



Research on the Question: Will the Social Media Market be Competitive in the Long Run and can Short-Term Monopoly Benefit the Social Media Market?

-- Take Facebook and TikTok as Examples

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Abstract .Today, the social media markets are thriving and there is a certain degree of monopolistic power in this market. To figure out more about the monopoly, this article depicts the influences of monopoly in this industry and whether social media market is still competitive in the long run. Besides, this work will mainly combine arguments and tables with the real issues related to Facebook and TikTok in the social media industry and the paper will also analyse the diverse effects of monopoly in the industry. The results of this paper show that despite the existence of monopoly in the short run, social media industry is still very competitive in the long run and the short-run monopoly can actually bring several benefits to consumers. The significance of this paper is to show detailedly about the situation of monopoly in social media markets in a way of focusing on different time periods.

Keywords: Monopoly, competition, TikTok, Facebook, time periods

1 Introduction

In many markets around the world, as long as there are certain differences in the quality of products produced by each firm, which means the market is not perfectly competitive, and if the goods or services offered by a certain firm or firms are exclusively appealing to the targeted group of consumers, then, there is a potential for the occurrence of monopoly. As Joan Robinson said ‘ It is more proper to set out the analysis of monopoly, treating perfect competition as a special case[1].’ In short, when there is a difference between products produced by firms in a market, the monopoly is likely to be formed after a specific period of time. With the fast-paced development of digital technology, it fuels significantly the development of social media industry. Besides, with the ever-growing working pressure from the society, most people especially young people do not have much free time to really communicate with others in person, which generates the huge demand for distant online communication. Thus, these are the main

reasons why social media industry will thrive over the world. To be more specific, contemporarily, due to the high demand in the social media market, tremendous number of firms seek the golden opportunity in the social media industry to set up their own start-ups, and even some of them have become monopolies for a period of time for the sake of gaining higher alluring profits. In order to figure out what kind of impacts will be brought by monopoly to the newly-developing social media industry, analyzing the previous theories is far from enough. Many of the previous scholars held the view that monopoly is harmful to the whole market and economy due to its huge market share and monopolistic power exploiting consumers seriously. However, can these former theories be directly applied into this industry which just goes viral during these several decades? Will these theories go out of date? Consequently, in order to figure out the truth behind the social media market, more research should be done. The purpose of this paper is to find the influences of monopoly in social media industry and if monopoly will last for a long period of time.

2 Theoretical basis

2.1 The definition of monopoly

Before working out the impacts of monopoly in the social media industry, a basic understanding of what monopoly is should be formed. As what A.P Lerner defined in the article called The Concept of Monopoly ‘Monopoly is the exclusive right that a person or company to sell the specific merchandise by arbitrarily set the price and let consumers decide how much to purchase or they will decide the quantity to produce on the market [2].’ However, when it comes to applying the concept of monopoly into the reality, conditions will become more complicated. In the reality, in some cases, monopoly will have detrimental effects to the market and consumers. In details, monopoly will impose artificially raised price on consumers and monopoly is always unwilling to produce at the social optimum production point [3].

2.2 Contributions made by monopoly to markets

In the real life, there are various types of monopoly in an economy. Actually, not all monopolies are detrimental to the society. On the one hand, corporations providing railways, petroleum and weapons are always monopolies. And governments are less likely to prevent these kinds of monopolies. This is because they can take the advantage of economies of scales and produce products with a much lower costs. Besides, these companies provide products which are essential to people’s basic livings and a county’s safety. Thus, controlled by only one company can be more uniform and safer, allowing the increase in efficiency and quality of products. On the other hand, governments will definitely set regulations to those monopolies offering customers with unaffordable prices and low quality. However, being lack of essays describing about how monopolies influence in the social media industry and analyzing the situation of monopolies from a long term perspective means that it is necessary to find exactly the impacts of monopoly in this specific industry.

2.3 Monopoly in social media markets

After the ups and downs like the probation during the middle of the developmental process, Facebook was ultimately launched officially in 2004. By targeting their users from university students to the general public, Facebook gradually plays a dominant role in the social media industry. From the website called Facebook — The Past, The Present, and The Future written by Will Badr, he wrote that ‘Today, CEO Zuckerberg’s net worth is estimated to be around \$67 billion. Facebook is now one of the greatest examples of the power of social media and the incredible effectiveness of implementing user data analysis to generate high revenue [4].’ Additionally, a website called Facebook’s Greatest Innovations: The First Decade mentioned that ‘Today, Facebook has 1.26 billion registered users who record 3.2 billion likes per day [5].’ Based on these sentences, it is obvious that Facebook plays a crucial role in the social media industry contemporarily. In order to understand why Facebook will successfully become a monopoly, certain marketing strategies and the innovations done by this social media giant should be analyzed. As for the marketing strategies, according to the website called Marketing Strategy of Facebook – Facebook Marketing Strategy, it said that ‘Facebook uses the mix of demographic, geographic and psychographic segmentation variables in order to understand the preferences and engage people accordingly so as to generate revenues [6].’ Facebook is capable of finding users’ personality through analyzing algorithmically the content posed by them, the type of posts that they frequently read, what kind of online influencers they follow. After using algorithm to analyze all these useful information and then, Facebook will push individualized advertisements to each users. As for the innovations done by Facebook, all these innovations can perfectly satisfy various customers with different tastes. Initially, it is the function of personal messaging that allows users to text their friends at the same time. Secondly, there is a function called Facebook notes which is a mini blogging platform allowing both individuals and business to share content simply and conveniently. What is more, a website called Facebook’s Greatest Innovations: The First Decade mentioned that Facebook is a marketplace where users can sell stuff to other face bookers. And the Facebook is the first social media application introducing the Like button to the public [7]. According to the figures online, today we click the Like button 3.2 billion times each day. By the way, apart from the main innovations mentioned above, Facebook has also invented other innumerable functions for the public such as the function of allowing all people from every corner of the world to get together to share their ideas and communicate with each other without any barriers, making each part of the world more connected.

Consequently, because of the fabulous marketing strategies and the innovations, Facebook has gained great competitive advantages these days. And that is why Facebook will become and maintain in the place of monopoly for so long. However, it does not mean that Facebook is 100 percent beneficial to users. One of problems from Facebook causing tremendous amount of worries is privacy concerns. Facebook is a company that once admired the hacker spirit: the company itself has repeatedly been reported by the press that it exposed the data from millions of users. According to the website called Facebook Advantages and Disadvantages | 9 Top Most Advantages and Disadvantages of Facebook, Benefits and Drawbacks [8], it depicted that in 2021, the company

launched an app allowing marketers to track users' browsing activity outside of Facebook. Besides, Facebook actually did several plagiarisms before. More specifically, as the appearance of other new social media applications, in order to maintain its monopolistic power, soon after a social media app called Snapchat went viral among teenagers with a huge number of downloads in a short time in 2012, Facebook launched a product called Poke which adopted the same idea as the parody (text and video disappear after a while). Poke grew slowly and was deemed a failure. But Facebook wasn't discouraged, and two years later it made a new product, Slingshot. Slingshot failed again. Facebook then commissioned Instagram to make another product, this time an exact copy of Snapchat, called Bolt which also flopped. Around the same time, across the ocean in China, a new wave of short-video social apps was taking off at a fast pace, and when the wave —led by Douyin and Kuaishou — finally arrived in the United States, Facebook felt the pressure again. After ByteDance's short video product TikTok dominated iTunes in the United States for a while, Facebook recently launched a short video product called Lasso with little fan.

3 Analysis

Although Facebook has numerous numbers of fantastic strategies and competitive advantages mentioned above, due to the alluringly high profits in the social media industry and the gradually formed view that Facebook is actually not a totally perfect application because of its leakage of privacy and plagiarisms done by it, more and more newly developing social media applications are emerging today. One of them which imposes a huge pressure of competition on Facebook is TikTok. The fast growth of TikTok does reduce the monopolistic power of Facebook and contributes to the situation of transforming the social media market to become a more competitive place. According to the various financial reports from 2009 to 2021 about market share and user statistics, they illustrate that though Facebook is undoubtedly the leader in this field, there are still very fierce competitions. Take TikTok short video platform as an example, as a latecomer, it has made successful innovations and progress in the field of social media.

3.1 The growth of TikTok and the decline of Facebook

According to the website called Statista, it mentioned that 'When people think of Facebook as a company, they mostly think of it synonymously with Facebook the social network. Facebook alone is used by almost 2.5 billion people per month, while WhatsApp counts 2 billion monthly users and Messenger also has surpassed the billion user mark [9].' From this description, the fact can be shown that Facebook does dominate the social media market for several years until now. Nevertheless, such monopolistic power is being weakened as time goes by due to the appearance of other social media applications with a newer style and more appealing functions. One of these new social media platforms is TikTok. 'TikTok is a social media platform that combines various characteristics. It is composed of videos like YouTube and mainly short posts like Facebook and Twitter. The recommended algorithm is used like Netflix. Like

snapchat and Instagram, it can only be made on mobile phones. Therefore, it has achieved a unique and popular style [10]. Its attraction mainly lies in its innovation, distinguishing itself from other social software. With the characteristics of low creation threshold, concise content, close connection to life, and rhythm in line with the current era created especially by young people, it not only allows influencers to use this application to get high attention from the public, satisfy their desire to share and make money at the same time, but also enables users to see diverse lifestyles online by viewing short videos. From the depiction above about the competitive advantages of TikTok, it can undoubtedly show that TikTok is a multifunctional application for people to kill their free time, a platform for users to make money as well as a place for business to seize the golden opportunity to advertise their products. From this perspective, TikTok is more appealing than Facebook which mainly focuses on the function of communication.

Consequently, although Facebook as a social platform is a pioneer in the field of social networking and is deeply favored by people today, it cannot be regarded as a monopoly in this field from a long-term perspective. To be more detailed, in the modern era of information globalization, people communicate and share more and more on the Internet. And the forms of sharing are increasingly various. Because of this trend, tremendous number of producers have already found business opportunity in this field. Then the rapid development of social networks generates great number of newly-emerging social media platforms such as TikTok which is designed in a more innovative and distinctive way. The figure 1 can show more distinctly the reducing monopolistic power in the social media market.

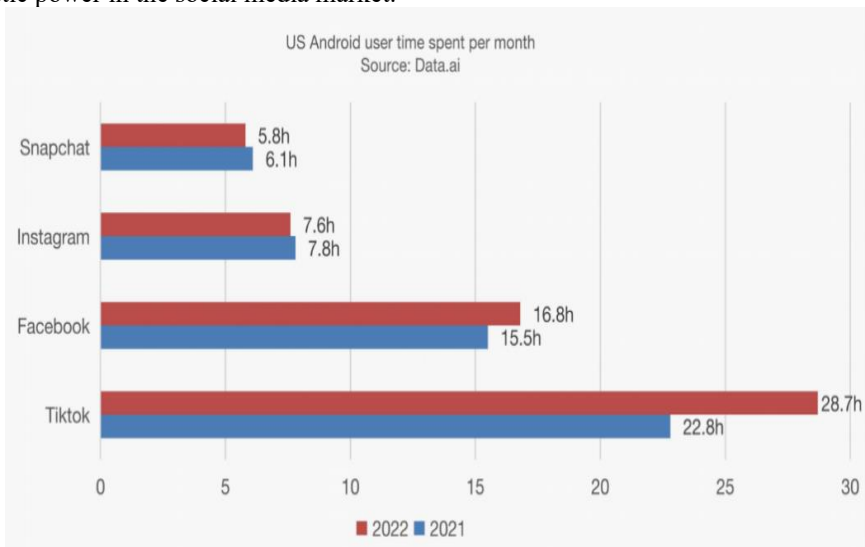


Fig. 1. US Android user spent per month (self-made)

Initially, from the table 1 shown above given by AI's statistics on the average time used by American Android users each month, it is clear that TikTok has far surpassed Facebook and other mainstream platforms in terms of using time monthly in United

States. This can act as a reflection of the fact that TikTok nowadays has a very high reputation among people worldwide and its growth is huge these days.

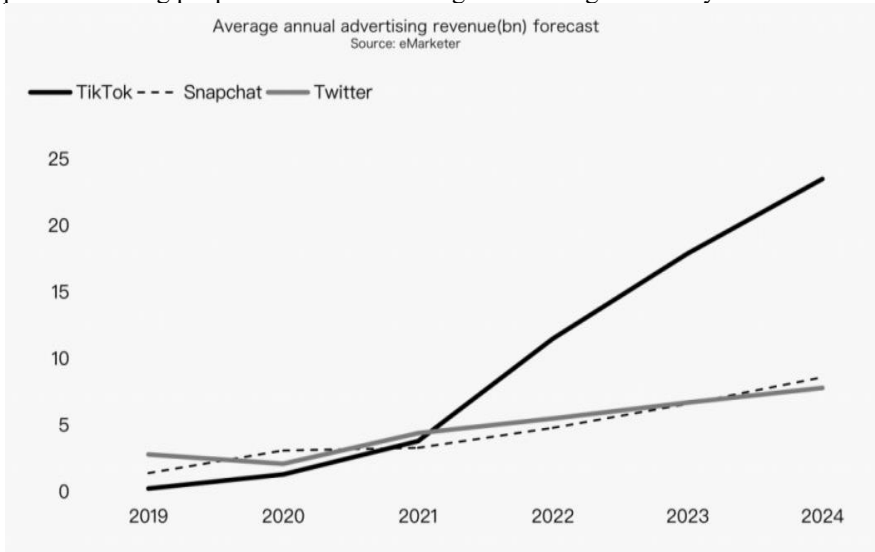


Fig. 2. Average annual advertising revenue (bn) forecast (self-made)

Besides, in emarketer's statistics and forecast of advertising revenue of major platforms shown in figure 2, TikTok could only receive a little revenue in 2019, while it is projected to have an accelerating growth to become the platform gaining the highest revenue among the social media platforms mentioned in the line chart. What should be especially noticed is that the expected figure of revenue of TikTok will surpass dramatically that of Facebook in 2024. It can be seen that it has a promising prospect and will gain a higher market share in the future than Facebook. As a result, from the data in figure 2, it perfectly shows that in the long run, a competent social platform such as TikTok will not allow Facebook to maintain its current relative monopoly position for a long time. And the social media market will be more and more competitive over time. What is more, there is news relating to the hint that Facebook is declining or will decline in the future. There are variable factors that make Facebook gradually decline in the long run. To illustrate, when the copyright protection period of a scientific technology for which it has applied for a patent expires, this technology has been popularized. As a result, users can use the same functions on other platforms. Also, people will choose or trust the platform because of the personal charm of the founder of the platform. However, Zuckerberg, the founder of Facebook, has not been popular in recent years. This will also lead to a decrease in the number of users. In contrast, TikTok's parent company, ByteDance, has developed innovative technologies and forms that are more popular with young people than Facebook.

In short, all the evidence shown above give out the signal that there is a likely potential trend that TikTok will be more attractive to users than Facebook in the foreseeable future and may gain a higher market share. The growth of other social media companies also prove that monopoly cannot prevent them from developing in the long run.

And in the end, these monopolies will have to share the market with other firms. Hence, because of the fierce competitions in this market, it shows the truth that in the social media market especially during the long term, it is almost impossible for a firm to remain monopolized forever if this firm is lack of innovation or had conducted some negative behaviors before.

4 Conclusion

From previous theories about monopoly, many economists held a negative view of it. However, this research discovered that monopolies can actually benefit the markets such as saving costs of production due to the economics of scale and in the long run, there will be fewer and fewer monopolies in the social media market. This is because, contemporarily, the development of social media is faster than ever, which attracts numerous producers to come into this field and set companies to produce various kinds of social media platforms. Because of this trend, as time goes by, if newly-developing social media can have more innovations and satisfy users' desires much more perfectly, they may be more popular than the so-called monopoly today. Thus, the social media market will be more competitive in the future. Besides, the fact that Facebook still has no control over things like AD pricing, and VIP subscription pricing shows that Facebook doesn't have a complete monopoly over the social media market. It proves that the social media market is relatively in a state of competition, which can avoid the disadvantages of grabbing consumer surplus value caused by monopoly to some extent. Copying ideas from each other, making breakthroughs constantly, and creating new ideas for their products in the market from time to time can weaken the monopolistic power of Facebook. What is more, the current situation shows that relevant departments should intervene in the management and regulate the market operation with legal constraints in case of the situation that personal information leakage done by Facebook will be happened again by other social media. However, this research also has several defects, the prediction data we can find is limited, and companies like TikTok actually do not have a large market share, so it is difficult to predict accurately the future that TikTok will definitely have a better performance than Facebook because, at the present, Facebook still gains a much larger market share than TikTok does.

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