

How ByteDance and Meta are responding to a possible TikTok ban

Article

The news: TikTok's contentious US House hearing last week is prompting **ByteDance** and industry rivals to make moves in preparation for the growing possibility of an outright US ban.

- ByteDance is spending big on user acquisition for lifestyle and video app **Lemon8**, which jumped from the top 200 downloaded iOS apps to the top 9 in a matter of days.

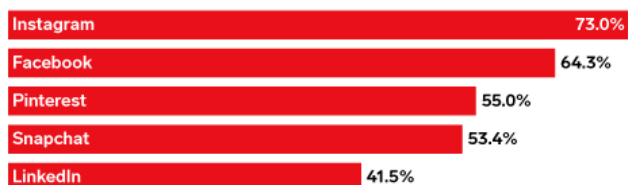
- In China, ByteDance rival **Kuaishou** reported strong earnings that show the company coping well through an economic slowdown.
- **Meta** is launching new advertising formats for **Reels** to sweeten its offerings in case advertisers find themselves with unused short-form video spending after a ban.

Let's try that again: ByteDance's push to bring Lemon8 to prominence could be a backup plan in case TikTok gets banned in the US, but it doesn't solve the core problem upsetting regulators—ByteDance's ties to China.

- Still, if ByteDance manages to produce another hit application, it would strengthen the strongest argument against banning TikTok outright: its popularity with young voters. The app is highly regarded among users, even if many express concerns about data collection.
- TikTok's congressional hearing is proof. Lawmakers' outlandish tech questions and berating of CEO **Shou Zi Chew** played incredibly well—for TikTok. Clips from the hearing have dominated the app in recent days, with users rallying behind him.

Share of US TikTok Users Who Also Use...

% of TikTok users, 2023



Note: TikTok users of any age who access each social network via any device at least once per month

Source: eMarketer, Dec 2022

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Competitors swoop in: A ban may not materialize, but competitors are still using the buzz to attract advertiser attention and further their own strategies.

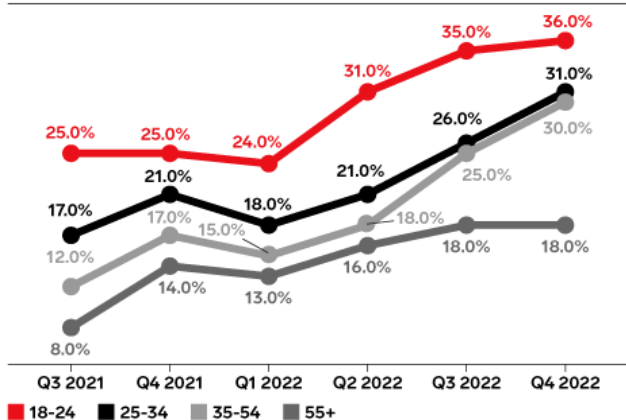
- In China, **Douyin** is the dominant ByteDance-owned short-form video app rather than TikTok. ByteDance isn't just focusing on video, though, and is rolling out a number of lifestyle, commerce, and delivery features to create a super app comparable to **Gojek** or **WeChat**.
- Rather than compete directly with ByteDance's large market control, Kuaishou is instead focusing on strengthening relationships with existing consumers, and targeting more "adult" sectors like home ownership and job hunting.

- In the US, Meta's new Reels ad formats are a not-so-subtle nudge to test the waters in case a ban goes through. But that nudge is part of the argument against banning TikTok—its void would quickly be filled by Meta and **Google**, two companies regulators have been targeting to loosen their ad duopoly.

Our take: Even if TikTok doesn't get banned, the mere possibility is causing shifts in advertising. Smaller advertisers may be nervous about putting all their eggs in one basket and could diversify spending across platforms like Reels and **YouTube Shorts**.

US Instagram Users Who Watch Instagram Reels, by Age, Q3 2021-Q4 2022

% of respondents in each group



Note: n=2,500
Source: Cowen, "Cowen Survey: Assessing Beneficiaries If Tiktok Is Shut Down in the US," Dec 7, 2022

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