Social Media Business Model Analysis: Facebook vs. TikTok

Case #9

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Content

Objective: Compare the sustainability of Facebook and TikTok's business models through the lens of user sentiment and trust.
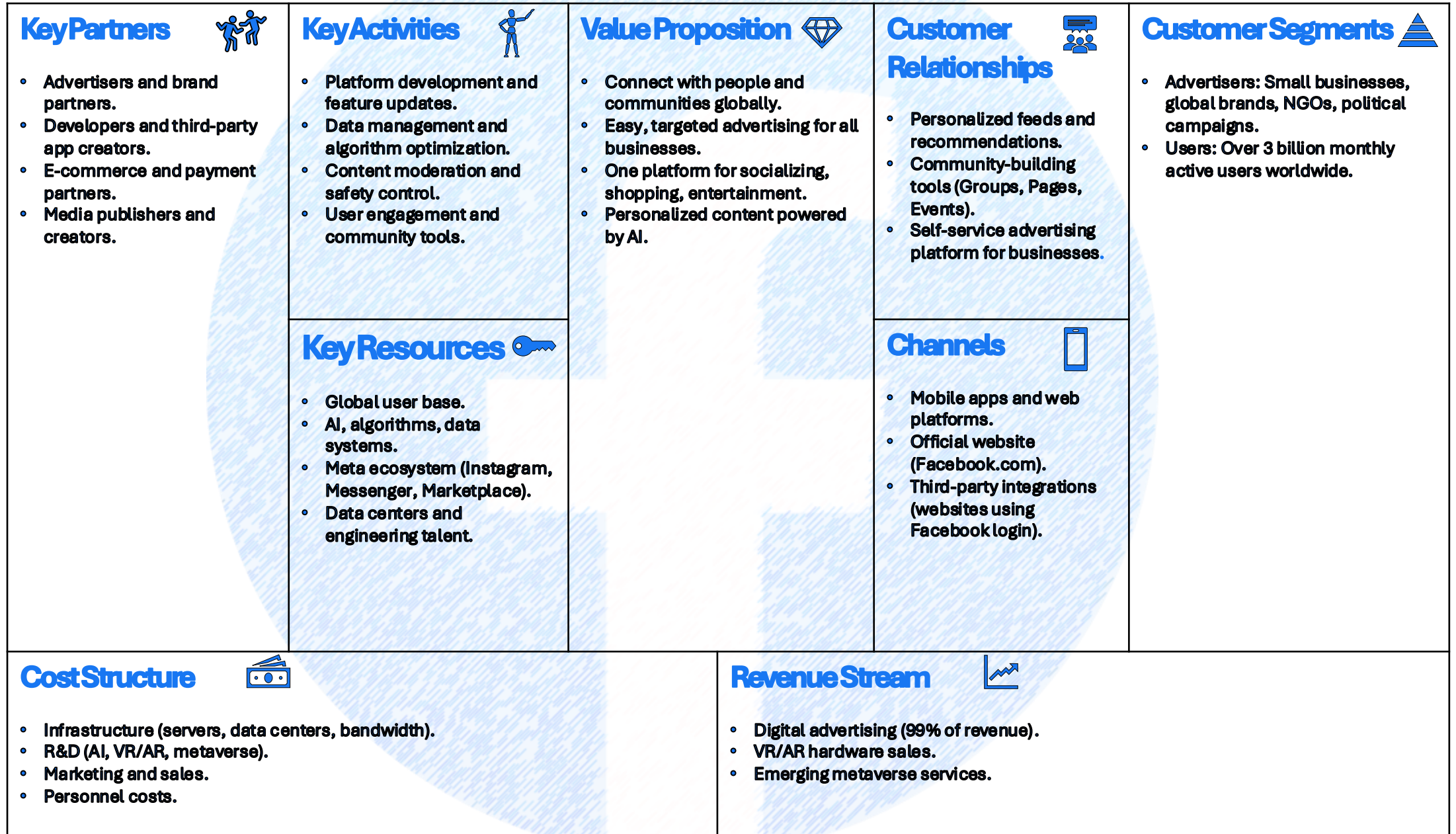
➤ The Problem:

- **Facebook:** 99% ad reliance creates privacy risks, while technical instability (login failures) drives negative sentiment.
- **TikTok:** Rapid commercialization creates an "ad-filled wasteland," while technical bloat (crashes/slowness) drives 1-star ratings.

➤ Methodology:

- **BMC Mapping:** Analyzing Revenue Streams and Key Resources.
- **Sentiment Analysis:** Comparative approach using primary text mining on 355k Facebook reviews vs. secondary Machine Learning analysis (Suhaimi et al., 2024) on 10,000 TikTok reviews.

Facebook Business Model Mapping

Key Partners
- Advertisers and brand partners.
- Developers and third-party app creators.
- E-commerce and payment partners.
- Media publishers and creators.

Key Activities
- Platform development and feature updates.
- Data management and algorithm optimization.
- Content moderation and safety control.
- User engagement and community tools.

Key Resources
- Global user base.
- AI, algorithms, data systems.
- Meta ecosystem (Instagram, Messenger, Marketplace).
- Data centers and engineering talent.

Value Proposition
- Connect with people and communities globally.
- Easy, targeted advertising for all businesses.
- One platform for socializing, shopping, entertainment.
- Personalized content powered by AI.

Customer Relationships
- Personalized feeds and recommendations.
- Community-building tools (Groups, Pages, Events).
- Self-service advertising platform for businesses.

Channels
- Mobile apps and web platforms.
- Official website (Facebook.com).
- Third-party integrations (websites using Facebook login).

Customer Segments
- Advertisers: Small businesses, global brands, NGOs, political campaigns.
- Users: Over 3 billion monthly active users worldwide.

Cost Structure
- Infrastructure (servers, data centers, bandwidth).
- R&D (AI, VR/AR, metaverse).
- Marketing and sales.
- Personnel costs.

Revenue Stream
- Digital advertising (99% of revenue).
- VR/AR hardware sales.
- Emerging metaverse services.

TikTok Business Model Mapping

Key Partners

- **B2B partners:** Music publishers, brands, advertisers, e-commerce merchants
- **B2C partners:** Users and creators who supply the content and influencers who drive trends, engagement and credibility
- **Infrastructure Partners:** Cloud service providers who host video and data. Third party tech vendors supporting moderation or analytics. Government entities.

Key Activities

- **User/ platform growth:** Getting more users for more content and views. Creator and influencer management
- **Moderation and verification:** Content moderation that follows company's regulations. This creates brand safety for advertisers.
- **Monetization:** TikTok ads management. TikTok Shop management. Live gifting and coin system.

Key Resources

- **'Human' resources:** Young consumers drive cultural relevance. Global community that diffuses the trends. Large active user base for views.
- **Data and tech resources:** Creator ecosystem like capcut. TikTok algorithm for personalization and ad delivery. Cloud system that stores videos.

Value Proposition

- **"Search" for the impatient:** Gen Z uses TikTok as Google. They want a 60-second video explaining a restaurant or a product before buying, not a 1000-word blog post.
- **Unlike YouTube/Instagram**, new creators with 0 followers can go viral overnight if content is good or funny.
- **Instant dopamine hit:** Due to personalized feed, users instantly get interested in the contents, scroll after scroll. Addictive.
- **Easy and relevant marketing opportunity:** Through TikTok's 'Business for TikTok', it's easy to post advertisement through TikTok, as well as show your ads to age/ sex/ location of your customer bracket.

Customer Relationships

- **Parasocial Intensity:** Users feel like they know the creator because the content is raw, unpolished, and shot in bedrooms, not studios.
- **Ruthless Churn:** The relationship is fleeting. Today's star is tomorrow's "cringe." The platform has zero loyalty to creators; it only cares about the content.

Channels

- **Primary**: iOS and Android Mobile App (90%+ of usage).
- **Secondary:** TikTok Now (standalone features), Smart TV apps, and Desktop Web.
- **The FYP (For You Page).** It's not just a "feed"; it is the primary channel. Users rarely check their "Following" tab. The algorithm is the channel.
- **Notifications:** Push notifications are a critical channel to trigger daily active usage.

Customer Segments

- **The "Doomscrollers":** Users engaging in passive consumption to kill time (mass market).
- **The "Side-Hustlers":** Creators who don't care about "art," they care about the Creator Fund and affiliate commissions.
- **Hyper-Niche Communities:** "Gamingtok", "BookTok," "CleanTok," "DivorceTok." TikTok captures audiences too niche for TV.

Cost Structure

- **Fixed cost:** Salary (In house), office, cloud infrastructure, music licensing, security
- **Variable (Flexible) cost:** Creator commission payout, tax, cloud infrastructure, payment processing fee, marketing

Revenue Stream

- **Advertising** : In-feed video ads, Brand Takeovers, and Hashtag Challenges.
- **TikTok Shop** : Commission fees (take-rate) on every product sold directly in the app (ranges from 1-5%+).
- **Live Gifting:** The digital busking economy. People sending "Roses" and "Galaxies" to creators shouting catchphrases. it moves millions of dollars.

Merged Business Model Canvas

Key Partners 🤼

- **Similarities:** Both use advertisers, brands, e-commerce, and content creators.
- **Differences:** TikTok places more importance on Music Labels. Facebook is more about the network; TikTok is about creative supply and trends.

Key Activities 🤸

- **Similarities:** Platform growth, engagement.
- **Differences:** Monetization should be similar. However, Facebook doesn't have Facebook shop. Have Facebook marketplace → is it the same as TikTok shop where TikTok gets a bit of profit?

Key Resources 🗝

- **Similarities**: Global user base, AI, algorithms, data centers.
- **Differences**: Differences: Meta has huge ecosystem (Instagram, Messenger, Marketplace) whereas tiktok is mostly just one besides the video editing app, capcut. User base age. Tiktok young, Facebook, older.

Value Proposition 💎

- **Similarities:** Social media platform to see content.
- **Differences:** Facebook is networking; TikTok is content viewing/entertainment. TikTok has more virality than Facebook.

Customer Relationships 👥

- Similarities: Nothing
- Differences: Facebook users return and focusing more on real life social ties and real-world connections. In TikTok, they have no major real-world connections and culture revolves around content.

Channels 📱

- **Similarities**: Mobile and website platforms; third-party integrations.
- **Differences**: Facebook has a massive ecosystem; TikTok has only one app (mainly mobile).

Customer Segments 🔺

- **Differences**: Facebook has a super large amount of people and demographics. TikTok has larger niche communities.

Cost Structure 💰

- **Similarities**: Similar fixed and variable costs.
- **Differences**: Facebook has more R&D costs for VR and Metaverse. TikTok has more creator commission payouts.

Revenue Stream 📈

- **Similarities**: Revenue comes from Ads.
- **Differences**: Facebook has revenue from VR-related sales. TikTok has revenue from Ecommerce and Live Gifting.

Social Media Analysis

TikTok Sentiment:

The "Wasteland" Reality: Users describe the feed as an "ad-filled wasteland".

Data Confirmation: Analysis of 10,000 reviews reveals 53.5% Negative Sentiment vs. only 14.4% Positive.

The 1-Star Problem: 1-star ratings are the dominant category (approx. 4,000), doubling the number of 5-star ratings.

Key Complaints: Technical instability (crashes/slow performance) and dissatisfaction with recent updates

Facebook Sentiment:

Trust Deficit: Concerns about privacy, tracking without consent and ad overload

Sentiment Distribution: 70,4% positive vs 24.1% negative, linked to updates and privacy issues

Temporal Trends: Negative spikes after app updates show instability erodes trust

Top Words: Positive (*nice, love, excellent*) vs. negative (*update, account, don't*)

Business Model Refinement (Facebook)

The Pivot: "Diversification via Community Trust"

Revision 1 (Technical): Prioritize app stability (Key Resources) to eliminate negative sentiment spikes caused by buggy updates.

Revision 2 (Revenue): Monetize "Marketplace" with transaction fees, leveraging the high-intent nature of Facebook buyers.

Revision 3 (Trust): Address the 24.1% negative sentiment by increasing data transparency, moving away from "invasive" ad targeting.

Business Model Refinement (TikTok)

The Pivot: "Quality over Quantity"

Revision 1 (Technical): Reallocate Key Resources to fix technical instability (crashes/slowness) and reduce the 53% negative sentiment rate.

Revision 2 (Activities): Implement stricter Merchant Quality Control. Trust-dependent categories (e.g., Beauty) make up 81% of sales; low-quality merchants threaten this.

Revision 3 (Revenue): Shift to "Spark Ads" (boosting organic user content) to combat the "ad-filled wasteland" perception.

Conclusion

- **Facebook:** Must move from **Selling Data** to **Facilitating Secure Commerce** (leveraging high-intent users).

- **TikTok:** Must move from **Aggressive Growth** to **Technical Stability & Quality**.

- **Final Takeaway:** Monetization cannot come at the expense of user experience. TikTok's **'Interest Graph'** breaks without **technical quality**, and Facebook's **'Social Graph'** breaks without **privacy trust**.

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