

# ***Transformation of Data Traffic into Profit in the Era of Short Video***

**Yifan Duan<sup>1,a,\*</sup>**

<sup>1</sup>*Taiyuan Foreign Language School, Intersection of Yongle South Street and Jade Road, Wanbailin District, Tai Yuan, Shan Xi province, 030000, China*

*a. 631301120230@mails.cqjtu.edu.cn*

*\*corresponding author*

**Abstract:** There are more than 600 million Douyin users, an increase of 6% compared to the previous year. With more than 800 million daily active users, Douyin has become one of the most popular short video and e-commerce platforms in China. Within this context, this paper takes Douyin as an example to study how e-commerce can quickly transform user traffic into profit. Moreover, it adopts a comparative method to uncover the difference in e-commerce between China and foreign countries. The research finds that the way, background, and resources of online sales in China are generally different from those in foreign countries. E-commerce on Douyin is more convenient and mature. By integrating the sales strategies of domestic and foreign e-commerce, this research is conducive to the development of transnational e-commerce.

**Keywords:** Short Video Platform, Douyin, E-commerce, Live Streaming

## **1. Introduction**

With the rise of short video platforms, more and more people are using self-publishing software. This is a great business opportunity for the growing number of businesses. In the era of short video prosperity, many merchants have chosen the way of e-commerce live streaming. This paper explores how e-commerce monetizes user traffic on short video platforms. After experiencing the crazy growth of Internet users, domestic e-commerce has gradually entered the era of traffic, and the market tends to be saturated. The rest is the popularization of logistics in remote villages. After the "last mile" problem is solved, rural e-commerce still has some space. Strictly speaking, domestic e-commerce is no longer a new industry. This paper looks into the difference between domestic and foreign e-commerce, including the way of live streaming and data monetization, with a specific focus on Douyin.

With the rapid development of video-sharing apps such as Vine and YouTube, short videos have become a new social mode. Foreign research on short videos can be mainly divided into three directions. First, from a technical perspective, scholars focus on the impact of technology on the efficiency of short video production and viewer experience. For example, Troy Wolverton compared nine different operational models between Hulu and YouTube [1]. Secondly, from the perspective of monetization, some scholars also noticed the influence of Instagram and Vine on users. Third, short videos also had a strong impact on the advertising industry [2]. Although the

multi-channel network (MCN) model first started abroad, the development of foreign MCNs has not yet explored a sufficiently mature path. There is also little research on MCNs. Most of them focus on the historical and developmental background of MCN [3]. Moreover, some researchers dealt with the operation mode of the MCN model, including content production and distribution, traffic recovery profit monetization but they mainly consider the YouTube platform. Neil Davidson pointed out the important value of the MCN model for the short video industry and argued that Internet flatness and producers can better cooperate in content production and marketing to achieve business value [4]. Through the analysis of relevant literature, it is found that the current research mainly focuses on specific platforms to reveal the entire short video industry chain from content production, operation, distribution to monetization. At the same time, the definition of the MCN model by foreign scholars and the research on its business operation model have certain guiding significance for this paper to analyze the operation model of the short video industry chain under the MCN model in China.

In addition, China's mobile short video industry has developed rapidly, and short video academic research has also begun to emerge. Chinese scholars have a wide range of research angles on short videos, including content production, dissemination characteristics, development status and trends [3]. Some scholars studied the impact of short videos on the audience's behavioral and psychological status from the perspective of users and the current social culture from the perspective of culture. The problems of short videos and relevant solutions were also mentioned [4].

Although MCN has developed rapidly in China in the past two years, the research results of MCN are still lacking. This paper organizes the relevant domestic literature and summarizes them into the following categories. First, the concept of MCN and its success are studied. By comparing the operation mode of MCN at home and abroad, the connotation of MCN is analyzed [5]. From the perspective of capital, it is argued that the ultimate goal of MCN is to develop stable commercial realization, and platform support is reflected in the MCN model [6,7]. The second category studies the operation modes of MCN [5]. The current problems of short video MCN are expounded from three aspects: production mode, communication mode, and distribution channel [5]. Scholars elaborated on the operation model of content e-commerce transformation to MCN, pointing out that the homogenization of content, high cost, and difficulty of operation are the main bottlenecks encountered by MCN in incubating super influencers and relying heavily on suppliers [6]. This paper summarizes the current mainstream MCN commercialization development paths and divides them into three models: service commission, e-commerce, and content payment [8]. Finally, some research investigates the audience management strategy of MCN. Scholars explained the key to Papitube's success from the perspective of community economics and proposed strategies and suggestions for managing and optimizing MCN fans [9]. From the perspective of the Internet celebrity economy, it is found that the path to building the core competitiveness of MCN relies on the Internet celebrity economy [10]. Taking Weibo as an example, the fan management strategy of short video MCN was discussed [11].

## **2. The Advantages of E-Commerce Operation on Short Video Platforms**

### **2.1. Low-Threshold and Fragmented Communication Mode**

Compared with Taobao, Tmall, and other e-commerce platforms, live-streaming marketing is easier to operate. This online marketing method is a question-and-answer format, and users can interact with the host in real time. In addition, the products in the live broadcast rooms are presented in the form of video, which is more convincing than the picture promotion on Taobao. In the era dominated by User Generated Content, the biggest feature of short videos is low threshold and grassroots. Take Kuaishou App as an example. Its market is mainly concentrated in second-and

third-tier cities and rural areas, and it mainly records life. As long as someone dares to show up, he can create his own media platform. Users only need real-name authentication, and the live broadcast function can be activated after review. This allows ordinary people without traffic and a fan base to promote themselves through short videos. This low requirement greatly reduces the threshold for short video entrepreneurship and provides a foundation for its e-commerce operation.

## **2.2. The Role of Opinion Leader in Virtual Communities and the Use and Satisfaction of Netizens**

Howard Reingodd proposed the concept of a "virtual community," which refers to a self-defined and interactive electronic network of communication organized around shared interests or purposes. In fictional communities, the new socially productive rural lifestyle will adapt to new technology, allowing life to appear online. The short video live broadcast is a fictional community that satisfies the user's self-needs. They join the online platforms based on common interests, and the anchors who dominate the "virtual community" act as opinion leaders by providing personal substantive and emotional support to the audience [11]. In the live broadcast, the anchor-led online platforms are full of the temptation of goods, excitement, and sensory simulation reality, as the opinion leaders are at the center of the interpersonal network. Based on the cult of personality and appreciation of the anchors, the audience can easily fall into the trap of the anchors. Just as the audience is easy to be convinced by the world depicted by the TV, the users are also easy to be persuaded by the anchors.

## **2.3. The Advantages of E-Commerce Platforms**

There are many types of e-commerce platforms with a large number of merchants in China, including Taobao, Netease, Jindo, Suning, Vipshop, Netease Kaola, Jumei, Weidian, and Yunji Weidian. Foreign e-commerce platforms include Amazon, eBay, Walmart e-commerce, Etsy, Zulily, Target, Kohl's, Flipkart, and Snapdeal.

The annual order volume of the e-commerce platform is huge. As of June 2022, the size of China's Internet user is 1.051 billion, and the Internet penetration rate is 74.4%. According to authoritative statistics, in 2022, the scale of e-commerce transactions in China will reach 42.93 trillion yuan, and the scale of online shopping users will reach 840 million. There are 4,764,100 e-commerce-related enterprises in China, and over 60 million people are employed in e-commerce [12]. Regarding foreign e-commerce sales volume, in 2022, US e-commerce sales will grow by 9.4% year-on-year, slowing growth, but despite this, this market is still expected to exceed the \$1 trillion mark in sales [9]. In 2022, retailers face unprecedented challenges, including a supply chain crisis, increased operating costs, and high inflation. In addition, consumers are seeking lower-cost solutions or delaying purchases, with the consequent loss of market share. According to eMarket's forecasts, Amazon will continue to dominate the US e-commerce market in 2022, with a market share of 37.8%. Although Amazon's e-commerce sales in the US have declined and gross merchandise value (GMV) will be at an all-time low, its share is still almost 10% higher than the combined share of the bottom 14 retailers. It is worth noting that Amazon's private label sales have decreased and third-party seller sales have increased so far this year, with the latter perhaps accounting for more than 65% of its total sales [13].

### **3. The Difference between China and Foreign E-Commerce Platforms**

#### **3.1. Different Types of Live Streaming**

There are three types of domestic live streaming. The first is “PK with goods”. This approach is more common in the live streaming scene. Two anchors have conflicts and quarrels for some reasons. In cooperation, they sell products to their fans in the form of acting, so as to gain the trust of fans and increase sales. This way is the routine of today's online anchors, but the premise is to have a certain amount of traffic that comes with it. The second is the “form of commission”. This is one of the most popular ways for manufacturers to use their anchors to determine whether their products are in line with their positioning, but not all manufacturers are able to use this method. The merchants also pay the anchors a fee for their services or a commission on a split basis. The commission share of designing pure arbitrage is currently at a high level in the industry, all above 30%, with some even handing out fifty-five or thirty-seven dividends. High-margin, high-consumption products are more suitable for this approach. The third is the “product incubation form”. In this form, a third-party organization has a regular network of collaborators and a clear advantage in terms of the network's pit fees which means that companies need to pay the anchors, and the anchors will introduce their products in the live broadcast rooms. In this form, the agency uses its capital advantage to find quality products to incubate and ultimately participate in the distribution of sales. In addition to the commissions, companies are also required to pay a service fee for those who organize the commission.

#### **3.2. The Advantages of Live Streaming**

The advantage of this form is that the cost of the front end can be greatly reduced. Vendors are required to pay an organizational commission that is more compatible with their products. There are also three forms of live streaming abroad. First, the merchants pay a flat rate or a Cost-Per-Sales commission for the live streaming, depending on the communication with the primary station. The merchants need to provide samples and pay the cost of live streaming. The second one is the “merchant self-broadcast”. The platforms will provide a full set of related tutorials and certain traffic support. The preparation process is completed in real time by the business output, and there is no need to pay any fees to the platforms. Anchors can be the enterprise's own employees or its own anchor resources. The final form is the “single product live streaming”. This model promotes one or several products which have been personally used by the anchors and they try to share their experience. This model has won the hearts of consumers and fans.

### **4. E-Commerce Platforms’ Ways to Maximize Benefit**

E-commerce platforms need to create “private domain traffic.” Customer data attracted from public domains or other domains can be used unlimited or multiple times for free. In fact, from the concept of private domain traffic, it can be reused many times, and it is free. This is its characteristic, and its value is higher than that of public domain traffic. To operate private domain name traffic, a drainage platform is needed and a brand image should be built. More channels should be used to attract users and maintain the relationship between e-commerce and users.

The rapid integration of traffic on the e-commerce platform is divided into the following steps. First, customers must be divided, from low-end to high-end, and then specific products should be sold to them to meet their needs. a few more products should be sold to maximize the short-term market profit of this product. Second, traffic should be transformed into commercial value. The target customer will purchase the product as soon as possible if the product will depreciate in value within a few months. Price has always been one of the important factors affecting sales. For newly

opened merchants, the store traffic is not very stable at this time. If the amount is too large, there may be an inventory overstock, and the principal will always be consumed there. The quality of products is one of the important ways for stores to maintain a good relationship with customers. If there are quality problems with products, users will give negative comments. After the store has more negative reviews, the weight ranking of the store will drop. It does not necessarily require perfect quality but just medium and high quality.

## 5. Conclusion

According to this research, it is found that the mode of “celebrity + live broadcast + short video platforms” is a successful way of e-commerce. The online celebrity economy shortens the distance between consumers and celebrities. Well-known stars are especially popular and increasingly more stars choose to participate in this new industry. Although some people take it as a career downgrade, it is their return to their original personality. It can strengthen the brand image and the healthy development of the live broadcast. This new mode of commerce can also be adopted by foreign short video platforms to promote the recovery of economy. However, the difference in social background should be considered. Chinese short video platform can also consider transnational marketing. This research does a general comparison between China and foreign countries. Further studies can look into the details of sales and collect more first-hand information and data to enrich the conclusion.

## References

- [1] Wolverton, T., (2009). *Hulu and You Tube compete for online video audience*. Retrieved from: [https://www.inquirer.com/philly/business/technology/051309\\_hulu\\_vs\\_youtube.html](https://www.inquirer.com/philly/business/technology/051309_hulu_vs_youtube.html)
- [2] Cabebe, J., (2013). *Instagram vs. Vine: Cut Through the Hype and Make Short Form Video Work for You*. Retrieved from: <https://www.cnet.com/tech/services-and-software/instagram-vs-vine-battle-of-the-short-form-video-sharing-apps/>
- [3] Ma, Y., (2018). *The Research on the Promotion Model of Informationization Courses in Chinese Universities Based on MCN (Multi-Channel Network)*. 1<sup>st</sup> International Conference on Education, Art, Management and Social Science, 427-432. DOI: 10.23977/eamss.2018.088
- [4] Sun, X., (2019). *Short Video Professional Development Path 1 under MCN Model*, *Young Journalist* (21), 59-60.
- [5] Li, J., *MCN Short Video Content Production Research Part 1*. Jiangxi: Jiangxi University of Finance and Economics, 2019.
- [6] Qi, C.Z, Wu, W., Wang, Z.J., (2019). *Research on Marketing Strategy of Content E-commerce Platform – Taking Ruhan, MCN as an Example*, *Modern Marketing* (10), 194-195.
- [7] Huo, Y., (2018). *Content Operation and Industry Chain Gate of Short Video MCN Platform*, *Southeast Communication* (6), 19-21.
- [8] Ma, Y.F., (2019). *Analysis of the commercialization development of short video MCN*, *Audiovisual* (10). 231-232.
- [9] Luo, Y., Luo, H., *MCN Model Analysis from the Perspective of Community Economy a Case Study of Papiube*, *Media*, 2018(24), 70-72.
- [10] Liu, M.H., (2019). *"Internet Celebrity Economy Marketing Strategy Research Mouth" with MCN institutions as the core*, *Fujian Quality Management* (3), 102.
- [11] Ren, Y., *Research on the Fan Management Strategy of Short Video MCN under Weibo Platform D1* Hebei: Hebei University, 2018.
- [12] *China Internet Information Center* (2022). Retrieved from: <https://insider.intelligence.com>.
- [13] Wang Yi News (2022). *Insight into the 2022 e-commerce market*. Retrieved from: <http://www.163.com/dy/article/HEDG5NP10552CKIK.html>.