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Change and stability management of ByteDance-Interest E-commerce

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Executive Summary

With the rapid development of the global internet and information technology, E-commerce shopping has become an important component of people's daily lives worldwide. During the COVID-19, more and more companies began to pay attention to and participate in the layout and development of the e-commerce industry. ByteDance, as a representative of China's Internet companies, is no exception. (Indarwati, Dhenabayu, Pradana, & Dewi, 2023) In order to keep up with the trend of the times, ByteDance has launched its own E-commerce model - ByteDance Interest E-commerce. However, with the fierce competition in the E-commerce industry, it is of great significance for ByteDance to explore the transformation and stable management of its Interest E-commerce business. In this paper, Lewin's Force Field Analysis, Stakeholder map, and Kotter's eight-step model will be used to analyze the transformation and stable management of ByteDance's interest e-commerce business.

1.Introduction

In recent years, the Chinese e-commerce market has developed rapidly, and the "one-stop" e-commerce model represented by Taobao and JD.com has also been widely recognized and used by users. However, with the continuous development of the social economy and changes in consumer demand, the e-commerce industry is also facing new challenges. In this context, the ByteDance interest e-commerce has taken a road different from the traditional

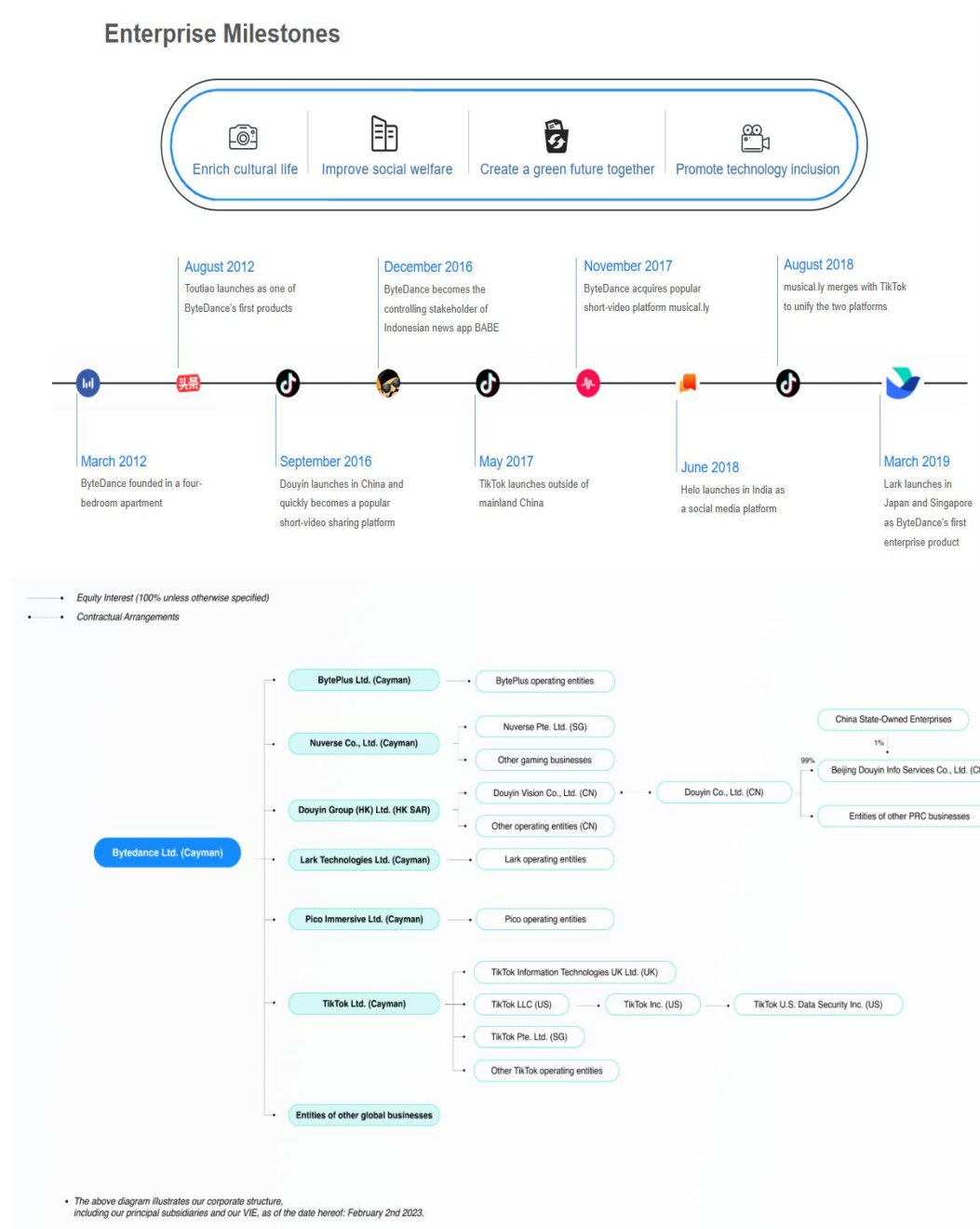
e-commerce model. Through more personalized and accurate services, it has brought new and fashionable shopping experience to users, which is favored by more and more users(Sari, 2022).

ByteDance is a Chinese multinational technology company that is primarily known for its popular short-video sharing platform, TikTok. The company has also been exploring interest-based E-commerce. Interest-based E-commerce refers to a type of online shopping where users are presented with personalized product recommendations based on their interests, behaviors, and preferences. ByteDance has been investing heavily in this area, with its flagship app, Douyin, launching a new e-commerce feature in 2020(Rosiyana, Agustin, Iskandar & Luckyardi, 2021).

2.ByteDance's Corporate Overview

ByteDance was founded in 2012 by a team led by Yiming Zhang and Rubo Liang, who saw opportunities in the then-nascent mobile internet market, and aspired to build platforms that could enrich people's lives. The company launched Toutiao, one of its flagship products, in August 2012. It followed that success with the launch of Douyin in September 2016. Approximately a year later, ByteDance accelerated globalization with the launch of its global short video product, TikTok. It quickly took off in markets like Southeast Asia, signaling a new opportunity for the company. ByteDance acquired Musical.ly in November 2017 and subsequently merged it with TikTok. Today, the TikTok

platform, which is available outside of China, has become the leading destination for short-form mobile videos worldwide.



Bytedance employs more than 150 people in nearly 120 cities around the world, including Singapore, Austin, Barcelona, Los Angeles, New York, Beijing, London, Paris, Seattle, Berlin, Dubai, Dublin, Tokyo, Jakarta, Shanghai, Seoul, Shenzhen and Hong Kong.

3.ByteDance Interest E-commerce model change

3.1.Iconic Events in Chinese E-commerce

3.1.1.May 10, 2003

Taobao is the online shopping retail platform of Alibaba Group, which was founded by Jack Ma in Hangzhou, Zhejiang Province in May 2003. It is the largest shopping website in Asia. The main function of this website is to provide users with online retail shopping and buying services, as well as e-commerce platform services including various e-commerce models such as C2C, group buying, distribution, auction, etc.(Wu, Sang, Wang & Lu, 2022).

3.1.2.April 8, 2021

Explained the concept of "interest in E-commerce" for the first ecological conference of Douyin E-commerce. It is a kind of E-commerce based on people's desire for a better life, satisfying users' potential shopping interests and improving consumers' quality of life. With a good content ecology, a large number of high-quality creators, diverse users and more mature interest recommendation technology, Duiyin has a good development opportunity in E-commerce of interest(ByteDance, 2021).

3.1.3.May 31, 2022

Announced that ByteDance will upgrade Interest E-commerce to a full domain Covering the Interest E-commerce model. By covering users' shopping needs of the whole scene and the whole link, they can meet their diversified demands for a better life. Through collaborative communication between short videos

and live streaming content, shopping malls, search, and other multiple fields, new growth is brought to merchants' business.

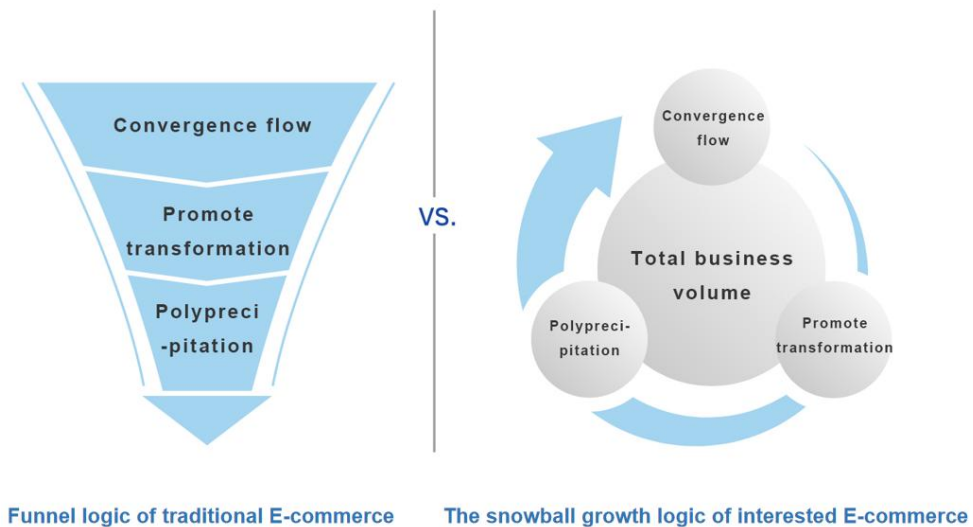
3.2.Reasons for ByteDance'S E-commerce change

ByteDance's entry into the e-commerce sector was a strategic move that was aimed at diversifying its revenue streams. The company has been reliant on advertising revenue from its popular social media apps, and the move into e-commerce was aimed at reducing its reliance on this source of revenue. Additionally, the interest-based e-commerce business was a response to changes in consumer behavior(Feng, 2022). The COVID-19 pandemic has accelerated the shift towards online shopping, and consumers are now seeking more personalized and interactive shopping experiences. By leveraging its vast data analytics capabilities, ByteDance aims to provide consumers with a unique shopping experience that caters to their specific interests.

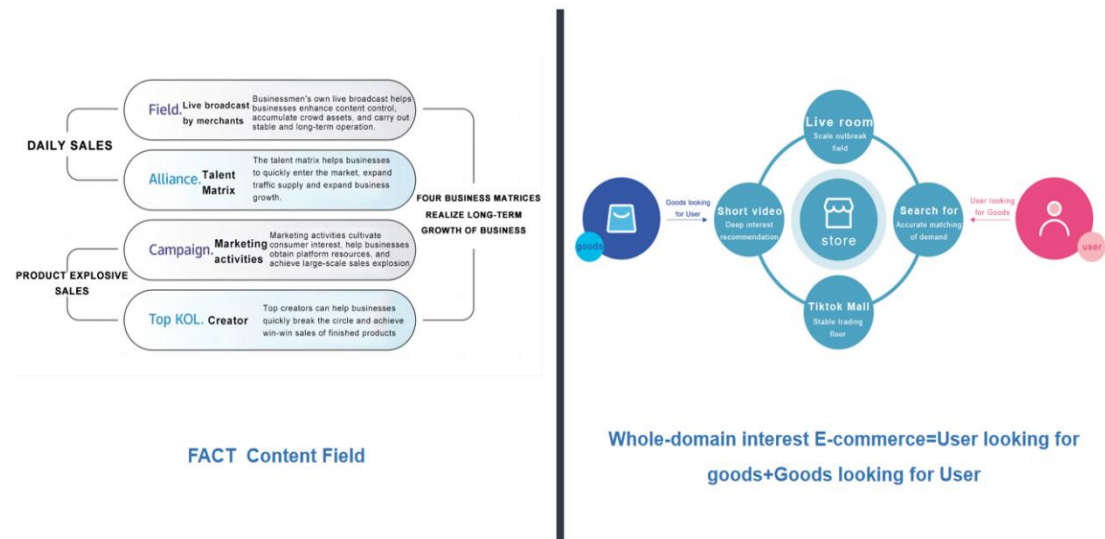
3.3.Core Change of ByteDance Interest E-commerce

ByteDance's Interest E-commerce abandons the traditional E-commerce website that allows users to search and purchase products directly, but takes users' personal hobbies and tastes as the basis for selecting products, helping users to save tedious search links(Rachmad, 2022). This business model places more emphasis on personalized services, providing users with recommendations that match their taste through various methods such as algorithmic recommendations and social sharing, increasing the accuracy and

satisfaction of their purchase decisions, and further improving user retention and repurchase rates.



Traditional e-commerce usually consists of three steps, first collecting traffic, then promoting transformation, and finally gathering users in stores((ByteDance, 2021)). It is a linear loophole logic, which must be done step by step. You may not make money in half a year to a year, because you need to spend a lot of time to accumulate traffic when you buy traffic in the early stage. So what is the business logic of interest e-commerce ? It is more a snowball growth logic. How to understand it? In the same way, we can do the three things of collecting flow, promoting transformation and precipitating simultaneously. This is based on the powerful algorithm capability of ByteDance. It doesn't need this account to spend a lot of money to buy traffic alone. It only needs to be recommended by experts or anchors. ByteDance will match recommended users, so this is the charm of interested e-commerce. It may have a particularly good performance in one or two months of initial operation, just like a snowball growth model.



Jobs-to-be-done

People are trying to improve their lives every day. They don't want to buy goods deliberately. They want to solve the pain points

Interest E-commerce



ByteDance upgrades Interest E-commerce to e-commerce of All fields of the entire ecosystem. The core and advantages of Whole-domain interest E-commerce are as follows: user traffic is obtained through the four matrices of FACT content field(Zhou, 2022), which promotes business growth, optimizes the traditional mode of people looking for goods, builds the Whole-domain Interest E-commerce model(user search for products + products search for user) and accurately matches potential users through a powerful algorithm of ByteDance to meet users' needs.

3.4.ByteDance Interest E-commerce brings changes to the E-commerce industry

Interest-based E-commerce differs from traditional E-commerce models in that it focuses on users' interests rather than the broad categories of products. ByteDance's mall is such a platform that personalizes the shopping experience for users and provides them with a unique shopping experience. (Wang, Lu, Cao, Chu, Wang & Wattenhofer, 2022)This interest-based E-commerce model has brought about several changes in the E-commerce industry.

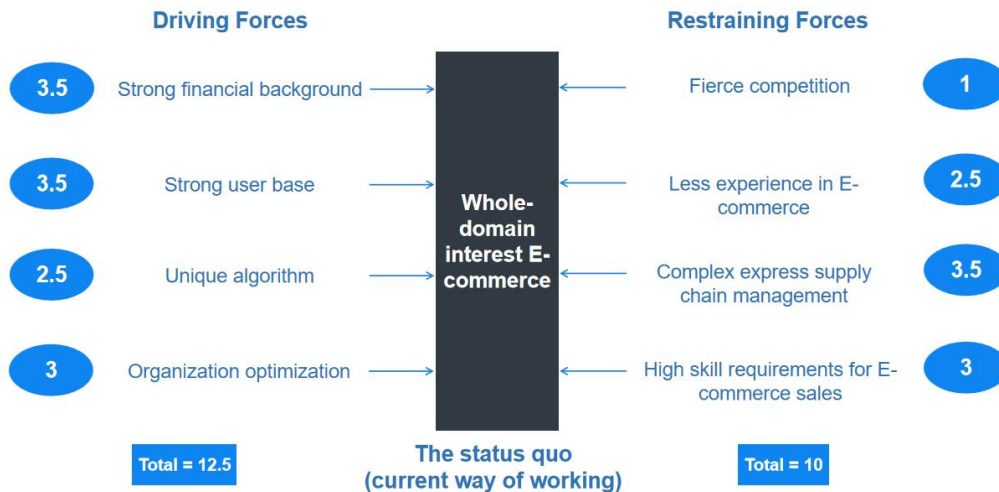
Firstly, personalized shopping experiences have become the norm in online retail. Users no longer have to sift through several product categories to find what they want. Instead, the algorithm on the platform learns about the users' interests and shows them products that align with their interests(Hua, Ma & Zeng, (2022). This model has proven to be successful as it has improved the user experience, resulting in increased user engagement, and ultimately leads to more sales.

Secondly, interest-based E-commerce has brought about a shift in the marketing strategy of brands. Traditional marketing strategies focused on mass advertising to a broad audience, hoping to capture the attention of potential customers. However, with interest-based E-commerce, brands can target their marketing efforts towards users who have shown an interest in their products. This marketing strategy has proven to be more effective as brands are more likely to convert leads to sales.

Lastly, interest-based E-commerce has spurred innovation in the E-commerce industry. As more companies adopt this model, they are forced to come up with unique ways to personalize the shopping experience for their users, leading to better technological advancements.

4. ByteDance's Lewin's Force Field Analysis

Baulcomb (Baulcomb, 2003) proposed that organizational management change is often difficult and requires guidance through models and theories. In order to delve deeper into the essence of organizational change management, Kurt Lewin (Lewin, 1947) developed a force field analysis model, which provided a framework for studying the factors that affect the situation. Based on Lewin's research, everything is under a pair of opposing forces and in a state of balance.(Lewin, 1951) The driving force behind the transformation of things is the driving forces. The force that attempts to maintain its original state is the restraining forces. Lewin sees the organization as a dynamic system (rather than a static system), which is also in a dynamic equilibrium of two forces. In order for change to occur, the driving force must exceed the restraining force in order to break the balance. (Hastie & Dawes, 2001)In the ByteDance interest e-commerce reform, it can also be used to analyze and determine the driving forces and restraining forces of such planned organizational change. Based on previous research, I have analyzed the driving forces and restraining forces of change as follows:



When the driving force of changes are balanced with the change that suppresses it, the status quo often remains in the middle and nothing happens (Burnes, 2014). However, the total score of the driving force for changing the traditional e-commerce model to interest e-commerce is 12.5 points, which exceeds the total score of the factors that constrain change. The restraining forces only has 10 points, so the change ultimately proceeded normally.

4.1.The driving forces of ByteDance's changes

4.1.1.Strong financial background



ByteDance has a strong financial background to invest in the development of its interest e-commerce business. Up to now, the corporate financing level of ByteDance has reached strategic financing, and has obtained financing for six

consecutive years, with a total financing amount of more than 20 million dollars.

4.1.2.Strong user base

Business internationalization: byte overseas territory

	Self-design	Acquired enterprises	Investment
Recreation	    	  	   
Online retailers	 	  	 
Music			
Education			
To B			

ByteDance has a large user base, which can provide a strong foundation for the development of its interest e-commerce business.As of 2022,ByteDance has more than 2.5 billion monthly active users worldwide.

4.1.3.Unique algorithm

ByteDance's unique algorithm can provide users with more personalized e-commerce services, which can give it an advantage over competitors.

4.1.4.Organization optimization

Bytedance has completed the largest commercial organizational change in late 2021, realized the company's management model as business unit,Forming six major business segments.

4.2.The restraining forces of ByteDance's changes

4.2.1.Fierce competition



Traditional E-commerce enterprises have a large market share, Fierce competition in the e-commerce industry makes it difficult for ByteDance to gain market share.

4.2.2.Less experience in E-commerce

ByteDance has less experience in e-commerce, which may limit the development of its interest e-commerce business.

4.2.3.Complex express supply chain management

Express supply chain management is complex and requires a lot of effort to maintain.ByteDance The current independent logistics closed-loop has not been established, and there is still excessive dependence on the services of mainstream express enterprises in the market.(Lee & Tang, 2000)

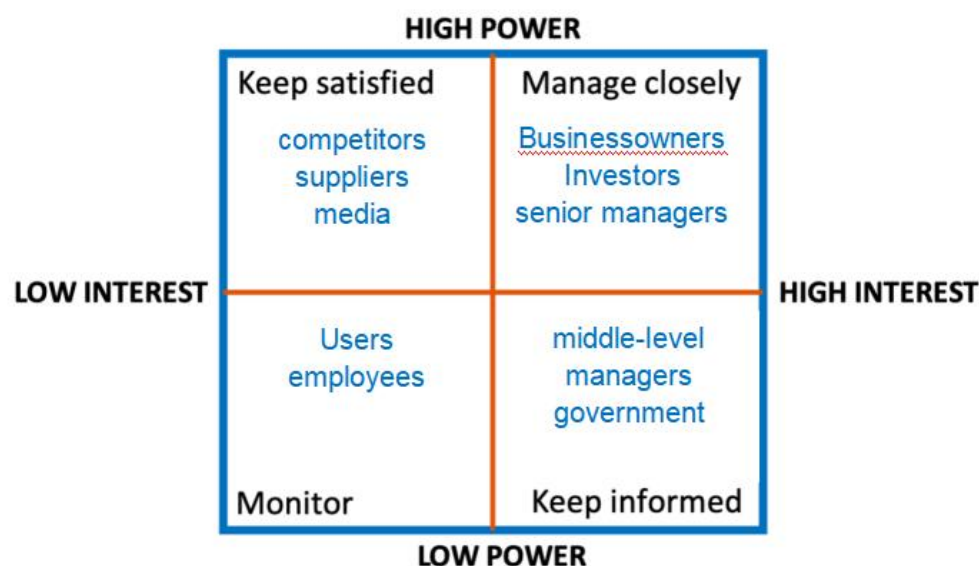
4.2.4.High skill requirements for E-commerce sales

At present, Interest E-commerce mainly engages in marketing through short videos to gain customer attention, which places particularly high demands on the content creativity, shooting quality, and other content of videos.

5.ByteDance's Stakeholder Analysis

By analyzing the force field of ByteDance, we can more clearly sort out the main reasons that affect changes in the reform, but further promotion of change is needed. As Price (Price, 2009) pointed out, since change is dynamic, it cannot be arranged around a single analysis. To gain a deeper understanding of the causes of the impact of change, stakeholder analysis was used to evaluate stakeholder attitudes towards potential changes. Although Donaldson and Preston stated (Donaldson & Preston, 1995), organizations cannot respond to the needs of all stakeholders. Therefore, it is necessary to draw a stakeholder map to identify important stakeholders in order to adopt relevant strategies to solve the problem. The following figure is a map of stakeholders interested in e-commerce reform based on my comprehensive analysis:

5.1.ByteDance's Stakeholder map



ByteDance's interest-based e-commerce model impacts various stakeholders, including customers, employees, shareholders, regulatory bodies, and

competitors. Customers are motivated by the personalized shopping experience and the convenience of being able to shop directly within the app. (Fourniol & Zamparelli, 2016) Employees benefit from the new job opportunities created by the platform and the company's growth. Shareholders benefit from the platform's success and the company's potential for growth. Regulatory bodies may be concerned with issues such as privacy and data security, while competitors may be threatened by the new entrant in the market.

5.2. ByteDance's Stakeholder roles and strategies

5.2.1. Primary stakeholders

1) Users

Users are the most important stakeholders and a key factor in the success of ByteDance's interest e-commerce business.

2) Employees

Employees play an extremely important role in the operation and development of ByteDance's interest e-commerce business.

3) Investors

Investors are important stakeholders who provide financial support for the development of ByteDance's interest e-commerce business.

5.2.2. Secondary stakeholders

1) Suppliers

Suppliers provide goods and services for the operation of ByteDance's interest e-commerce business.

2)Regulators

Regulators are important stakeholders who ensure that ByteDance's interest e-commerce business operates in compliance with laws and regulations.

3)Competitors

Competitors in the e-commerce industry are important stakeholders who can affect the success of ByteDance's interest e-commerce business.

5.3.ByteDance's Stakeholder strategies

Consumers are one of the most important stakeholders in the ByteDance interest e-commerce reform. ByteDance aims to expand the market by continuously optimizing the user experience, improving user satisfaction, and cooperating with partners.

Partners, including suppliers and logistics enterprises, have a profound impact on the transformation of ByteDance interest e-commerce. ByteDance can fully mobilize the enthusiasm of partners and achieve the goal of win-win through cooperation.

Employees are an important resource for enterprises, and their enthusiasm and work attitude are crucial for the development of the enterprise. ByteDance provides employees with good salary, welfare and training opportunities to cultivate and retain outstanding talents.

6. Kotter's eight-step model apply to ByteDance's changes

According to Green and Cameron (Green & Cameron, 2012), the Kotter's eight step model provides a systematic approach to managing change and stabilizing it. It includes eight steps: establishing the urgency of change, forming a leadership team for change, developing a vision and strategy for change, notifying all employees, initiating short-term actions, creating visible success, consolidating results, and ensuring that change becomes a new company culture. The following analysis was conducted on the situation faced by stakeholders:

6.1.Establishing a sense of urgency

ByteDance should establish a sense of urgency to transform its interest e-commerce business. In this way, it can increase the driving forces and reduce the restraining forces to change the current state of equilibrium.

6.2.Creating a coalition

ByteDance should create a coalition among its employees, investors, and suppliers to work together to transform its interest e-commerce business.

6.3.Developing a vision and strategy

ByteDance should develop a clear vision and strategy for its interest e-commerce business, setting goals and plans in a rational manner to drive the development of its business.

6.4.Communicating the change vision

The vision and strategy should be communicated to stakeholders in a clear,

concise manner, ensuring that everyone understands the direction of the transformation.

6.5. Empowering others to act on the vision

ByteDance should empower its employees and other stakeholders to act on the vision by providing them with training, resources, and support.

6.6. Creating short-term wins

ByteDance should create short-term wins to demonstrate the effectiveness of the transformation and build momentum for long-term success.

6.7. Consolidating gains and producing more change

ByteDance should consolidate the gains of the transformation and continuously produce more change, leveraging the momentum generated by the short-term wins.

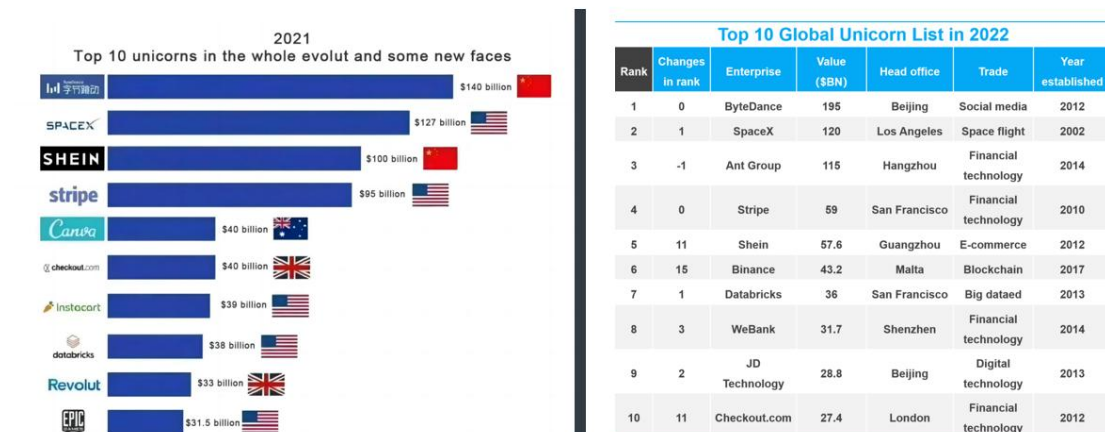
6.8. Anchoring new approaches in the organization's culture

ByteDance should adopt a reasonable incentive mechanism and a clear and explicit performance evaluation system, so that changes can be consolidated and passed on in the company culture. The new approaches should be anchored in the organization's culture to ensure that the transformation is long-lasting and sustainable.

7. Assessment of changes

In the process of realizing this change, ByteDance adopts the planned and urgent change management mode. Firstly, the way to reduce risks is to adopt planned changes and gradually realize the transformation of business models.

At the same time, in order to adapt to the market and competitive situation more quickly, the organization has also adopted an emergency transformation approach, completing business model changes as quickly as possible through a strong response to the situation.



After ByteDance launched E-commerce, the company's size and valuation increased significantly. ByteDance has always been the first in Hurun's top ten global unicorn enterprises in 2020 and 2021, with an increase of \$ 55 billion in valuation. Of ByteDance's E-commerce revenue in 2022, Tiktok Shop's GMV has reached \$4.4 billion. ByteDance's GMV was approximately \$208 billion, a 76 percent increase from 2021. Tiktok Shop's GMV sales in Southeast Asia were \$4.4 billion, up 300 percent from 2021 (Kirilchuk, Nalivaychenko & Kaminskaya, 2023).

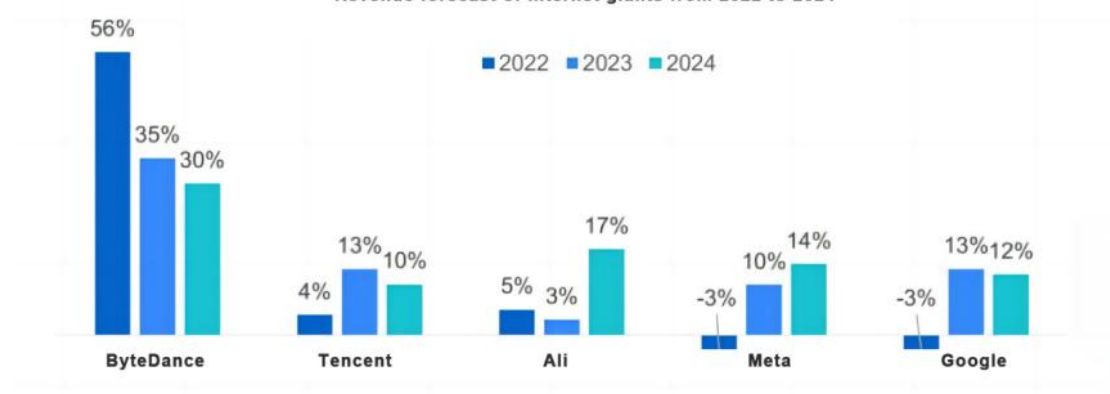
It is expected that the future business growth will remain significantly higher than other Internet giants

The current business growth of comparable Internet giants is stagnant and the valuation is at the low level in recent years

2022 Estimate	ByteDance	Tencent	Ali	Meta	Google
Total revenue (\$ 100 mn)	903	839	1,294	1,212	2,493
Year-over-year revenue growth	56%	2%	19%	3%	-3%
Net profit (\$ 100 mn)	226	166	116	318	685
Year-over-year net profit growth	50%	-50%	-20%	-19%	-10%
Current valuation (\$ 100 mn)	2,500	3,847	2,350	4,251	7,541
2022 PS multiple	2.8x	4.6x	1.8x	3.5x	3.0x
2022 PE multiple	11.5x	23.2x	20.3x	13.4x	11.0x

It is expected that ByteDance will be the only Internet giant with high revenue growth in the next three years

Revenue forecast of Internet giants from 2022 to 2024



As shown in the figure, ByteDance is in the process of global business layout. Compared with the financial data, it is expected that the business growth of ByteDance will still be significantly higher than that of other Internet giants in the future (Cristofaro, Giannetti & Abatecola, 2023). It is expected that ByteDance will be the only global Internet giant with high income growth in the next three years. These data are the best evidence of the transformation results of the ByteDance interest E-commerce model, and also prove that the ByteDance transformation is very correct and effective.

8.Conclusion

To achieve success in the fierce competition in the E-commerce industry, ByteDance needs to explore the transformation and stable management of its Interest E-commerce business. This paper uses Lewin's Force Field Analysis, Stakeholder map, and Kotter's eight-step model to analyze the transformation and stable management of ByteDance Interest E-commerce business. Through the analysis, the driving and restraining forces of ByteDance's interest e-commerce business have been identified, the impact of stakeholders on the business has been clarified, and the suggestions for the transformation and stable management of the business have been provided. Only by actively coping with various challenges and seizing opportunities for development can ByteDance's Interest E-commerce business achieve long-term, stable, and sustainable development. ByteDance Interest E-commerce has made remarkable achievements, which shows that taking the above measures can really make enterprise reform more successful.

However, it is still important to fully consider the needs and concerns of various stakeholders during the change process, seize the time, and ensure the successful implementation of the change.

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