

Re-made in China: TikTok's story

Chinese app TikTok is the new social media phenomenon outpacing Facebook, Instagram, Snapchat, Youtube and even similar "make and share" apps such as Triller, Lasso and Firework



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"RE-MADE IN CHINA" is having a moment, thanks to the popularity of the precursor TikTok. The Chinese app to TikTok was made in America as the app Musical.ly (2014) but acquired by a Chinese company ByteDance (Beijing ByteDance Technology Co) for a cool \$1 billion in 2017. Since then, there has been no looking back for ByteDance and the retired owner Zhang Yiming. With TikTok's revenue target of \$16.8 billion in 2019, and TikTok valued more than \$75 billion, Zhang has emerged as the new poster child of Chinese internet companies. But what is TikTok's success story and why on earth is it increasingly in the line of American fire?

Douyin (literally "Shaking Sound") in China, which runs on a different server to comply with Chinese regulations. In 2017, with the acquisition of Musical.ly, Musical.ly was merged into TikTok (2018). The users were moved to the revamped version where they could share 15-second short videos. This was an instant hit and became a huge social media phenomenon, the kind of "Chinese dream" that China's President Xi Jinping wishes to achieve, but hasn't.

Douyin is said to be more "advanced than its global counterpart (TikTok) particularly with respect to e-commerce." Douyin boasts of reverse image search

tool (in-video search tool) to find in-video products such as clothing. ByteDance also backs Jinri Toutiao (literally "Today's Headlines"), a news and information content platform.

TikTok is entrepreneur Zhang's brain-child, who at 36 years is as young a tycoon as India's Roshni Nadar (CEO, HCL Enterprise). Zhang, born in Fujian, went to school in China, not Ivy League America. Zhang's mother was a nurse, and father an entrepreneur, in Dongguan, the powerhouse of China's electronics industry. Zhang graduated from a well-known university, Nankai University, in Tianjin, where he met his wife.

Zhang has kept a low profile—and one thing, a lesson weaned from the dramatic rise and (equally dramatic) fall of Chinese tycoons—think Maotai liquor mogul Wang Xiaoguang, chairman of Anbang Insurance Wu Xiaohui, and Ye Jianming of CEFC China Energy (all of whom fell from grace in 2018).

Zhang is reputed to possess the entrepreneurial flair that the Southern Chinese are famous for. Chinese media has found a hero in Zhang, especially after Jack Ma (Alibaba) stepped down. Chinese media describes Zhang as a "different" Chinese entrepreneur who is as adventurous as a risk-taker, and one who relishes a good challenge. It's a given in China that entrepreneurs have to be on the right side of the Communist Party.

Zhang's ByteDance is not owned by Baidu, Alibaba or Tencent (the so-called "BAT"), an interesting fact, because half of China's unicorns—private companies with a valuation of \$1 billion or more—are controlled by BAT. Under-



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standably, Douyin has strong competition from homegrown short video apps, Kuaishou (literally "Fast Hand," Kuaishou Technology, backed by Tencent) and Weishi (literally "Microvideos", Tencent Holdings).

Globally, TikTok has emerged as a huge social media phenomenon, or perhaps even a cultural phenomenon, with a 500-million strong user base, outpacing Facebook, Instagram, Snapchat,

YouTube and similar apps such as Triller (2015), Lasso (launched by Facebook in 2018) and Firework (2019). TikTok has been downloaded 1.5 billion times globally on the App Store and Google Play, including 122 million times in America, where it is popular with a younger demographic profile. But India leads the pack with 466 million downloads (31% of the market), followed by China at 173 million. India's sweet-

heart, actor Madhuri Dixit, is on TikTok, as is China's sweetheart, Angelababy.

That TikTok has more downloads in India than China, the mother country, can probably be explained and strangely so, with respect to economics, social class and money spent on advertising. China's economic meat, five times the economy of India, has led to a generation of prosperous millennial Chinese. China's urbanisation hit 59% in 2018 (34% India, 2017) and is estimated to reach 70% by 2035. McKinsey Global Institute estimates 64% urbanisation of the total population in China, compared to 38% in India by 2025. Apparently, Douyin is not popular in tier-1 cities (Beijing, Shanghai, Shenzhen) or tier-2 cities (Hangzhou, Nanjing, Wuhan, Chengdu) in China, as much as in tier-3 or tier-4 cities. Shanghai-based designer Xing Zhao, one half of the design brand Young Chinese Blood (Y.C.B.), says, "The kind of content on Douyin here is quite the opposite of my taste," indicating that China's city slickers are less taken up by the hope of 15 seconds of fame, and that Douyin is more mass, less class.

As for advertising, Firework, which is based in Mountain View (interestingly, all of Firework venture capitalists have a China connection), uses influencer marketing. Quartz (Quartz Media, New York) has quoted Vincent Yang, the CEO of Firework, as saying that TikTok spent close to

\$1 billion in advertising in 2019, whereas Firework spends a "few hundred bucks" on Facebook ads.

Not all are swooning over the success of TikTok. Homegrown Chinese internet platform Tencent isn't. In 2018, Zhang wrote, "The progress of Douyin was unstoppable despite Tencent's blocking and Weishi's (Tencent's video platform) plagiarism." Tencent's Ma Huateng (Pony Ma) shot back with a "Your comments can be understood as slander."

Mark Zuckerberg of Facebook definitely isn't either. Zuckerberg went as far as to say that while WhatsApp is used by protesters/activists due to strong encryption and privacy protection, content is censored on TikTok. As Zuckerberg pointedly asked, "Is that the internet we want?"

The Guardian (the UK) has cited evidence that TikTok advances China's foreign policy banning content/users or restricting content. The Washington Post (the US) had raised the question whether Hong Kong protests were being restricted on the app. ByteDance has responded saying that it increasingly takes a "local" approach and that it has penalised content that "promoted conflict."

But this argument doesn't seem to fly in the US where the Committee on Foreign Investment in the United States (CFIUS) issued a national security review of the acquisition by ByteDance. Many say that TikTok may be forced to send data to the Chinese government (TikTok says it does not send data to China). Senator Marco Rubio has said that TikTok is "censoring content that is not in line with the Chinese government and Communist Party directives."

Should TikTok, available freely in 150 countries all over the world and in China, be restricted? American companies are understandably cut up with TikTok, because all of them have lost a billion customers in China. US-based social media is censored in China, but Chinese companies aren't. And there is the uneasy question as to whether the Chinese internet companies may kowtow—share data with the Chinese government. After all, Douyin was hailed up in China recently for defaming a revolutionary hero.

The question about TikTok neither centres on China, the Chinese people, nor Chinese companies of admirable intellectual and commercial heft, but hinges on a fundamental principle. Should there be one set of rules that the Communist Party in China conveniently wants for Chinese companies and one for the rest of the world? What is good for the goose is good for the gander, goes the adage. The universality of laws should be applicable to all, including TikTok. No surprises, then, if TikTok be singled out for scrutiny by America.

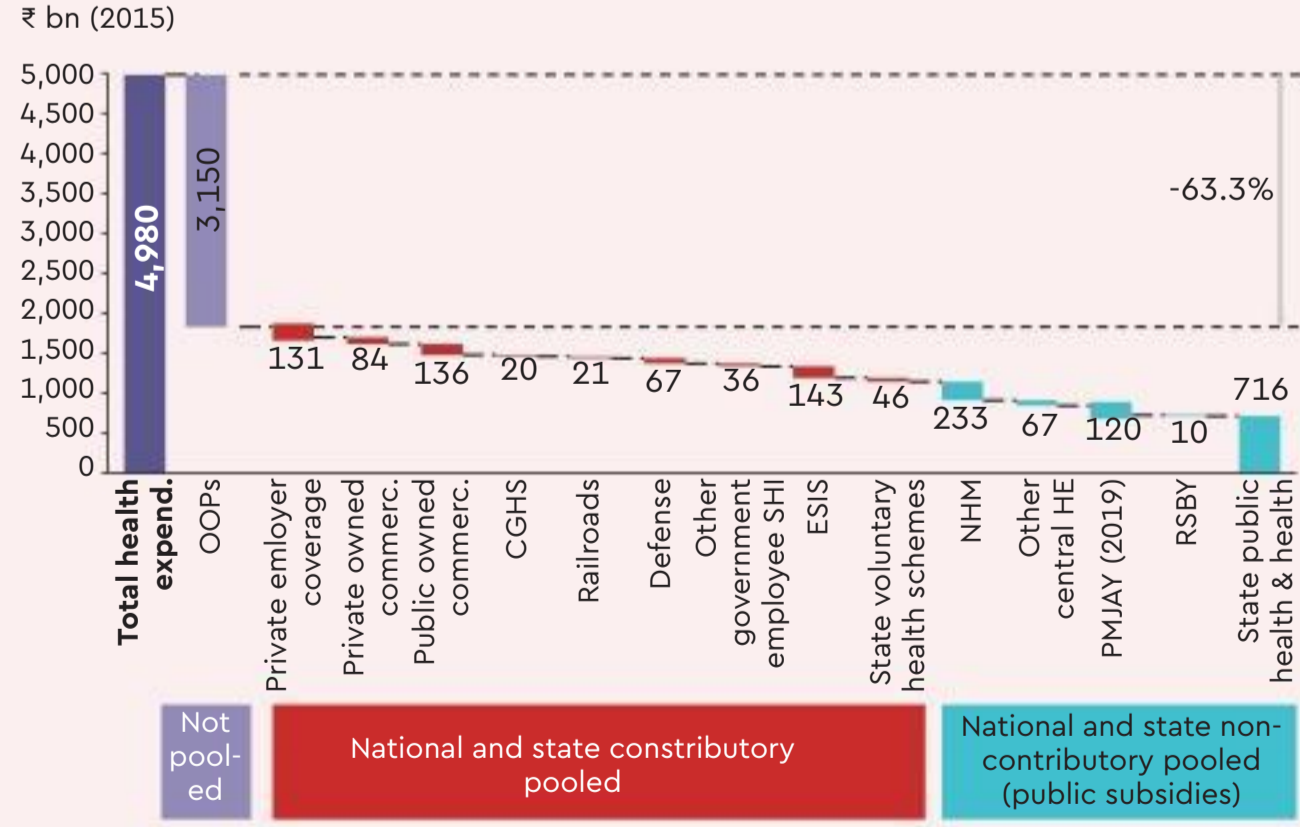
DATA DRIVE

India's health system is lagging behind comparable countries' key indicators

	INDIA	CHINA	SRI LANKA	INDONESIA	EGYPT	PHILIPPINES
Total health expenditure (% GDP)	4	5.5	4	3	5	4
Per-capita health expenditure (PPP)	239	761	491	363	516	432
Level of out-of-pocket expenses (% of total health expenditure)	64	36	50	60	62	54
Neo-Natal mortality (2016)	25	5	7	13	12	13
Global Healthcare rank	145	92	71	138	111	124
Burden of disease (DALYs per 100,000 population)	34,000	26,300	24,000	28,900	28,000	31,000



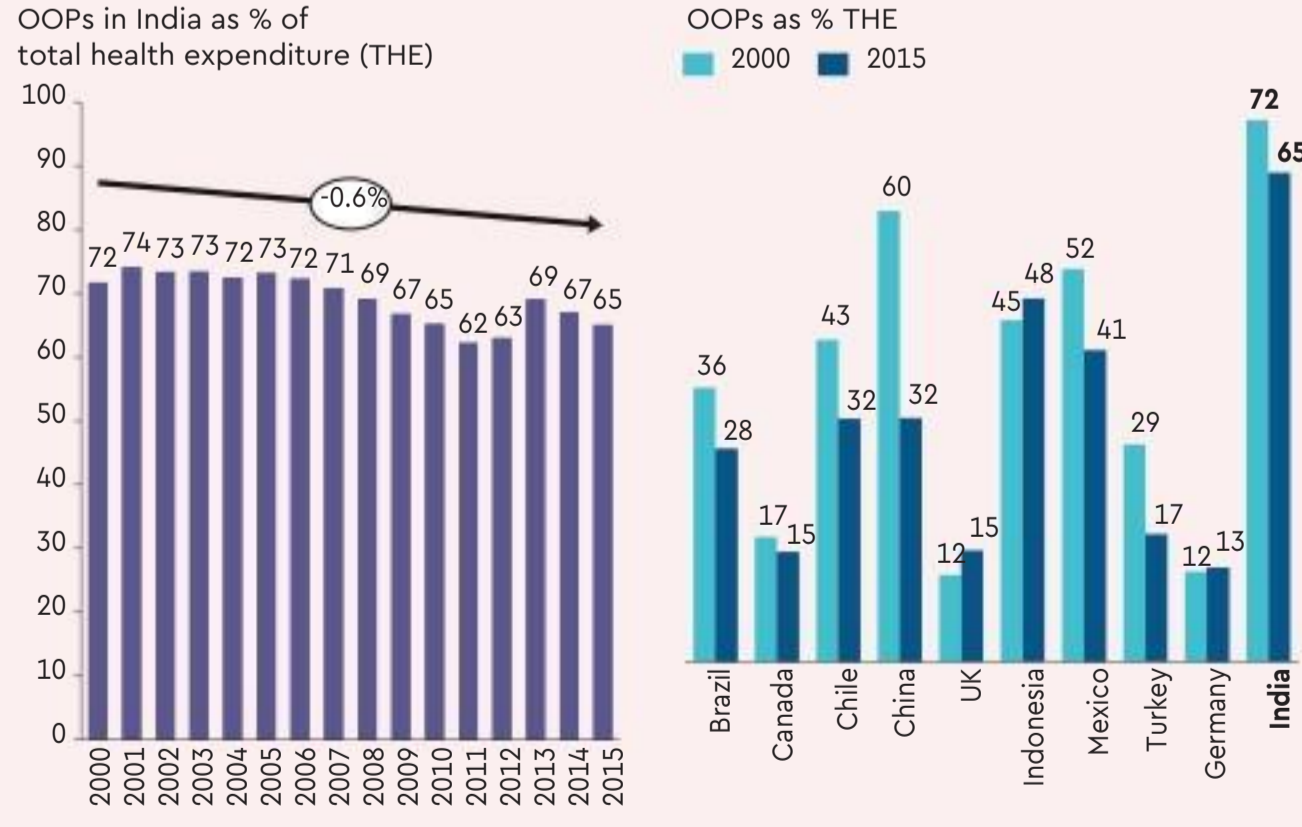
India has low level and very fragmented risk pooling, with household out-of-pocket funding at 64%



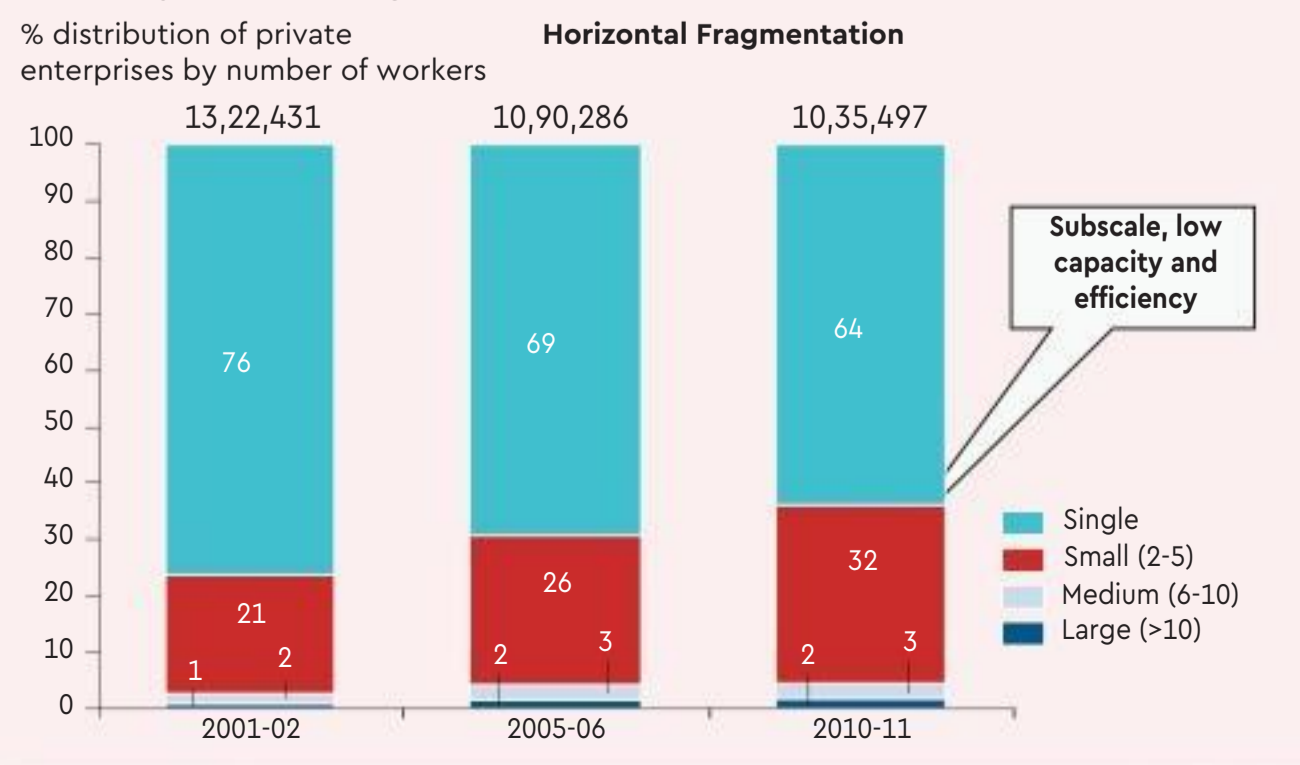
Health systems for the future

NITI AAYOG RECENTLY came up with a report on transforming the health system for 'New India'. Given India spends about 1.13% of its GDP on health, it has a low per capita (PPP) spend. The low penetration of health insurance has meant that as much as 62% of health expenditure is borne by households in form of out-of-pocket (OOP). With non-communicable diseases on the rise, a healthcare only focus for a health-systems strategy is not advisable. Thus, while the NITI report talks of fulfilling the unfinished public health agenda in the country, it also talks of universalisation of health insurance, so that health spends are geared more towards insurance than OOP payments. The large OOP health spend

Very high out-of-pocket payments (OOPs), with slower rate of reduction as compared to other relevant economics



Service delivery is highly fragmented, with more than 80% care delivery happening in the private sector



Persistently low level of fiscal allocation to healthcare, with historical allocation around 0.7 to 1% of GDP



Critically low performance of ESIS, facing very low access to healthcare for its beneficiaries

