

Qualitative Insights into Value Creation in Internet Short Video Business Models

Jingwei Liang

International Management, Business School, University of Leicester, UK

*liangjingwei2023@163.com

Abstract

This study tackles the crucial question: "How do internet short video platforms create value through their business models?" It takes a unique approach by examining the framework of business model elements, underpinned by network effect theory. The study methodically segments the business model into three dimensions: value proposition, value creation, and value capture. Utilizing the cases of TikTok and Kuaishou, it maps out the theoretical structure of business models in the internet short video domain and investigates how these models facilitate value creation. The findings of this research highlight that the essential components of internet short video business models encompass content, traffic, operations, and monetization strategies. These elements are categorized into three distinct business model types: those prioritizing content ("content is king"), those emphasizing social engagement ("social supremacy"), and those combining both approaches ("dual-engine driven"). Each category demonstrates a unique pathway to value creation, aligned with cross-side, same-side, and dual-side network effects, respectively. The study underscores that the "dual-engine driven" model, merging the strengths of both content and social interaction, is key to achieving lasting competitive advantage in the short video platform arena. This research significantly advances our comprehension of the dynamics and mechanisms of value creation in internet short video business models, offering practical insights and strategic implications for the industry.

Keywords

Business Models; Value Creation; Internet Short Video Platforms; Business Models; Network Effect Theory.

1. Introduction

The digital landscape has been dramatically reshaped by the rise of internet short videos, a trend accelerated by the widespread adoption of mobile internet, artificial intelligence, and big data technologies (Barta et al., 2023). These videos have swiftly overtaken traditional text and image-based content, emerging as a new vehicle for delivering fragmented, entertainment-centric experiences in the digital economy era. In this rapidly evolving space, internet behemoths are stepping in with strategic moves (Li, Tan, & Yang, 2020). A notable example is Tencent, which, after reviving its "Weishi" platform in 2018, launched "Video Accounts" on WeChat in January 2020. This move aimed to integrate diverse digital scenes like social circles and public accounts, exploring new territories in breaking market boundaries and monetization strategies (Li et al., 2022). This trend underscores a need for a deeper understanding of the commercial models and value creation mechanisms of internet short videos, necessitating a thorough examination of their underlying theoretical frameworks to better guide practical applications (Zhou & Liu, 2021). In academic circles, the business model in the digital economy is defined as the fundamental principle or mechanism design for

enterprises to create, deliver, and capture value, with 'value creation' as its pivotal concept (Feldkamp, 2021). Based on existing literature, this article adopts a logical thread from 'value proposition' to 'value creation' and finally 'value capture.' It defines the value creation within a business model as starting with an attractive value proposition to users, followed by building a co-creation network of users and stakeholders, centering around satisfying user needs and enhancing user experience as the core (Ma & Yu, 2021). Only on this foundation can a more effective distribution or capture of corporate value be achieved. However, research focusing specifically on the application context of internet short videos remains scarce (Tang, 2019). Existing studies mainly generalize internet content, discussing concepts and effectiveness of content marketing, user-generated content value mining, and decision-making positioning of content platforms. Although some literature has begun to address the business models of internet short videos, they largely focus on their impact on specific operational activities, platform positioning models, and their relationships with other elements in specific social contexts (Huang, 2020). The theoretical architecture and mechanisms of value creation for internet short video business models still require further exploration. As these models are rooted in internet technology and predominantly use short videos as their main format, connecting interchangeable content creators and consumers and sparking a range of behaviors like real-time interaction and transactions, they represent a classic platform business model in a dual-sided market (Hou & Zhang, 2022). The key to such models achieving value creation, growing robustly, and establishing defense mechanisms lies in network effects. Therefore, this article chooses network effects as its theoretical foundation to explore the theoretical architecture and value creation mechanisms of this new platform business model (Choudhary, Gautam, & Arya, 2020).

2. Literature Review

The business model of short video on the internet is a platform-based business model that employs short videos as a medium, leveraging internet technology to facilitate interactions between content creators and content consumers. Within this domain, content creation methods encompass user-generated content (UGC), professional-generated content (PGC), and professional user-generated content (PUGC). Despite garnering significant attention from both industry and academia, a noticeable dearth of scholarly articles pertaining to management and business-related aspects has been observed within major academic journals, both domestically and internationally. A comprehensive review of the literature indicates that prevailing research predominantly centers on generalized internet content within the purview of content marketing.

3. Content Marketing Perspective

Within the realm of content marketing, scholars such as Hollebeek and Macky have endeavored to construct a conceptual framework elucidating the antecedents and outcomes of user-based content marketing (Lin & de Kloet, 2019). Their contention is that internet content marketing distinguishes itself from traditional persuasive marketing by encompassing digital brand content delivery and the pursuit of long-term value creation for current and prospective users. Some scholars, exemplified by Timoshenko and Hauser, have directed their attention toward the prolific generation of UGC in the digital economy era. They advocate for the application of machine learning techniques to discern user needs accurately from this abundant data. Similarly, Kwark et al (Tan et al., 2020). have devised a game model to explore the influence of UGC as a pivotal information source for business decision-making in the realm of product design. Concurrently, a nascent body of literature has delved into online video content. For instance, Li et al. have developed a behavioral game model tailored for content providers, online

video platforms, and advertisers, optimizing platform access strategies under varying scenarios. Furthermore, Li and Tan have undertaken an investigation into paid and free business models for online video content, examining optimal pricing and free strategies within a continuous-time model. Building upon this foundation, several scholars have embarked on research regarding the business models of short internet videos, with particular emphasis on the impact of short videos on specific operational activities, platform positioning models, and their interplay within distinct social contexts (Su, Baker, Doyle, & Yan, 2020).

4. Business Model and Value Creation

In the scholarly discourse on business models, it is essential to recognize the centrality of value creation. Scholars have proffered diverse explanations for this concept, with Amit and Zott proposing a strategic and entrepreneurial perspective that views a business model as an operational system transcending core business boundaries (Gerlieb, 2021). This operational system comprises design elements (content, structure, governance) and design themes (novelty, lock-in, complementarity, and efficiency) rooted in disruptive innovation, strategic networks, the resource-based view of the firm, and transaction cost theory, respectively. Various frameworks have emerged in the study of business models (Haenlein et al., 2020). Osterwalder and Pigneur, adopting a marketing perspective, introduced the Business Model Canvas, dividing the business model into customer, product, operation, and revenue modules, each comprising nine constituent elements. Johnson et al. advocate for four key elements within a business model: customer value proposition, profit formula, key resources, and key processes. Chinese scholars, Wei et al., define a business model as a transaction structure and present a six-element model encompassing positioning, operational mechanism, and enterprise value (Guarda et al., 2021).

5. Network Effects in Platform-based Business Models

The business model of short internet videos, falling under the purview of a platform-based business model within a two-sided market, hinges upon network effects as a cornerstone for value creation and further development. Network effects encompass same-side and cross-side network effects, the former influencing users on the same side of the platform and the latter affecting users on different sides (Wahid et al., 2023). Platform-based business models, grounded in network effects, can unite stakeholders to form a "value network+" by enhancing their resource attributes, connection attributes, and network attributes. This fosters value co-creation and the accrual of "connection dividends" through community platform isolation mechanisms. Existing research predominantly concentrates on industry-specific analyses. For instance, Chi Maomao et al. focused their efforts on shared accommodation platforms, exploring the impact mechanisms of landlords' perceived usefulness and satisfaction on their willingness to continue participating, thereby influencing user value creation. Additionally, Rong et al. have synthesized determinants of network effects. In summary, the business model of short internet videos encompasses a multifaceted landscape with implications for content creation, value creation, and network effects, making it a compelling subject of scholarly inquiry (Ma & Hu, 2021).

6. Methodology

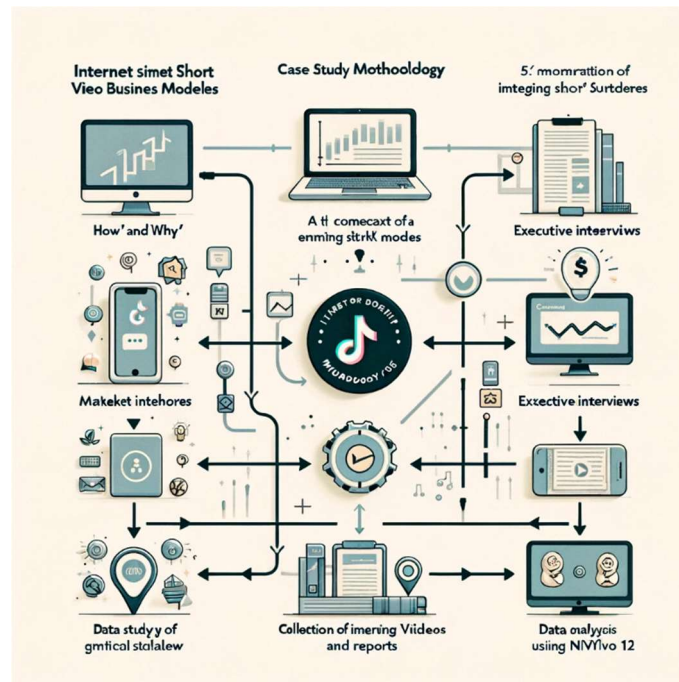


Figure 1. The methodology flow of scholarly study on the internet short video business models

In this scholarly endeavor, we employ a case study methodology to rigorously investigate the theoretical underpinnings and value creation mechanisms of internet short video business models. This approach is particularly apt for unpacking the complexities inherent in our research questions, which probe into the 'how' and 'why' of business model functionality within this digital milieu. The case study's intrinsic depth and focus are indispensable for discerning the subtle nuances and theoretical constructs that underlie observable phenomena in this domain. Our study's contextual foundation is the relatively nascent and distinctive field of internet short videos, a domain still in its embryonic stage in terms of academic exploration (see Figure 1). This pioneering character of our research predicates the selection of a case study methodology over traditional empirical methods, which may be constrained by the paucity of prior studies and established theories in this area. To enhance the study's external validity (Fossey et al., 2002), we have adopted a comparative and inductive strategy, utilizing two distinct cases, guided by the principles of theoretical sampling. TikTok (Douyin) and Kwai (Kuaishou) have been selected for their exemplary representation of the internet short video sphere. Their market dominance and distinct user bases, as evidenced by their respective monthly active users (550 million and 490 million as of January 2020), render them particularly illustrative for this study. Moreover, their divergent market positioning and profit strategies offer a rich tapestry for comparative analysis, thereby enhancing the study's heterogeneity (Mou, 2020). Our research benefits from a plethora of public domain resources, including executive interviews, reports, and firsthand observations, thereby bolstering the construct validity of our findings (Di Gregorio, 2000). The research team has meticulously corroborated these diverse sources through triangulation, ensuring both the authenticity and reliability of the data. A comprehensive case document repository has been curated from these materials, laying a robust foundation for subsequent coding analysis. The data sources for TikTok and Kwai encompass a broad spectrum, ranging from executive interviews and speeches, direct observations by our research team, to authoritative official reports and extensive literature reviews, among others. This multifaceted data collection strategy enriches our analysis,

providing a holistic understanding of the subject matter (Mays & Pope, 2000). Central to our study is the evolving academic consensus on business model frameworks, particularly the significance of value propositions, value co-creation networks, and user-centric value creation. Our methodology aligns with this perspective, examining business models through the lens of 'value proposition -> value creation -> value capture.' We rigorously analyze our collected data using grounded theory coding techniques and structured data analysis, employing NVivo 12 software for meticulous coding. Throughout this process, ambiguities and discrepancies are resolved through collaborative review and discussion within our research team, ensuring a comprehensive and nuanced understanding of our findings. This iterative process of data collection and analysis culminates in a robust and thorough conceptualization of the core concepts and categories pertinent to our study (Orb, Eisenhauer, & Wynaden, 2001).

7. Findings

In this scholarly treatise, we explore the multifaceted business model of Internet short video platforms, meticulously analyzing their strategic dimensions: value proposition, value creation, and value capture. This comprehensive framework integrates four cardinal elements: content, traffic, operation, and monetization, which are pivotal in deciphering the business paradigms of prominent platforms like TikTok and Kuaishou. The dimension of value proposition is exemplified by content, encompassing user-generated short videos. This content bifurcates into two distinct categories: media-oriented (PGC) and social-oriented (UGC). Media-oriented content accentuates trending themes and celebrity influences, thereby magnetizing users for passive consumption. In contrast, social-oriented content, rooted in daily life and authenticity, fosters interactive engagement within local communities (Gray, 2021). Delving into the value creation dimension, we scrutinize 'traffic' and 'operation'. Traffic signifies the aggregate user engagement, quantified through metrics such as clicks, registrations, browsing, and interactions. Operation pertains to the managerial strategies encompassing planning, organization, and coordination, all aimed at achieving specific operational objectives. This traffic is further divided into two spheres: the public domain (under platform control) and the private domain (under user control). Similarly, operation can be centralized (platform-driven) or decentralized (user-driven), each with unique objectives and methodologies. Monetization, the linchpin of the value capture dimension, is the art of converting existing traffic into revenue. This monetization bifurcates into two models: transaction-promotion (capitalizing on public domain traffic by the platform) and emotional-relationship (leveraging private domain traffic by users). The former encompasses strategies like information flow advertising and e-commerce traffic diversion, while the latter includes tactics such as live streaming rewards and sales, underscoring the significance of user connections and trust. The treatise further elucidates the crucial role of network effects within this business model, highlighting how the network's value escalates exponentially with each new participant (see Table).

This phenomenon engenders positive feedback loops, augmenting both user experience and value creation, thereby enabling supply-side entities to optimize transaction value and facilitate sustainable value capture. An in-depth analysis of the key elements, their interrelationships, and the theoretical framework underpinning value creation in the Internet short video business model is presented. This analysis is particularly focused on TikTok and Kuaishou, delineating distinct performance characteristics and fundamental disparities. The "Content is King" model, grounded in the value proposition of delivering media-oriented content, is adept at generating public domain traffic through centralized operation, thus capturing value via transaction-promotion monetization, propelled by cross-border network effects. This model underscores the primacy of content quality and creator expertise, catalyzing viewer engagement and fostering a cycle of content creation and consumption. The competitive edge here lies in the

isolation of heterogeneous resources, including strategically positioned media-oriented content, public domain traffic, and centralized operational capabilities. This leads to enhanced user experiences and scale expansion, allowing rapid market penetration and value capture. Specifically, the TikTok case study exemplifies this model. Its content strategy, operational tactics, and monetization approaches clearly demonstrate how TikTok leverages its platform dynamics to dominate public domain traffic and centralize operations, thereby maximizing revenue predominantly through advertising and traffic acquisition strategies. The intricate relationship between content creators and consumers on TikTok, typified by a fan-idol dynamic, underscores the platform's unique approach to traffic distribution and content lifecycle management. In conclusion, this scholarly exposition provides an incisive, comprehensive analysis of the Internet short video business model, elucidating its complexities and nuances through theoretical frameworks and real-world examples from TikTok and Kuaishou.

Table 1. Analyzing the Business Model of Internet Short Video Platforms: A Comparative Study of TikTok and Kuaishou

Dimension	Subcategory	Description	Example Platforms
Value Proposition	Content	User-generated short videos, divided into media-oriented (PGC) and social-oriented (UGC) content.	TikTok, Kuaishou
	Media-oriented Content	Focus on trending themes and celebrity influences, for passive consumption.	TikTok
	Social-oriented Content	Rooted in daily life and authenticity, fostering interactive engagement.	Kuaishou
Value Creation	Traffic	Aggregate user engagement, measured by clicks, registrations, browsing, and interactions.	TikTok, Kuaishou
	Operation	Managerial strategies including planning, organization, and coordination, with centralized or decentralized approaches.	TikTok, Kuaishou
	Traffic Types	Public domain (under platform control) and private domain (under user control).	TikTok, Kuaishou
	Operation Types	Centralized (platform-driven) vs. decentralized (user-driven).	TikTok, Kuaishou
Value Capture	Monetization	Converting traffic into revenue, with transaction-promotion (public domain) and emotional-relationship (private domain) models.	TikTok, Kuaishou
	Transaction-Promotion	Includes information flow advertising and e-commerce traffic diversion.	TikTok
	Emotional-Relationship	Involves live streaming rewards and sales, focusing on user connections and trust.	Kuaishou

References

- [1] Augusto, M. F., Victor, J. A., Mazón, L. M., Lopes, I., Oliveira, P., & Guarda, T. (2021). The impact of TikTok on digital marketing. In *Marketing and Smart Technologies: Proceedings of ICMaTech 2020* (pp. 35-44). Singapore: Springer Singapore.
- [2] Barta, S., Belanche, D., Fernández, A., & Flavián, M. (2023). Influencer marketing on TikTok: The effectiveness of humor and followers' hedonic experience. *Journal of Retailing and Consumer Services*, 70, 103149.
- [3] Choudhary, N., Gautam, C., & Arya, V. (2020). Digital marketing challenge and opportunity with reference to TikTok - a new rising social media platform. *Editorial Board*, 9(10), 189-197.
- [4] Di Gregorio, S. (2000, September). Using Nvivo for your literature review. In *Strategies in qualitative Research: Issues and Results from Analysis Using QSR NVivo and NUD* IST Conference at the institute of Education, London* (pp. 29-30).
- [5] Feldkamp, J. (2021). The rise of TikTok: The evolution of a social media platform during COVID-19. *Digital responses to Covid-19: Digital innovation, transformation, and entrepreneurship during pandemic outbreaks*, 73-85.
- [6] Fossey, E., Harvey, C., McDermott, F., & Davidson, L. (2002). Understanding and evaluating qualitative research. *Australian & New Zealand journal of psychiatry*, 36(6), 717-732.
- [7] Gerlieb, A. (2021, July). TikTok as a new player in the contemporary arts market: A study with special consideration of feminist artists and a new generation of art collectors. In *Arts* (Vol. 10, No. 3, p. 52). MDPI.
- [8] Gray, J. E. (2021). The geopolitics of "platforms": The TikTok challenge. *Internet policy review*, 10(2), 1-26.
- [9] Haenlein, M., Anadol, E., Farnsworth, T., Hugo, H., Hunichen, J., & Welte, D. (2020). Navigating the New Era of Influencer Marketing: How to be Successful on Instagram, TikTok, & Co. *California management review*, 63(1), 5-25.
- [10] Hou, J., & Zhang, Y. (2022). "Selling Poverty" on Kuaishou: How entrepreneurialism disciplines Chinese underclass online participation. *Global Media and China*, 7(3), 263-282.
- [11] Huang, Y. (2020). On Sinofuturism: Resisting Techno-Orientalism in Understanding Kuaishou, Douyin, and Chinese AI. *Screen Bodies*, 5(2), 46-62.
- [12] Li, K., Shao, G., Yang, N., Fang, X., & Song, Y. (2022, October). Billion-user Customer Lifetime Value Prediction: An Industrial-scale Solution from Kuaishou. In *Proceedings of the 31st ACM International Conference on Information & Knowledge Management* (pp. 3243-3251).
- [13] Li, M., Tan, C. K., & Yang, Y. (2020). Shehui Ren: cultural production and rural youths' use of the Kuaishou video-sharing app in Eastern China. *Information, Communication & Society*, 23(10), 1499-1514.
- [14] Lin, J., & de Kloet, J. (2019). Platformization of the unlikely creative class: Kuaishou and Chinese digital cultural production. *Social Media+ Society*, 5(4), 2056305119883430.
- [15] Ma, J., & Yu, S. (2021, October). The future development of e-commerce in TikTok. In *2021 International Conference on Public Relations and Social Sciences (ICPRSS 2021)* (pp. 241-246). Atlantis Press.
- [16] Ma, Y., & Hu, Y. (2021). Business model innovation and experimentation in transforming economies: ByteDance and TikTok. *Management and Organization Review*, 17(2), 382-388.
- [17] Mou, J. B. (2020). Study on social media marketing campaign strategy--TikTok and Instagram (Doctoral dissertation, Massachusetts Institute of Technology).
- [18] Orb, A., Eisenhauer, L., & Wynaden, D. (2001). Ethics in qualitative research. *Journal of nursing scholarship*, 33(1), 93-96.
- [19] Su, Y., Baker, B. J., Doyle, J. P., & Yan, M. (2020). Fan engagement in 15 seconds: Athletes' relationship marketing during a pandemic via TikTok. *International Journal of Sport Communication*, 13(3), 436-446.

- [20] Tang, D. (2019). The New Situation of Marketing in the Self-Media Era-Taking Tik Tok as an Example. 2nd Int. Wprkshop Adv. Soc. Sci.(IWASS 2019), 1557-1560.
- [21] Tan, C. K., Wang, J., Wangzhu, S., Xu, J., & Zhu, C. (2020). The real digital housewives of China's Kuaishou video-sharing and live-streaming app. *Media, Culture & Society*, 42(7-8), 1243-1259.
- [22] Wahid, R., Karjaluto, H., Taiminen, K., & Asiati, D. I. (2023). Becoming TikTok famous: Strategies for global brands to engage consumers in an emerging market. *Journal of International Marketing*, 31(1), 106-123.
- [23] Zhou, M., & Liu, S. D. (2021). Becoming precarious playbour: Chinese migrant youth on the Kuaishou video-sharing platform. *The Economic and Labour Relations Review*, 32(3), 322-340.