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TikTok is having trouble keeping up with its own growth

Article

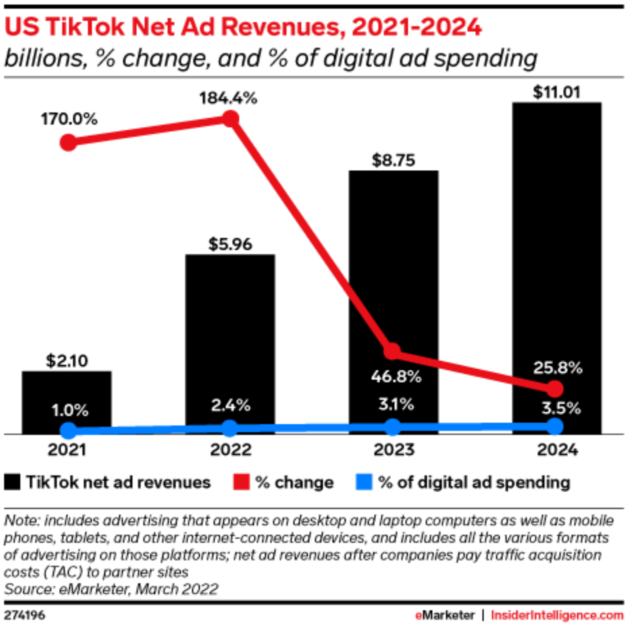
The news: At least 300 current **TikTok** and **ByteDance** employees list Chinese state media as a former or current employer on LinkedIn, per Forbes, highlighting the app's controversial ties to China as it battles internal turmoil about its extraordinary advertising demand.

Navigating the ad boom: When advertiser interest in the platform exploded during the pandemic, TikTok struggled to adapt ad formats and internal policies to satisfy its newfound demand.

- TikTok's ad popularity boomed in part because its flagship "For You" algorithm circumvented damage from **Apple**'s privacy updates. It also released features letting advertisers create their own ads that were significantly cheaper than other rival platforms.
- One marketing executive told The Information that TikTok ads cost "about 30% to 40% less [than other social media platforms]... and can deliver equally as strong results."
- But some of its most expensive and high-profile ad formats have failed dramatically. A "hashtag viral challenge" campaign—a **direct-response** ad that encourages "duets" and can cost as much as $500,000—from **Starbucks** last summer ended in embarrassment, and few such campaigns have taken off.
- TikTok isn't giving up on direct-response marketing yet. In April, it launched "Interactive Add-Ons," a format that lets advertisements in the video feed feature polls or other prompts, keeping the engagement of direct-response marketing without risking high-profile embarrassments.

A shaky lead: It's impossible to deny TikTok's impact on advertising since **YouTube**, **Meta**, and others are trying to copy its viral format. But recent reports reveal that TikTok is having trouble keeping up with its own success.

- TikTok may only represent 1.9% of global digital ad revenue this year, but that still amounts to **$11 billion**—more than **Twitter** and **Snapchat** combined.



- But that success has been bought by harsh internal standards that have led to high turnover and employee complaints. The company stopped accepting questions at weekly town hall meetings last year after they became overwhelmingly negative.
- The Information reports that employees have frequent, tough performance reviews where they can be put on “improvement plans” for not meeting individual and companywide metrics.

Regulators eye ByteDance: Another unfortunate and inextricable problem for TikTok has been its parent company’s ties to the Chinese government.

- In June, Buzzfeed published a story alleging that Chinese TikTok employees repeatedly accessed US user data, prompting several senators to request an FTC investigation into the platform.
- An FCC commissioner also asked Google and Apple to remove the app from its platforms. Shortly after, TikTok’s global head of security stepped down.
- TikTok knows that its foreign roots could hamper its ad ambitions, and it is trying to increase transparency and distance itself from its parent. The company recently agreed to give researchers access to the app’s back end, and leaked internal memos show a concerted effort to downplay connections to China.

The big takeaway: TikTok may be safe for now thanks to the large opportunity it represents to advertisers. But in order to stick around, it will need to find ways to keep up with its own growth and distance its US operations from ByteDance.

- With several tech competitors now launching their own short-form video formats, there are plenty of competitors to fill the void should TikTok one day leave the US.

US Consumers Who Trust Select Brands with Their Personal Information, 2020 & 2021

% of respondents

	2020		2021	
	Yes	No	Yes	No
Amazon	73%	27%	74%	26%
Microsoft	75%	25%	71%	29%
Netflix	71%	29%	71%	29%
Apple	69%	31%	70%	30%
Google	69%	31%	69%	31%
Sonos	58%	42%	57%	43%
Slack	62%	38%	53%	47%
Instagram	46%	54%	49%	51%
Facebook	41%	59%	44%	56%
Twitter	43%	57%	41%	59%
TikTok	-	-	36%	64%
YouTube	58%	42%	62%	38%

Note: ages 18+
Source: The Verge, "Verge Tech Survey 2021," Oct 6, 2021

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