

The Analysis of Short Video Platform Business Model ——The Case of Kwai

Zekun Tan^{1,*}

¹*School of Economics and Management, Beijing Jiaotong University, China*

**Corresponding author. Email: tzk5569@163.com*

ABSTRACT

The advent of the Internet era and the modernization of mobile devices have made more than 800 million Internet users in China choose to use mobile phones to access the Internet. Fast-paced life and narrow mobile phone screens make short videos, a contextual way of reading, meet people's need to obtain information. As emerging Internet enterprises, the short video platforms have formed their unique business models. The business model canvas enables the detailed description of abstract business model content in nine dimensions, reflecting a clear business model structure. The current short video platform Kwai has acquired a large number of short video users. With the analysis of the business model of the platform, it is possible to understand the business model structure intuitively. And this paper provides a reference for the future construction of the short video platform business model.

Keywords: *Short video platform, Business model, Business model canvas, Kwai.*

1. INTRODUCTION

The advances in Internet technology have led to an increase in the number of Internet users in China and made people more comfortable with fragmented forms of reading. In this context, short videos are rapidly becoming popular. A review of the literature revealed that scholars had studied many problems with short video content and platforms, and the business model of the short video platforms is the current research hotspot. Kwai is one of the hottest short video platforms in China. The analysis of its business model can provide a detailed understanding of the current business model structure of short video platform. The business model canvas proposed by Alexander Osterwalder was used for the analysis. Through the analysis, it was found that Kwai is accurate in targeting users and can rely on users' loyalty to gain profit.

2. BACKGROUND

In recent years, the impact of the Internet, cloud computing and other technologies on people's lives has gradually deepened. In addition, the creation and popularity of portable mobile devices has changed the way people socialize and live. As of March 2020, the scale of China's Internet users has reached 904 million. Among them, the scale of mobile Internet users has reached 897 million. Obviously, mobile phones have

become the most convenient tool for people to access the Internet. Based on this, various new products and business models of mobile Internet are under innovation and development.

With the increasing amount of information and the diversification of communication methods, people have abandoned the old way of receiving information and started to actively filter information according to their own preferences. People are looking for a platform that can make use of fragmented time to obtain information. As a result, short video is quickly gaining popularity with its strong social attributes, three-dimensional content and rich interactive experience. During the development of every short video platform, it has formed its own unique business model due to the push of revenue generation. Currently, Kwai monopolizes the attention of more than 50% of users. Therefore, using the business model canvas to conduct an analysis of the business model can explore the structure of the current short video platform business model.

3. LITERATURE REVIEW

3.1. Business Model

The business model was first used in an article published by Bellman in 1957. However, between the time it was first mentioned and the year 2000, few

scholars had focused on business models. With the development of Internet technology, the number of studies on business models had increased dramatically. And business models were gradually covering all areas of management, for constructing plans, strategies and value creation [1]. The rise of business models seems to have started with the birth of Internet businesses [2], as Internet businesses are able to make higher profits at lower costs than traditional businesses through advanced technology and talented people. Scholars had defined business models differently from different perspectives.

First, when defining a business model from an economic perspective, scholars generally agreed that a business model was a model that generated profit for an enterprise by making full use of resources and considering costs [3][4]. Exploring the definition of a business model from this perspective greatly reflected the fact that a business aimed to make profit. Secondly, many scholars considered the connection and difference between business models and strategy. Through research, it was found that the business model was a combination of the various business activities as well as the components of transactions, and was a mapping of the strategy currently practiced by the enterprise [5][6][7]. This viewpoint discussed the role and significance of the business model, which added the theoretical basis for the existence. Third, a firm's business model included not only its internal operations and value creation, but also the combined effect of external forces [8][9]. Thus, different research perspectives have led scholars to define business models with different focuses. However, the definition of business model has become more theoretical, laying a good theoretical foundation for the growth of business models.

3.2. Short Video

The research on short video platforms focused on short video content, existing problems or platform operation models. Short videos not only met the needs of people to access information, but also could satisfy psychological needs during viewing [10]. More than that, the viewer of a short video could become the protagonist. In order to increase the user's participation, there would be incentives for users to imitate or co-produce [11]. This imitation could increase the

popularity of the short videos [12]. However, it was also due to the lack of strict regulation, over-exaggerated creative style and speed could easily cause aesthetic fatigue of the public as well as the distortion of values [13][14]. Besides, marketing problems were inevitable for the platforms [15] [16]. Thus, scholars' research on short video platforms has focused on two aspects. First, there are violations and uncivilized content in short videos. Second, the platform operated improperly, driven by profit and vicious competition. The number of studies on the business models of short video platforms is small, and there is much room for research.

4. METHOD

The concept of the business model canvas was first introduced by Alexander Osterwalder in "The New Generation of Business Models". This way of describing business models allows the visualization of and the evaluation of business models. Osterwalder has divided the business model into nine areas: customer segmentation, value proposition, channels, customer relationships, revenue streams, core resources, key activities, key partnerships, and cost structure. These nine aspects make complex business models intuitive and easy to understand.

Customer segmentation refers to one or more groups of customers that a business serves. The customer is the core of the business model and determines who exactly the business will create value for. The value proposition is used to solve the customer's problems and satisfy the customer's needs. It encompasses what kind of value the business delivers to its customers. Channels encompass finding the most cost effective and efficient channels to communicate the value proposition to the customers. Customer relationships refer to good relationships with customers and maintaining them. It is important to understand the needs of the customer in order to provide services. The revenue sources arise from the value proposition successfully provided to the customer. Core resources are the assets necessary to provide the five elements described previously. Key activities refer to activities that are critical to the functioning of the business model. Key partnerships are the support and resources the business needs from external sources. The cost structure is the composition of costs triggered by the above business model elements.

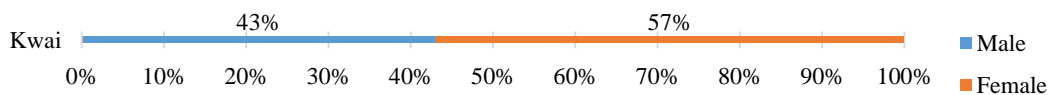


Figure 1 Gender ratio of Kwai users

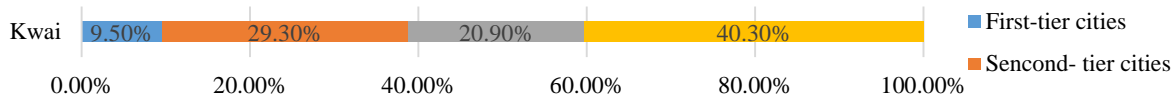


Figure 2 City distribution of Kwai users

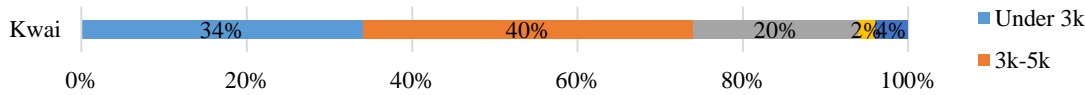


Figure 3 Income distribution of Kwai users

5. RESULTS

5.1. Platform Introduction

Kwai was founded in March 2011, the original Kwai platform was to create and share GIF images, In November 2012, and the platform was transformed from a tool-based platform to a short video platform. The rapid development of the platform has brought strong and powerful financial support and effects, Kwai not only acquired A station in June 2018, but also won the exclusive partner qualification of CCTV Spring Festival Gala in 2019. And in May 2020, Jingdong and Kwai entered into a strategic partnership.

5.2. Customer Segmentation

Kwai's target customers are mainly concentrated in 2nd and 3rd tier cities and rural areas, and there are more female users than male users. By targeting the income and consumption willingness of this group, Kwai can accurately recommend products with a better price/performance ratio, thus boosting the consumption power of low-income users and helping them to buy products that satisfy them.

5.3. Value Proposition

Kwai provides a short video platform where users can freely share their lives. The main interface of the Kwai platform consists of three main sections: Follow, Discover and Featured. The Discover section allows quickly finding videos that meet users' needs. The Featured section, takes the form of sliding up and down to switch between videos. The new version of Kwai can automatically shrink the video interface when you slide down to watch comments, which solves the problem of conflicts between watching comments and videos. All in all, Kwai provides users with a more intelligent and diversified video social platform based on the continuous satisfaction of user needs.

5.4. Channels

The main channel Kwai delivers its value proposition is the Kwai app, which allows users to

watch their favorite videos or interact with the anchors live. During the live, users can enter the anchor's shop to purchase their favorite products. Now, Kwai users can purchase items from the Jingdong self-managed mall directly from Kwai. This initiative makes it easier and faster for users to make purchases on Kwai through the anchor's introduction.

5.5. Customer Relationships

Kwai platform allows users to find their friends by associating contacts and suggesting people they may know. Kwai recommends the videos users would like to watch according to their habits. In addition to the live, users are able to get the shopping bonuses given by the anchors. For anchors with different fan sizes, Kwai sets up competitions of difficulty levels. Anchors with many fans can increase their popularity; others can gain more attention and rewards. Kwai is focused on poverty alleviation issues. Many times, it has cooperated with towns and villages in poor areas and leveraged the popularity of big anchors to sell poverty alleviation goods.

5.6. Revenue Source

Kwai's biggest revenue source is advertising; advertisers can place their ads in different ways. The first is news feed ads, which are displayed in the discovery module as ad covers. The content of the news feed ad is presented as a video, and below the video there is a link to click to jump for more information. The second way is to take quick orders. Advertisers send their ads through the internal channels of the platform to anchors, and then the anchors create ads according to the needs. The third way is video play page ads, which can be downloaded by clicking on the ads. In addition, the anchors' reward income during the live broadcast is divided with the platform, which is also a major revenue source.

5.7. Core Resources

Kwai's core resources are user loyalty and user habits. Users are able to freely choose the videos they want to watch on the Kwai platform, users are able to

watch videos that meet their needs. And the Kwai platform has always been aimed at users in the sinking market, the style of short videos and the products are in line with the needs of these users. Kwai's rustic videos and marketing strategy created a friendly feeling among the users, which led to the creation of Kwai's "Buddy Economy". It can bring good customer relationships and a stable source of income to Kwai.

5.8. Key Operations

Key activities at Kwai include platform maintenance and product selection. First, Kwai has to do two parts of platform maintenance, one part is the user system and the other part is the advertiser system. In order to meet users' needs, algorithms are used to recommend relevant videos, so the platform has to be updated and maintained. The advertiser side of the platform maintenance is mainly for Kwai's quick order program. The advertisers mainly use the platform to deliver orders and view ad revenue. Secondly, most of Kwai's anchors sell products selected by the platform, and Kwai's careful selection not only increases the purchase rate of users, but also increases users' loyalty.

5.9. Key Collaborations

In terms of users, Kwai's key collaborators are popular anchors. The model of fast orders needs to be done by the Kwai platform and the popular anchors. Since the Kwai platform targets the sinking market, PDD is an important partner for Kwai. PDD's products can be promoted on Kwai, and Kwai can earn a significant amount of advertising revenue. This year, Jingdong has also partnered with Kwai to meet the shopping needs of Kwai's users.

5.10. Cost Structure

The costs of Kwai platform are mainly invested in the daily operation maintenance, human resources, technology development and marketing promotion. In addition to this, there are the time and labor costs associated with seeking advertising and business partnerships. Because the costs are company confidential, there is not much discussion here.

6. DISCUSSION

On the whole, Kwai has clearly defined target groups and has platform features that meet the needs of its target users. It has an accurate understanding of its own strengths and users' opinions, resulting in high user loyalty and a high level of daily activity.

This year's epidemic has caused most people to use their phones for longer periods of time and has increased the use of short video platforms. Due to the current surge in the number of short videos, many

anchors publish vulgar and exaggerated videos in order to gain attention. This has not only caused the abnormal development of the industry, but also harmed the social harmony. Under the public's supervision and the state's call, platforms removed the offending videos and permanently banned the bad accounts. However, popular accounts are not punished accordingly. The main reason is that the platform has advertising cooperation with them, and do not want to cause the loss. Short video platforms can regulate the behavior of anchors by either reporting by users or increasing the level of punishment.

Due to the gradual commercialization of Kwai, the number of ads has been increasing. And the quality of the videos has obviously decreased. More and more commercialized anchors and platforms are gradually consuming the user's enthusiasm for using them. The platform could run a creator incentive program so that anchors would put more effort into video creation rather than merchandising. In addition, fees for copyright can be increased. It would encourage anchors to create and protect creators' intellectual property rights.

7. CONCLUSION

With the advancement of Internet technology, short video has become a new form of entertainment to meet people's needs. Kwai, with 300 million daily active users, has become one of the most popular platforms for users to watch short videos. As emerging Internet enterprises, the business model of short video platforms is special. This paper utilizes the business canvas for the analysis of the Kwai platform and provides a clear understanding about the business model. Kwai targets its users precisely makes it a precise and clear channel for delivering value. User loyalty, which is its core resource, also brings stable revenue and good user relations. Short videos have brought people a rich spiritual life, but there are still some problems. Since this study focuses on the business models of short video platforms, these issues are not discussed in depth. Short video platforms are expected to grow more prominently and have more competitors in the future, and it is hoped that future research will provide business advice to short video platforms.

REFERENCES

- [1] Ghaziani, A., Ventresca, M.J., 2005. Keywords and cultural change: frame analysis of business model public talk, 1975–2000. *Sociological Forum* 20 (4), 523–559.
- [2] Tapscott D, Ticoll. D, Lowy A. *Digital Capital—Harnessing the Power of Business Webs* [M]. London: Nicholas Brealy Publishing, UK, 2000.

- [3] Morris, M., Schindehutte, M., Allen, J., 2005. The entrepreneur's business model: toward a unified perspective. *Journal of Business Research* 58 (6), 726–735.
- [4] Afuah A, and Tucci C. *Internet Business Models and Strategies Text and Cases* [M]. MoGrav Hill/Irwin, 2001.
- [5] Magretta, J., 2002. Why business models matter. *Harvard Business Review* 80 (5), 86–93.
- [6] Amit, R., Zott, C., 2001. Value creation in e-business. *Strategic Management Journal* 22 (6-7), 493–520.
- [7] Casadesus-Masanell, R., Ricart, J.E., 2010. From strategy to business models and onto tactics. *Long Range Planning* 43 (2–3), 195–215.
- [8] Zott C, Amit R. 2013. The Business Model: A Theoretically Anchored Robust Construct for Strategic Analysis [J]. *Strategic Organization*, 11(4):403-411.
- [9] Weill P. & Vitale MR. *Place to space: Migrating to e-business models* [M]. Boston, MA: Harvard Business School Press, 2001, 96-101
- [10] Wang Zhengyou, Sun Yan. Analysis of short video development status and countermeasures in China. *Media*, 2018(11):87-89. (in Chinese)
- [11] Ma Yuanhong, Cao Yunzhong, Fang Jiaming. Value Co-creation Mechanisms in Mobile Short Video Social Platforms - A Case Study Based on Tik Tok Short Videos. *Journal of University of Electronic Science and Technology of China (Social Sciences Edition)*, 2018,20(04):8-12. (In Chinese)
- [12] Zhang Zhian, Ran Zhen. Social Insight and Value Enhancement behind the Rise of Short Video Industry. *Media*, 2019(07):52-55. (In Chinese)
- [13] Deng Ruoyi, Yu Menglong. Problems, Countermeasures and Directions of Short Video Development. *Journal of Southwest Minzu University(Humanities and Social Science)*, 2018,39(08):129-134. (in Chinese)
- [14] Yang Ping. Empowerment, Ugliness and Postmodernism: Interpreting and Reflecting on Internet Local Culture. *China Youth Study*, 2019(03):24-28. (in Chinese)
- [15] Yang Chuanhong, Xu Wei, Li Yannan. Analysis of the profitability model of short video in China. *China New Telecommunications*, 2018, 20(22):236-237. (In Chinese)
- [16] Xie Xinzhou, Zhu Yaoying. Problem Analysis on Short Video Apps. *Publishing Journal*, 2019, 27(01):86-91. (In Chinese)