 15-second video recording, intelligent matching, and special effect filters, precisely addressing the personalized expression needs of young users. The key strategy at this stage was product differentiation and user acquisition, achieved through optimized algorithmic recommendation technology to enable precise content-person matching, aligning with Kuaishou's then-focused positioning on the lower-tier market and its emphasis on documenting authentic daily life.

2017 marked a turning point in TikTok's early stages. On one hand, it achieved marketing breakthroughs by leveraging celebrity endorsements and partnerships with popular variety shows, reaching over 100 million daily active users that year and solidifying its brand slogan of "capturing beautiful moments." On the other hand, international expansion commenced simultaneously: in May 2017, TikTok launched on the Google Play Store; in November, ByteDance acquired the North American short-video platform Musical.ly and completed the merger. By the end of 2017, TikTok had expanded to cover 150 countries and regions, offering multilingual localized content.

The core technology at this stage involves the initial deployment of self-developed recommendation algorithms that optimize distribution efficiency by analyzing user behavior data while lowering the barrier to using content creation tools. Focusing primarily on vertical short videos that align with mobile usage scenarios, it aims to gradually cultivate users' habit of fragmented consumption.

3.2. Rapid Development Stage

From 2018 to 2020, TikTok entered a phase of rapid development characterized by simultaneous expansion in user scale and business boundaries. In terms of user growth, during the Spring Festival period in 2018, through marketing campaigns such as "Ji Yin Fu," the daily active users (DAU) surged from less than 40 million to 70 million. By August 2020, the user base had expanded from an initial focus on young adults aged 18–24 to encompass all age groups, with those aged 24–30 accounting for over 40%. Regarding its content ecosystem, it evolved from early entertainment-focused categories like dance and cinematography to cover diverse domains, including government affairs, lifestyle, humanities, education, and news. By 2018, numerous government institutions, such as the Beijing Special Police Force and the Central Committee of the Communist Youth League, had established a presence on the platform, establishing a channel for disseminating positive content.

Functional iteration and business expansion were the core characteristics of this phase: In 2018, the live streaming feature was launched to enhance real-time interaction scenarios; in March 2020, the group-buying service was introduced, followed by the launch of "Influencer Store Visits" in July, marking entry into the local lifestyle services sector. Commercially, advertising revenue became the primary pillar—ByteDance's revenue exceeded 140 billion yuan in 2019, rising to 180 billion yuan in 2020, surpassing Baidu to become the industry-leading advertising platform. In April 2020, Luo Yonghao joined TikTok to initiate live-streaming sales, signifying the official launch of e-commerce operations; in October of the same year, TikTok severed external links to third-party e-commerce platforms and mandated merchants to join TikTok Shop, establishing a closed-loop business model of "content–transaction" that laid the foundation for subsequent e-commerce growth.

At the strategic level, TikTok has completed several key integrations and strategic deployments: In January 2020, Volcano Video was renamed TikTok Volcano Edition to achieve brand consistency; in November 2021, ByteDance integrated businesses such as Toutiao and Xigua Video into the TikTok ecosystem to enhance traffic synergy; internationally, TikTok continues to experience rapid growth, with its iOS downloads surpassing those of Facebook and Instagram in the first quarter of 2019, becoming the world's most downloaded app and further solidifying its position as the global leader in short video platforms.

3.3. Maturity Stage

Since 2021, TikTok has entered a mature phase, characterized by diversified commercial models, a stabilized market structure, deepened global operations, and improved compliance governance systems. In 2022, e-commerce became the core growth driver, with TikTok's e-commerce GMV reaching $1.4 trillion and surpassing $4 trillion by 2024, overtaking JD.com and approaching Pinduoduo closely. The share of GMV from shelf-based scenarios rose from 30% in 2023 to 40% in 2024, forming a dual-driven model of "interest-based e-commerce + shelf-based e-commerce." Organizational restructuring was also implemented: in March 2025, Juliang Qianchuan was integrated into the e-commerce department; in September, the KA direct customer sales team was incorporated into the e-commerce system; and in November, the "China Transactions and Advertising" department was established to unify the technical infrastructure, shifting traffic allocation priorities from "advertising revenue maximization" to "long-term GMV growth."

In the dimensions of local living and diversified business expansion, in 2023, TikTok established a new business landscape through the launch of its supermarket and food delivery services, as well as the introduction of the "Yinzunda" delivery service. According to market research forecasts, its total transaction value (GTV) for lifestyle services is expected to exceed 800 billion yuan in 2024. Leveraging its innovative "in-store + delivery" model, TikTok has formed a strong competitive position against industry giants such as Meituan. During its globalization process, TikTok faces stringent data security reviews from regions including the United States and Europe. To address this, it adopted a localized operational strategy and optimized its algorithms, successfully maintaining its market share. As of 2024, TikTok's global monthly active users (MAUs) reached 780 million, consistently securing its leading position in the industry.

During the mature development phase, compliance governance and ecosystem enhancement became key priorities. In 2023, TikTok implemented a real-name display system for user accounts, rigorously combating violations by matrix accounts; in 2025, the "Security and Trust Center" was officially launched, enhancing platform transparency by publicly explaining recommendation algorithm principles and community guidelines. Additionally, the "AI TikTok Truth-Seeking" feature was deployed to strengthen the management of misinformation, while specialized mechanisms for protecting minors were established, comprehensively improving the quality of the platform ecosystem. In terms of technological innovation, AI tools have been deeply integrated into content creation and operational processes, effectively lowering the barriers to content production while fostering innovation in diverse content formats such as long-form videos and infographics. In 2025, the long infographic feature on PC platforms was officially introduced, supporting text creation up to 8,000 characters with up to 30 accompanying images, further expanding the boundaries of content expression.

In terms of commercial development, TikTok has achieved remarkable results. In 2023, ByteDance's advertising revenue exceeded 400 billion yuan, surpassing Alibaba to become the largest advertising platform in China. Among this, e-commerce-related advertising revenue accounted for approximately 50%, a figure that signifies TikTok's successful strategic transformation from a "media platform" to an "e-commerce-driven comprehensive ecosystem platform."

4. TIKTOK'S PROFIT MODEL AND MARKET STRATEGY

4.1. Profit Model

TikTok's revenue model has gradually diversified throughout its development stages, evolving from relying solely on advertising in its early days to now featuring three core pillars: advertising, e-commerce sales, and live streaming, forming a mutually supportive profit system that drives the platform's continuous commercial growth.

4.1.1. Advertising

The advertising business was the earliest and has consistently remained the core revenue source for TikTok. Leveraging massive user traffic and precise algorithmic recommendations, the platform has developed a wide variety of advertising products. Advertising formats have evolved from initial brand placements to splash screen ads, feed ads, search ads, and challenge ads, catering to diverse needs such as brand marketing and conversion optimization.

In terms of accuracy, TikTok relies on user behavior data—such as browsing history, interaction preferences, and consumption tendencies—combined with algorithmic models to achieve targeted advertising delivery, significantly improving ad conversion rates. For example, the local business-specific feed ads precisely reach users within a radius of 3–10 kilometers, helping offline stores attract customers. The massive Qianchuang advertising system for e-commerce merchants enables end-to-end tracking of content recommendations, click-through conversions, and transaction outcomes. Data shows that in ByteDance's total advertising revenue of 400 billion yuan in 2023, TikTok accounted for over 80%, with e-commerce-related advertising contributing 50% of this figure, making it the core driver of advertising growth. Additionally, TikTok's advertising business continues to expand, generating global advertising revenue exceeding $12 billion in 2023, further broadening the global scope of ad monetization.

4.1.2. E-commerce Product Promotion

E-commerce live streaming has become the primary growth engine for TikTok after its maturity, leveraging a closed-loop model that combines content-driven engagement with transaction conversion to directly convert traffic into revenue. E-commerce live streaming mainly falls into two categories: influencer-driven sales and merchant self-broadcasting. Influencer-driven sales involve top-tier and mid-to-low-tier influencers creating short videos to promote products and conducting live streams to drive traffic and sales for merchants, with TikTok charging a commission of approximately 5%–20%. Merchant self-broadcasting refers to brands directly setting up stores on TikTok and selling products through their own live streams, where TikTok primarily collects technical service fees, transaction commissions, and advertising promotion fees.

The rapid growth of TikTok e-commerce is entirely attributed to the establishment of a closed-loop ecosystem. In 2020, after cutting off third-party external links, merchants were required to join TikTok Shop, enabling full control over transaction data. In 2022, TikTok launched its official store platform, enhancing the shelf-based e-commerce scenario. By 2024, the share of GMV generated through this shelf-based model had risen to 40%, forming a dual-driven model combining interest-based e-commerce and shelf-based e-commerce. Data shows that TikTok's e-commerce GMV reached 1.4 trillion yuan in 2022 and exceeded 4 trillion yuan by 2024, making it China's second-largest e-commerce platform after Taobao. E-commerce sales have now become as crucial a revenue source as advertising.

4.1.3. Live Streaming

Live streaming serves as both the core interaction scenario for TikTok users and a significant revenue source. The primary profit models include live stream tipping, live commerce commissions, and product placements in live streams. Live stream tipping was the main revenue generation method in the early stages, where users would purchase virtual gifts like TikTok Coins or Heart Cards to tip streamers, with the platform and streamers sharing profits according to agreed terms—typically around 50% for the platform. As commercial services expanded, live commerce commissions became the primary growth driver for live streaming revenues, complementing e-commerce sales models. Additionally, brands place advertisements in top streamers' live sessions, such as product recommendations through voice-over promotions, while paying advertising fees, further diversifying ways for live streams to generate income.

The profitability of TikTok Live has continued to grow alongside the expansion of the user base and application scenarios. Since Luo Yonghao launched live-streaming sales in 2020, top streamers have frequently set new records for single-session sales revenue. By 2023, TikTok Live's e-commerce GMV accounted for over 60% of the platform's total e-commerce GMV. Meanwhile, donation revenues from entertainment-oriented live streams such as talent performances and gaming broadcasts also saw steady growth, contributing approximately 25% to the overall profitability of the live-streaming business in 2023, establishing it as a vital bridge connecting user engagement with commercial monetization.

4.2. Market Strategy

TikTok's market strategy revolves around three core pillars: building a robust platform ecosystem, enhancing user engagement, and expanding brand collaborations. Through comprehensive strategic deployments, the company aims to solidify its market position while simultaneously boosting both its user base and commercial value.

4.2.1. Building the Platform Ecosystem

Platform ecosystem construction is a core component of TikTok's market strategy, relying on the synergistic development of the content ecology, functional ecology, and commercial ecology to form a self-reinforcing growth cycle. In terms of content ecology, TikTok has gradually expanded from early entertainment content to various fields such as government affairs, education, news, and local life; by 2024, the platform offered over 50 content categories, catering to users' diverse scenario needs. Meanwhile, through implementing creator support programs—such as providing traffic subsidies, creation tools, and commercialization assistance—TikTok has attracted a large number of creators. By 2023, the number of active creators on TikTok exceeded 30 million, fostering a virtuous cycle of creation, consumption, and interaction.

In terms of functional ecosystems, TikTok continuously iterates product features to enhance the user experience: in the short video domain, it has optimized shooting tools, special effect filters, and distribution algorithms; in live streaming, it introduced features such as audio linking, virtual live streaming, and live stream playback; in e-commerce, it established supporting systems including

TikTok Stores, TikTok Mall, and Yinzunda logistics delivery; in local life services, it launched functions like group buying, food delivery, and supermarkets, achieving comprehensive coverage across all scenarios encompassing short videos, live streaming, e-commerce, and local living. Regarding the commercial ecosystem, TikTok has built a win-win system for creators, brands, and users: providing revenue streams for creators, marketing and sales channels for brands, and convenient consumption experiences for users, enabling all parties within the ecosystem to achieve a value closed loop.

4.2.2. Strategies for Enhancing User Engagement

Enhancing user engagement is a key strategy for TikTok to maintain its market competitiveness, primarily achieved through three aspects: precise algorithmic recommendations, optimization of interactive features, and the creation of personalized experiences, all aimed at improving user retention rates and usage duration. Precise algorithmic recommendation serves as the core mechanism, which constructs user profiles based on behavioral data such as likes, comments, shares, and dwell time, enabling accurate content delivery tailored to individual users. According to publicly available data from ByteDance, TikTok users spend an average of over 120 minutes daily on the platform, with the high level of content relevance enabled by algorithmic recommendations being the primary reason for sustained user loyalty.

4.2.3. Optimization of Interactive Functions

TikTok continues to optimize features such as comments, shares, private messages, collaborative videos, and @friends to strengthen social connections among users. The platform has introduced the DOU+ Heating feature, enabling users to monetize their content and enhance engagement. Additionally, through holiday marketing campaigns like the Spring Festival Sound Notes Collection and the Mid-Autumn Festival Lantern Riddle Guessing, as well as challenge events such as National Tasks and Popular Challenges, TikTok has effectively boosted user participation. For example, the 2023 Spring Festival Sound Notes Collection campaign attracted over 800 million participants, significantly improving user activity and retention rates. In terms of personalized experience, TikTok allows users to customize their follow lists and interest tags while optimizing interface design and user workflows to meet diverse needs, thereby further enhancing user stickiness.

4.2.4. Brand Cooperation Strategy

Brand collaboration is a key strategy for TikTok to expand its market influence and achieve commercialization, connecting brands with users through various partnership models to create win-win outcomes for all parties involved. In terms of brand marketing collaborations, TikTok provides integrated marketing solutions for brands, including popular challenge campaigns, customized brand effects, celebrity endorsement partnerships, and government-affiliated collaborations. For example, partnerships with international brands such as Coca-Cola and Nike have launched tailored challenges that attracted over ten million participants; collaborations with popular variety shows like "China Has Hip-Hop" and "Sisters Who Make Waves" have achieved mutual enhancement between brand exposure and platform traffic. Additionally, TikTok collaborates with more than 100,000 government accounts and media accounts nationwide to disseminate positive content, thereby strengthening the platform's credibility.

4.2.5. Business Cooperation Models

TikTok collaborates closely with brand owners and supply chain partners to enhance its e-commerce ecosystem. For instance, it has established official partnerships with renowned brands such as Huawei, Xiaomi, and Li-Ning, opening flagship stores to elevate product quality; partnered with local lifestyle service providers, including restaurants, hotels, and tourist attractions, to launch group-buying and food delivery services, thereby expanding the local lifestyle market; and collaborated with logistics companies to introduce the Yinzunda delivery service, improving the e-commerce logistics experience. Additionally, TikTok facilitates precise matching between brand owners and content creators through its brand collaboration platform. As of 2023, the platform had processed over 50 million brand collaboration orders, serving as a pivotal bridge connecting brand marketing and content creation while further solidifying TikTok's market position in both short-video and e-commerce sectors.

5. COMMERCIAL CANVAS AND MODULE ANALYSIS

Table 1. Business Canvas of TikTok

Key Partnerships	Key Activities	Value Propositions	Customer Relationships	Customer Segments
	Algorithm Optimization and Iteration (Content Ecosystem Maintenance and Creator Incentives) (Live Streaming E-commerce Operations and Fulfillment) (Brand Partnerships and Omnichannel Marketing)		Personalized recommendations based on user interests (Fan community interaction management) (Creator-exclusive services) (User feedback and experience optimization)	
The platform establishes deep collaborations with top creators, brands, and KOLs (TikTok's U.S. operations are required to pay government intermediary fees) and collaborates with supply chain partners to build an O2O ecosystem.	Key Resources	"Let worship begin here" (fragmented entertainment social platforms) (AI-powered content creation and discovery) (creator economy ecosystem)	Channels	Young users (18–35 years old, Gen Z), users in lower-tier markets, senior citizens, creators, and businesses
	AI algorithms and big data technology (creator ecosystem and user data) (e-commerce infrastructure and supply chain) (brand partnerships and omnichannel marketing networks)		Short video/live streaming content distribution (Juyang Qianchuan Advertising System) (TikTok small store e-commerce closed loop) (Offline O2O integration) Algorithmic recommendation and traffic pool mechanism (cross-platform content adaptation) (localized operations and offline activities)	
Cost Structure		Revenue Streams		
AI R&D and computing power investment (content ecosystem maintenance costs) (user acquisition and operational expenses) (e-commerce fulfillment and return costs) (international expansion costs)		Advertising revenue (60-65%) (e-commerce commissions (10-15%) (live streaming tip-sharing (15-20%) (value-added services (5-10%) (technical service fees)		

5.1. Customer Segments

TikTok's customer segmentation exhibits multi-dimensional characteristics, primarily divided into the following four core groups:

Young users (aged 18–35, Gen Z): Accounting for over 70% of the population, this demographic pursues trends, personalized expression, and social interaction. They showcase talents through short videos, document daily life, and establish social connections with peers in comment sections.

Users in lower-tier markets (cities at the third and fourth tier and below): accounting for approximately 58%, they are the primary source of TikTok user growth. This group focuses on local life, practical tips, and emotionally resonant content, showing strong price sensitivity and high consumption willingness.

The silver-haired demographic (aged 50 and above): accounting for approximately 17%, with interests in health preservation, nostalgic content, and family warmth. AIGC technology has lowered the creative threshold for this group, resulting in an 85% increase in content creation by middle-aged and elderly users.

Creators and merchants: TikTok has built a multi-sided platform ecosystem of "content creators-ordinary users-merchants". Creators gain traffic and revenue through content, while merchants monetize through advertising and e-commerce.

Geographical distribution: Users in first-tier cities account for 42%, while those in lower-tier markets account for 58%. TikTok has driven a 18% growth in users in lower-tier markets through localized operational strategies such as the "Hundred Counties, Thousand Products" initiative.

5.2. Value Propositions

TikTok's value proposition revolves around the core experience of "content creation, sharing, and discovery":

Fragmented entertainment social platform: Delivering 15-30 second short videos to meet users' needs for entertainment and social interaction during fragmented time slots, with an average daily usage duration of 1.55 hours—significantly exceeding WeChat (1.3 hours) and Kuaishou (1.2 hours).

AI-powered content creation and discovery: Leveraging AI technologies like the Skylark large model, we achieved precise content recommendations, boosting completion rates by 20% and reaching user retention metrics (DAU/MAU) of 76.3%—the highest across all platforms.

Creator Economic Ecosystem: The platform introduced incentive programs for creators, including traffic support, revenue transparency, and tool assistance. This resulted in a 27% increase in daily high-quality video output and a 19% rise in average creator earnings.

Social viral features such as fan group polls and dynamic stickers significantly boost user engagement, driving a 27% increase in social sharing rates and attracting over 120 million daily active users to the community.

Integration of local life services: TikTok e-commerce GMV exceeded 3 trillion yuan (by 2025), with live streaming accounting for 65%, short videos for 25%, and shelf e-commerce for 10%.

5.3. Channel Access (Channels)

TikTok delivers and monetizes its value proposition through multiple channels:

Online content distribution: Short video/live streaming content distribution serves as the primary channel, achieving precise audience reach through algorithmic recommendations. The Youku

Qianzhuang advertising system supports brand placements, enabling "one-time creation, omnichannel monetization".

E-commerce closed-loop construction: TikTok Stores provide complete transaction scenarios. By 2025, short video e-commerce will account for over 40%, with GMV reaching 200 billion yuan during the 618 period, accounting for nearly 50%.

O2O integration model: This approach combines 'online ordering with in-store services,' as exemplified by Linglong Tire and ChinaCache. By leveraging headquarters livestreaming platforms to attract traffic and utilizing a network of physical stores, it achieves seamless synergy between digital engagement and offline service delivery.

Cross-platform content adaptation: Tailoring content formats to platform-specific characteristics—for instance, Douyin prioritizes 'high visual impact' while Xigua Video emphasizes 'in-depth content' so as to optimize content dissemination efficiency.

Localized operations: Tailor marketing strategies to urban demographics. For instance, first-tier city users prioritize knowledge education and premium consumption, while lower-tier markets favor local lifestyle experiences and cost-effective products.

5.4. Customer Relationships

TikTok builds and maintains customer relationships through technical tools and interactive design:

Personalized recommendation system: Based on user behavior data (such as viewing duration and interaction frequency), it delivers precise content recommendations to enhance user engagement. The comment section now includes interactive features like the "Emotional Resonance Index" to strengthen emotional connections with users.

CRM system application: TikTok Enterprise CRM can automatically collect user data, classify customers based on activity levels and purchase intent, and push personalized content and discounts. A certain brand achieved a 22% increase in customer repurchase rate through TikTok CRM precision marketing.

Fan community operations: The fan group feature integrates with mini-programs, supporting activities such as voting and lotteries, with an average daily active user base exceeding 120 million. Vertical event IPs like the Trendy Dance Competition have attracted over 200 million participants, with related topic views peaking at 15 billion.

Creator-exclusive services: Providing traffic support, revenue transparency, and tool assistance for creators. For instance, the Creation Academy's online course system comprises 12 modules, having trained over 250,000 creators to date.

User Feedback and Experience Optimization: Through data monitoring and strategy adjustments, we continuously enhance the user experience, achieving notable improvements such as a 15% increase in average ROI for advertisers and significant content quality enhancements.

5.5. Revenue Streams

TikTok's revenue sources exhibit a diversified structure:

Advertising revenue (60-65%): Includes formats such as feed-based ads, brand challenges, and pre-roll ads, with CPM around 200 yuan and CPC approximately 0.2 yuan. Advertisers can achieve high conversion rates through precise targeting. For instance, after a chain restaurant brand implemented omnichannel advertising campaigns, ad spend increased from 80,000 yuan to 150,000 yuan, while in-store conversion rates rose by 120%, and ROI improved from 1:3 to 1:4.8.

E-commerce commission (10–15%): TikTok's small store transaction commission rate is 5%-20%, while the live-streaming sales commission rate ranges from 10%-30%. By 2025, TikTok e-commerce GMV is expected to reach 3.8 trillion yuan, representing a 40% year-on-year increase, with live-streaming e-commerce contributing 65%, short-video e-commerce 25%, and shelf e-commerce 10%.

Live streaming tipping revenue split (15–20%): When users purchase virtual gifts to tip streamers, the platform and streamer share the proceeds proportionally (typically around 50%). Top-tier streamers like Jia Nailiang can achieve a single-session GMV exceeding 50 million yuan.

Value-added services (5–10%): including TikTok membership, paid short dramas, music copyright licensing, etc. Membership services provide features such as ad-free browsing and exclusive sticker packs, while paid short dramas are charged per episode or monthly. Musicians earn copyright royalties through the TikTok Musician Program.

Technical service fees: such as enterprise account packages (basic version 600 yuan/year) and API interface call charges.

5.6. Key Resources

TikTok's core resources support the operation of its business model:

AI algorithms and big data technologies: Technical resources such as the Skylark large model algorithm and the AIGC toolchain enable the platform to achieve precise content recommendation and creative assistance. In 2024, ByteDance's AI-related expenditures exceeded $12 billion, with a year-on-year increase of 85%.

Creator Ecosystem and User Data: The massive creator community (with a 27% increase in daily high-quality video output) and user behavior data (average monthly usage duration of 46.54 hours) constitute the core assets of the platform. User data, including viewing duration and interaction frequency, are utilized to build multidimensional user profiles.

E-commerce infrastructure and supply chain: TikTok e-commerce integrates content with consumption scenarios through the "interest-based e-commerce" model, establishing a complete supply chain system. By 2025, TikTok e-commerce GMV reached 3.8 trillion yuan, representing a year-on-year growth of 40%.

Brand collaboration and omnichannel marketing network: TikTok has built an integrated ecosystem combining advertising, content, and e-commerce, such as marketing IPs like "New Product Launch Day," enabling brands to directly convert content exposure into sales conversions, with marketing efficiency improved by 40%.

International resources: TikTok boasts 2.5 billion monthly active users globally, establishing a substantial international user base. Although TikTok's U.S. operations remain in a period of strategic losses, the traffic generated has been successfully channeled into monetization channels such as e-commerce and live streaming.

5.7. Key Activities

TikTok's key business ensures the sustainable operation of its business model:

Algorithm optimization and iteration: Continuously optimize recommendation algorithms to implement a traffic pool promotion mechanism (cold start → horse race → exposure). In 2025, TikTok and Jumei Qianchuan's algorithm teams will be integrated to break down the barriers between the advertising traffic pool (M3) and the organic traffic pool (M1).

Content ecosystem maintenance: By implementing creator incentive programs, training through the Content Academy, and content review mechanisms, a healthy content ecosystem is sustained. The platform achieved a 27% increase in daily average high-quality video output, with creators' average revenue growing by 19%.

E-commerce Operations and Fulfillment: Improve e-commerce infrastructure, strengthen brand collaboration, and integrate the supply chain. By 2025, TikTok's e-commerce GMV reached 3.8 trillion yuan, a year-on-year increase of 40%. Through orders generated by the "Qianchuang·Chengfang" product, technical service fees were reduced to 0.6%, and the "Net Transaction Bid" feature was launched to optimize merchants' ROI on traffic investment.

Brand collaboration and marketing planning: Jointly launching customized content and IP activities with brand partners, with cooperation fees charged. For example, an international alcoholic beverage brand achieved a maximum viewership of 128,000 per live stream through TikTok's live streaming matrix operations.

Technology investment and R&D: In 2024, ByteDance's R&D expenditure ratio increased to 18%, 5 percentage points higher than the industry average. Initial results of AI technology investment have been achieved, with new product lines such as Douyin video generation large models and Ola Friend smart headphones improving monetization efficiency per user by 17%.

5.8. Key Partnerships

TikTok's important collaborative network supports its business expansion:

We established deep collaborations with top creators such as Liu Jiamin (specializing in short video special effects) and Xiao Baozi (producing literary interpretation long-form videos). Through systematic live streaming course training and equipment upgrades, they achieved monthly income exceeding 10,000 yuan.

Strategic alliances with brand partners, such as Linglong Tire and China Jiahua, to build a three-tier TikTok matrix system of "headquarters live streaming traffic diversion + store matrix reception," achieving synergy between traffic and offline services.

Collaboration with KOL/KOC: The TikTok Creator Incentive Program supports small and medium creators, such as the "Product Recommendation Incentive Program," which has low thresholds and supports rapid effectiveness. Some revenue rules overlap with the main program, making it a transitional activation method.

Collaboration with agency networks: such as BlueFocus (TikTok's global "AI Marketing Pioneer"), Yaowang Technology (TikTok's live e-commerce "scale-level operator"), and Shengguang Group (TikTok's overseas "global agency benchmark"), deeply integrating with TikTok's commercial lifelines.

Collaboration with supply chain partners: TikTok e-commerce partners and brand partners jointly build a supply chain system. For example, brands like SHEIN have achieved a 30% ROI increase through TikTok.

Collaboration with governments/regulators: For instance, TikTok's U.S. operations are required to pay $10 billion in 'political intermediary fees' as compensation for government facilitation of transactions.

5.9. Cost Structure

The cost structure of TikTok mainly includes the following aspects:

AI R&D and computing power investment: In 2024, ByteDance's AI-related expenditures exceeded $12 billion, with a year-on-year increase of 85%. NVIDIA chip procurement alone cost $7 billion to support algorithmic recommendations and content generation.

Content ecosystem maintenance costs: including expenditures on creator incentive programs, copyright procurement fees (music/video licensing), and content moderation labor costs. The platform achieved a 27% increase in daily average high-quality video output, with creators' average revenue growing by 19%.

User acquisition and operational costs: including advertising placement fees (CPM approximately 200 yuan), influencer collaboration fees (100,000 follower accounts with single posts priced at 10,000–20,000 yuan), brand collaboration fees, etc. In 2025, TikTok advertisers saw an average ROI increase of 15%, but traffic costs (such as click-through costs for ad placements reaching up to 12 yuan) have become one of the most expensive commodities for merchants.

E-commerce fulfillment and return costs include logistics fulfillment costs (US$5 per last-mile delivery), return processing costs (8% return rate), and customer service labor costs. TikTok Shop requires fast delivery (2–3 days), resulting in fulfillment costs 40% higher than standard e-commerce platforms.

International expansion costs: including overseas team building for TikTok, localized operations, and compliance costs (such as data privacy regulations). In 2024, ByteDance's international sales surged 63% year-on-year to $39 billion, accounting for over 25% of total revenue for the first time, but overseas operations remain in a period of strategic losses.

Technical infrastructure costs: including server maintenance and data security investments. In 2026, ByteDance's budget planning for artificial intelligence and computing power reached 300 billion yuan, with approximately 100 billion yuan allocated for overseas GPU procurement and 45 billion yuan for domestic chips, to support its global business expansion strategy.

content, and e-commerce, achieving a direct link from content exposure to sales conversion through marketing IPs such as "Heartbeat New Day," resulting in a 40% overall improvement in marketing efficiency.

Creator Economic System: Through creator incentive programs, financial rewards, and traffic support, financial rewards and traffic support are utilized to stimulate creator vitality, establishing a sustainable content supply mechanism. Additionally, the online course system of the Creative Academy has trained over 250,000 creators, providing them with professional content creation support.

6. SUM UP

6.1. Review of Research

This study systematically reviews the development history, operational mechanisms, and business model of the TikTok platform, identifying several key research findings. Based on its developmental characteristics, TikTok has built a platform ecosystem leveraging its technological capabilities, making it a typical platform-based internet product. Through diversified business integration, the platform has evolved into a comprehensive digital platform that combines short video content, online e-commerce, and local lifestyle services. Considering multiple dimensions such as user growth, content iteration, business expansion, and global presence, this study divides TikTok's development into three stages: the initial phase, the rapid growth phase, and the maturity phase, each with distinct characteristic features.

Analysis shows that TikTok's profitability primarily relies on three major business segments: advertising, e-commerce sales, and live streaming. Among these, the advertising business was launched earliest and remains the platform's primary revenue source. Leveraging the platform's intelligent recommendation algorithms, advertising enables precise targeted delivery; however, this model also faces challenges such as severe content homogeneity and sluggish growth in conversion rates. E-commerce sales currently serve as the core driver of the platform's performance growth, with TikTok establishing a complete transaction cycle from browsing and ordering to after-sales service, resulting in continuously rising total merchandise transactions. Nevertheless, issues like inconsistent product quality, inadequate after-sales service systems, and insufficient consumer trust hinder the further development of e-commerce operations. Live streaming generates revenue through various channels—including viewer tips, product promotions during broadcasts, and ads within live streams—where its strong interactivity and real-time nature attract large audiences, yet it also faces challenges such as content homogeneity, intense competition among streamers, and user attention being diverted across multiple channels. These three revenue models work synergistically to form TikTok's core income ecosystem.

At the market operations level, TikTok formulates operational strategies across multiple dimensions—including platform ecosystem development, user retention, online interaction, and brand partnerships—with the aim of achieving synergistic growth among platform content, product features, and commercial monetization. Leveraging intelligent algorithms, social interaction mechanisms, and diversified marketing campaigns, the platform has not only consolidated its core user base but also continuously expanded collaborations with various brands, thereby steadily broadening its commercial horizons.

This study further employs the classic analytical tool of the Business Model Canvas to systematically analyze Douyin's business model across nine modules: customer segmentation, value proposition, distribution channels, customer relationships, revenue sources, core resources, key businesses, major partnerships, and cost structure. It clarifies the platform's user demographics, business logic, revenue architecture, core competitiveness, partnership network, and cost composition. Drawing on existing literature, the study also identifies mainstream research topics in the short-video domain and highlights areas requiring further exploration in current academic research. Through this work, researchers have acquired relevant knowledge in business and economics and gained a deeper understanding of the operational mechanisms underlying internet platform business models.

6.2. Research Innovation and Value Significance

This study integrates classical business model theory with specific cases of TikTok, enriching empirical research on the commercialization of short video platforms. Whether for similar short video platforms or internet products seeking to explore commercialization pathways, the conclusions of this study provide valuable theoretical references and practical insights.

6.3. Limitations of the Study and Future Prospects

This study primarily relies on literature reviews and theoretical analysis, without conducting field investigations or utilizing primary data or quantitative analysis, which to some extent limits the depth of its arguments. Furthermore, the comparative analysis of TikTok and other similar short-video platforms in China is insufficient, and the examination of potential social issues arising from platform commercialization, algorithmic ethics controversies, and the profound impacts of emerging technologies remains superficial.

Subsequent research could incorporate field investigations to collect empirical data and conduct quantitative analysis, thereby enhancing the persuasiveness of findings. Additionally, comparative studies across different platforms should be strengthened to examine the distinct characteristics of various short-video business models under varying market conditions. Furthermore, further exploration could focus on areas such as platform governance, the integration of new technologies, and potential industry risks, enabling long-term tracking of developments within the entire short-video sector.

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