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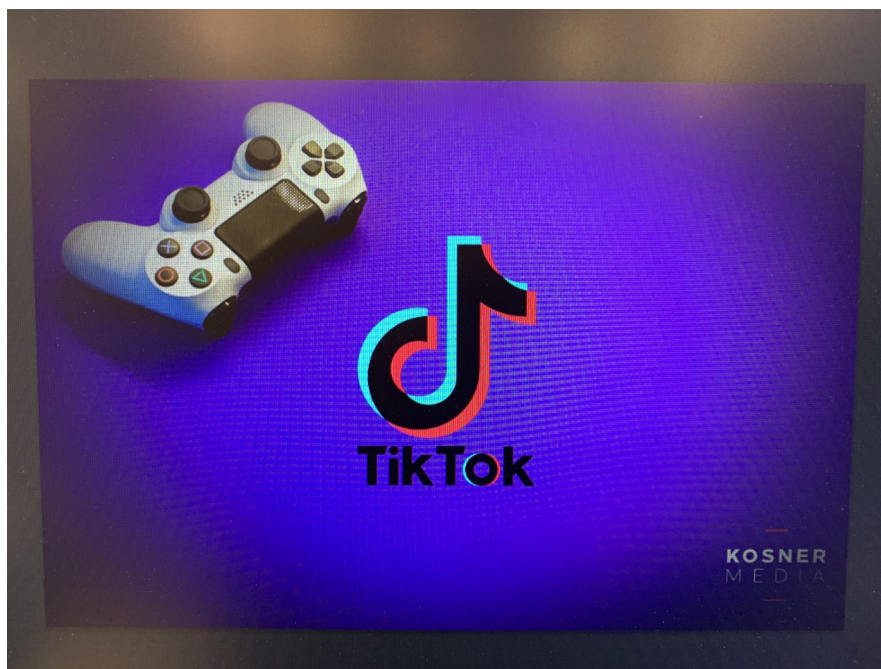
Technology Sports Media Website About

The World's Fastest Growing Game

by John Kosner & J Moses



John Kosner



Both of us are big NFL fans and fathers of 13-year-old boys. But on Sunday, when we watch our favorite teams — the Steelers and the Giants — play on CBS and Fox respectively, our boys will be in their bedrooms with mobile devices on their laps, connected to friends and playing Minecraft, Fortnite or TikTok while they track the NFL scores in real time on a gamecast app.

Yes, playing TikTok. It is the fastest growing game in the world, and our boys are part of an entire generation expecting game mechanics to power their preferred entertainment.

Considered by many the *mobile YouTube*, TikTok is the most intriguing and fastest growing media property in the world. Because, it was designed to be something else. TikTok is built on game mechanics. It is a

game *featuring content* (which can be *any* content, far broader than just funny dance videos). TikTok rewards people for posting popular videos and watching them; in fact, it tells you how to do it. And it's all easy. On TikTok, your video's views are *points*. TikTok'ers are rewarded with TikTok's they love. Users create their own individualized experience. It is addictive.

Also, it is not social media as we have traditionally defined it. Instead, it fits on a continuum as our social interactions become more digital and spread over more platforms especially messaging. TikTok is not centered on your friends, but rather Chinese parent company ByteDance's nonpareil algorithm.

As Ben Thompson points out in his newsletter, *Stratechery*:

"The chances of your typical Facebook user having a network full of accomplished videographers is slim, and remember, when it comes to showing user-generated content, Facebook is constrained by who your friends are ...

ByteDance's 2016 launch of Douyin — the Chinese version of TikTok — revealed another, even more important benefit to relying purely on the algorithm: by expanding the library of available video from those made by your network to any video made by anyone on the service [emphasis: ours], Douyin/TikTok leverages the sheer scale of user-generated content to generate far more compelling content than professionals could ever generate, and relies on its algorithms to ensure that users are only seeing the cream of the crop."

Now, it is true that you can follow celebrities and brands on Instagram, and the quality of their posts is often of higher quality. Nonetheless, TikTok is designed to give you the most compelling video at any given time. Turner Novak of early stage VC firm Gelt notes, "on TikTok, the best videos could instantly reach the entire user base."

Last summer in *Bloomberg Opinion*, Tim Culpan described TikTok's touted algorithm as its "secret sauce," the mobile version of the "Colonel's 11 secret herbs and spices." But it's more than that. Developed as well with ByteDance's massively popular Chinese news site Toutiao, the TikTok algorithm generates personalization at unmatched scale. Per Novak: TikTok's "hyper-personalized algorithm recommends content based on thousands of objects and tags analyzed in each individual video, along with an individual's view history, re-watches, likes, comments, shares, and even post-view activity."

That's the very basis of connected game play too — whether it be Candy Crush or Fortnite — an algorithm. Like the leading games, TikTok is not

static. Every single user has a unique experience every time and every keystroke builds the TikTok algorithm. Minecraft, Fortnite and Roblox (and World of Warcraft for that matter) are each closed platforms — they give players the tools to tailor how they want to play. By following the videographers they like most, TikTok gives viewers that same degree of customization. Dynamic, constantly adjusting to new preferences and signals (such as our sons in their bedrooms connected with their friends), TikTok has produced mesmerizing effects in the U.S. and around the world.

The game has changed the game.

Compare TikTok to Quibi:

- Both started in the U.S. in 2018;
- TikTok has game mechanics. A bottoms-up approach built around a constantly expanding and dynamically curated user generated content selection;
- Quibi was the traditional, time-honored Hollywood media model. Top down. Expensive, professionally produced, high quality content with stars on both sides of the camera. No game mechanics.
- Today: TikTok's market cap is \$60B (Parent ByteDance's is 180B). Quibi is defunct.

Consider JuJu Smith-Schuster, the Steelers' outstanding wide receiver and, perhaps, the most accomplished gamer and social media performer in sports. Last month, Smith-Schuster found himself under fire because of his viral videos showing him dancing on the logos of Pittsburgh's opponents. As the Steelers lost three straight after an 11-0 start, he was accused, among other things, of having more posted TikToks than yards per game this season. JuJu says he's done with the dances (at least for now) but he and other star athletes recognize the power of TikTok. The game has changed the games.

No doubt aided by its data collection and algorithm, TikTok management has also proven to be a quick study of the game business by identifying its audience, giving them what they want, and monetizing it:

- TikTok built out its audience — by knowing *where to buy it*. Earlier this year, TikTok was Snap's biggest advertiser. It's the top brand to run app install ads on Snapchat after having been the top app installer on Facebook in early 2019. Per the *Financial Times*, TikTok has reached 1B users much faster than any other social media app;

· In the same way that another fast-growing digital media company, Twitch (Amazon) has broadened beyond its gamer roots into several other content categories plus “Just Chatting” and “IRL” (“in real life”) channels, TikTok has evolved from silly dance videos. Per Tiffany Zhong of Zebra IQ, a Gen Z research company, TikTok is the biggest producer of short-form online video *education* (on a multitude of topics). And critically for a young, impatient audience, she says, “*its videos are no longer than they have to be.*” If a TikTok can tell a story in 21 seconds, it does so. Novak: “Short-form video reduces the friction of both creation and consumption. Most TikTok videos are produced by the creator alone, and many post multiple videos per day”;

· While many linear TV networks rue not taking a financial position in the licensing businesses of the young, unknown talent they helped popularize (many of whom are now more popular than their sponsor networks), TikTok has been quick to launch its Tiktok Creator Marketplace (TCM). How big will this become? Two weeks ago, Walmart hosted the first-ever shoppable livestream on TikTok. That Walmart was aggressively pursuing TikTok as an owner last summer tells you everything about the audience.

If you are a media company without the benefit of Bytedance’s visionary engineers and world-changing algorithm, what to do?

Make TikTok’s approach a *central strategy*, not an “extension” of what you do.

· **Collect data and use it:** When we watch the NFL games on Sunday, neither CBS nor Fox will get any data; their revenue is limited to retransmission consent and TV sponsorship advertising. That’s a problem. Creating systems, hiring data-focused executives (many of whom are young) moves companies to a place where they are using data to make decisions. Once you start you never turn back

· **Give the audience what they want:** Sports leagues and other content companies should be more aggressive in allowing these connected audiences on TikTok to follow games in progress, including by putting real-time highlights onto the platform. *Otherwise, its audience might not know the games are even happening!* Content discovery is a growing challenge; you need to be where your audience is;

· **Monetize the audience:** On Christmas Day, millions of people around the world watched Pixar’s “Soul” on Disney+. Disney has used informed research and data about its addressable audience to establish itself as a retail streaming channel. Now, its actual usage is powering how the service moves forward. Disney+ has also levitated the company’s stock.

Perhaps most important, media companies must heed what makes gaming such a compelling format: we each have our own customized experience, every time is different, and we and our friends are active participants.

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