

A Study on the Trend of ByteDance's Strong Entry into Payment Industry

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Abstract: With the continuous development of reform and opening up, China's mainstream payment methods are changing rapidly. From paper money transaction to bank card payments, to the emergence of third-party platforms and mobile payments. The advanced ideas have made many people see the business opportunities, and a large number of talents have poured into the third-party payment market. After the rapid development in the early stage, it has entered the stage of survival of the fittest. At present, China's payment market is reaching the ceiling. What kind of impact will ByteDance bring to the existing payment market? According to ByteDance's experience in using big-data in TikTok payment and video clips, we can put forward new trends in the future development of payment industry and promote the redevelopment of payment market.

Keywords: *ByteDance, third-party payment, big data, pay warrant, coordinated development*

1. Introduction

Under Ali's Alipay and Tencent's WeChat, the third-party payment industry has been developing rapidly. Ali and Tencent's market share are also increasing year by year, while other companies are in a downturn. Compared with the previous "a hundred flowers blossom and a hundred schools contend", it can be said that the competitive power has been lost. At this time, ByteDance won the payment license and entered the payment market, which undoubtedly gives the payment market a shot in the arm. Although ByteDance is smaller than Tencent and Ali, its TikTok and Toutiao have already accumulated enough users for it. TikTok's appearance at the Spring Festival Gala has become more famous. There is no doubt that ByteDance can shake up the long-standing payment market.

With the emergence of TikTok payment function in ByteDance, the third-party payment market occupied by the giants will undoubtedly undergo a major reshuffle. ByteDance not only promotes the development trend of the payment industry, but also brings new trends for payment industry. For example, the value-added service of "payment + big data", big data is now affecting people's lives in all directions, and third-party payment is no exception. Over the course of development for so many years, a great deal of payment information accumulated through online shopping and offline payment can be used as information source for big data. After obtaining the payment license, ByteDance will provide more services for its APP users and bring better payment experience to customers. Under the support of big data, value-added services becomes an inevitable trend.

On January 19, 2021, TikTok, a short video application owned by ByteDance, already had a payment function. The emergence of TikTok payment soon brought another new trends. TikTok payment announced a zero rate, which is a shock to Tencent and Ali, which had announced the end of zero rate a few years ago. This is indeed in line with ByteDance's concept of bringing better value-added services to customers. The theoretical significance of this study lies in analyzing whether ByteDance can gain a firm foothold in the payment market already occupied by Alibaba and Tencent. Analyze the development of Bytedance after joining the payment market from multiple angles.

2. Literature review

Since 2011, the central bank has issued a total of 270 payment licenses in eight batches. Up to now, many companies have been cancelled, and no new payment licenses have been issued since March 2015. The license issuance is of great significance to the development of the third-party payment

industry. However, the existing small payment enterprises are unable to adapt to the new competition environment, leading to annexation by large enterprises, and the number of enterprises in the payment industry decreases every year. According to Jiang (2017), it is very difficult to get a payment license at present. Nevertheless, ByteDance managed to obtain a payment license and join the payment market. Nature is for diversification, which is helpful for the development of value-added services of the enterprise. Huang (2019) pointed out that with the rapid development of Internet and mobile communication technology, the traditional transaction mode has been transformed into an electronic transaction mode. Convenient and efficient third-party payment platforms are constantly emerging, with large-scale users and high frequency of usage.

According to the data of the Payment and Settlement Department of the People's Bank of China (2021), in the fourth quarter of 2020, non-bank payment institutions handled a total of 24.685 billion online payment services with an amount of 84.49 trillion yuan. Until 2020, third-party payments were almost everywhere. Mobile payments accounted for about three quarters of online payments, and mobile payments will become more popular for third-party payments. According to Hou (2019), the third-party payment mode has the fastest development trend. Xu (2017) pointed out that its acceptance by industry is increasing year by year, but it seems that the mature third-party payment market has formed a monopoly trend.

According to some data provided by iResearch, in 2020, most of the market share of third-party payment has already been occupied by Alipay and WeChat. The Internet consumption model has been changing to the industrial Internet model. The accession of ByteDance may redistribute the existing market structure.

3. Analysis on the Impact of ByteDance's Strong Entry into Payment Industry

3.1 "Shuffle" Within the Payment Industry

In recent years, ByteDance has not only obtained the payment licenses, but also obtained some insurance licenses and micro-loan licenses. The entry of giants will inevitably seize part of the payment market and bring new vitality. This is also an important step in restructuring the payment industry. In 2021, ByteDance's TikTok APP launched TikTok's Payment, and announced that all operations are free in the short term. This is an obvious sign of capturing the payment market. Although it shows that there may be a certain fee in the future, the current free payment will undoubtedly attract large number of new users. With the cooperation of the Spring Festival Gala red envelope activity, ByteDance will make TikTok payment popular immediately. With the actions of other small and medium-sized enterprises and domestic banks, it has become a small-scale "shuffle" of payment industry.

3.2 Creating a New Payment Model

With the emergence of 5G, the formation of blockchain, intelligence and big data is also accelerating. These are all deeply related to the payment industry. For example, face-scanning payment is the combination of biometric technology and payment industry. It is not difficult to imagine a new payment model following the maturity of technologies such as holographic projection in the future. ByteDance launched TikTok payment this year, opening up the payment market for ByteDance ahead of schedule. On the surface, it is to cooperate with other third-party payments companies to provide better services for users, but it can be seen that ByteDance is eager to become major player in the payment industry.

3.3 The Competitiveness and Strategic Role of TikTok's Payment

With the rise of video clips, the number of TikTok has reached 500 million in a few short years. As a new payment platform, TikTok payment lacks a certain competitive power compared with Alipay and WeChat. However, the close cooperation between ByteDance and Spring Festival Gala and the extensive publicity of TikTok cultivated strong awareness in the public. Many people chose TikTok to make payment, which won enough C-terminal users for TikTok and expanded the payment market in ByteDance. This operation also provided a strong guarantee for ByteDance's subsequent development and proved its rightful venture into the payment market.

Although TikTok is a social video clips software, it contains a social e-commerce platform. The platform does not include the revenue from special e-commerce modes such as live commerce,

however the daily transaction amount of traditional social e-commerce alone is a huge amount. Huge transaction amounts will bring in huge handling fees. Now that ByteDance has its own payment license, the annual savings in handling fee is a significant sum. Now that ByteDance has its own payment license, the cost saved each year is a huge sum, not to mention its strategic significance is to improve the social e-commerce carrier in TikTok. The emergence of TikTok payment has had a great impact on ByteDance.

3.4 Helps to Improve the User Experience

After the emergence of TikTok payment, users have more choices, and the exemption of operation fees has attracted some people. Combining with the functions of the TikTok platform itself, it can be said to be the value-added service in TikTok. When the payment industry in ByteDance matures, it can be widely used in more products or platforms. It is not only beneficial to seize the payment market, but it can also provide better service for users of the platform and increase the value of the platform. Alipay and Wechat have been at ease for a long time. Now, ByteDance's entry will undoubtedly stimulate both sides and force them to make changes. Just like TikTok payment in ByteDance, it provides users with more value-added services and customer experience.

4. Analysis on the Trend of ByteDance's Strong Entry into Payment Industry

4.1 "Payment+Big data" Value-Added Services

The addition of ByteDance has promoted the value-added service of "Payment+Big- Data". Big data can contribute to many industries, including the payment industry. After more than ten years' development, big data has gradually matured and improved. People's consumption data accumulated on e-commerce platforms or offline mobile consumption is a type of big data. The value-added service supported by big data have become an inevitable trend. Only by understanding users' preferences then we can retain users, which has been profoundly demonstrated in various e-commerce platforms. The importance of value-added services combined with payment and big data has brought new trends to all enterprises. All of them will study the value-added services of their APP. ByteDance claimed on the Internet: the reason why we got the payment license is to serve better APP users under our name, and provide users with services other than regular services, which can bring better experience to users. After obtaining the license and mastering the accumulated latest user data, ByteDance can rely on big data to analyze the user data of its APP, and layer the users. For example, its TikTok APP recommends video clips that users like according to their watching habit video clips. It is through understanding the users's preferences and providing corresponding links that users can enjoy when they pay, which brings more convenient and efficient services.

Besides this common payment service, with the in-depth analysis of big data, ByteDance can further explore the needs of customers. Just like Alipay or WeChat's fast payment, payment can be completed without entering a password. Make different payment schemes according to specific users. Only in today's mature big data, combined with payment, can it provide unique value-added services for individuals. This model also applies to shops. Some small and medium-sized enterprises are eager to customize payment mode. For these specific merchants, relying on big data, special payment methods have been developed for customers, which makes them more convenient. This is also one of the value-added services that may be launched in ByteDance under the influence of big data.

ByteDance is a diversified enterprise, with perfect industrial distribution. The payment mode initiated by the company can be developed into intelligent finance, such as account splitting, settlement, funds, etc., with centralized service in one form. Targeting not only individual users, but also small and medium-sized enterprises to expand their payment market, influence and coverage. Provide a payment mode integrating payment and intelligent financial value-added services, and enhance the experience of enterprise customers, micro and small companies and non-terminal ordinary consumers. To provide convenience for their life style and business, and to provide a service process integrating three intelligent services.

4.2 Coordinated Development of ByteDance and Commercial Banks

Alipay, which has Yu 'e Bao, funds and wealth management products, may not be able to cooperate in depth. However, only TikTok payment with payment function can coexist and prosper with

commercial banks. Commercial banks can obtain relevant handling fees from ByteDance, and ByteDance can also obtain credit guarantee provided by banks. Third-party payment is not without sharing, because third-party payment itself is a platform for temporary fund management. After receiving the money paid by the consumer, the money will not be transferred to the account of the corresponding merchant or individual immediately. It will have a certain time gap, during which time the money will be temporarily deposited on the third-party payment platform, which is called precipitation funds. Although the time gap is not long, the scale of third-party payment in China is too large. The total amount exceeds 300 trillion yuan, resulting in a large amount of precipitation funds. A new third-party payment platform is generally lacking in relative trust. The credit guarantee provided by commercial banks is exactly what a new payment platform needs, and there are many win-win points between them. The third-party payment platform needs the gateway interface of commercial banks, so the payment service of commercial banks cannot be completely replaced. ByteDance's shortcoming lies in the lack of C-terminal collection and payment scenario. Cooperation and development with commercial banks can effectively make up for this shortcoming. It is suggested that the payment platform can strengthen business cooperation with commercial banks. Obtaining agency payment services from commercial banks can effectively increase the collection and payment scenarios at C-terminal. Although it needs to pay a certain fee, it is still very cost-effective in terms of long-term cooperation with commercial banks. ByteDance should cooperate with commercial banks to make use of all resources and seize the payment market.

4.3 Promote the Development of Offline Acquiring Business

The payment industry includes not only the third-party payment, but also the more traditional offline acquiring. ByteDance not only needs to occupy the online payment market, but also the payment market such as offline mobile payment and offline receipt. According to the above, ByteDance's TikTok payment is more appropriate for the coordinated development with commercial banks. Only need to provide the merchants with bank card reader tools. A variety of payment terminals that generate bank card transaction instruction elements, including POS terminals, self-service terminals and other different types of terminals. It can promote cooperation with various businesses or commercial banks. Although the scale of this payment method is gradually reduced due to the popularization of mobile payment, there is still a considerable market. Because everyone has neglected the business development in this area now, it is a good time to develop it. ByteDance's conditions are fully sufficient to cooperate with commercial banks in the development and promotion of off-line order collection business, coexistence and mutual prosperity.

4.4 Payment of "Zero Rate" Trend Appears

As early as 2018, Ali and Tencent announced that they wanted to cancel their Alipay and WeChat zero-rate mobile payments. The moment the TikTok payment came out, there was already a trend to break the situation. TikTok payment cancels all expenses handling fees. Although there are remarks that it is temporary, there may be charges in the future. This has already brought a certain impact to Alipay and WeChat. Zero rates can better attract users to stay. If the effect is significant, the TikTok will keep the interest rate at zero. Seeing the loss of users, WeChat and Alipay will surely return to zero rates. This undoubtedly improves the experience of users. The "zero rate" payment shows a reappearance trend and will continue.

4.5 Extended M&A to Ensure Market Share

Extension M&A (mergers and acquisitions) plays a crucial role for many companies. It not only improves the company's performance, but also provide business transformation direction for the company. Apart from payment license, ByteDance had already obtained insurance license and small loan license before. It is not difficult to think that ByteDance also has the idea of extension M&A. In order to ensure the smooth entry of the payment market, it is one of the most effective ways to guarantee market share by extension M&A. On the basis of M&A, and with good operation, it can quickly play a helping role. ByteDance itself is one of the diversified enterprises. Discover potential industries and enterprises, acquire and develop them, and seize the payment market at the same time. It is also a wise move to ensure the effective expansion of its own market share.

4.6 Expand the C-terminal Collection and Payment Scenario

At present, the main purpose of TikTok payment in ByteDance is to increase value-added services to its APP. Complement the missing functions of APP so as to better serve its users. This also has the obvious disadvantage, that is, it is only reserved after all, and will only be used in a few specific scenarios. This is undoubtedly very passive in competing for the market. For example, mainstream online shopping, two-dimensional code payment, merchant 'collection, etc., people are mainly thinking of third-party payment platforms such as Alipay and WeChat. The advantage of ByteDance is that its customers are stickier, but the disadvantage is that there are not many collection and payment scenarios about C-terminal. This is one of the difficult problems ByteDance must overcome. TikTok's payment is also just beginning. Although qualified to compete with the two leading players in the payment market, it is not yet fully mature and needs more resources to grow. In order to overcome this, ByteDance has introduced two credit products, namely, Fangxinhua APP and DOU installment payment. DOU installment is paid to merchants in one lump sum, which is similar to Alipay's Ant Credit Pay. This will undoubtedly expand the C-terminal consumer market in ByteDance, and increase the collection and payment scenarios.

5. Conclusion

The Internet is developing rapidly, and so is the payment industry. The market has remained stable due to the presence of two leading enterprises. With the entry of ByteDance into the payment market, the appearance of TikTok payment. The impact on the payment industry is not small, reflecting that the reshuffle period of the payment industry is coming. There is no doubt that the entry of ByteDance will bring new trends to the payment market. TikTok payment is to better serve ByteDance's APP and improve its strategic layout. Then ByteDance will undoubtedly develop value-added services related to payment, and show its deep strength. Whether it is the accumulation of users in TikTok or the word of mouth during Spring Festival Gala. This will inevitably have a certain impact on Alipay, WeChat, resulting in changes in the payment market. The future payment market will bring more optimized services, introduce more innovative payment methods and form a brand-new market environment. This study only focuses on the situation of ByteDance after entering the payment market. It is macroscopic and cannot be comprehensively analyzed. After the launch of TikTok Payment, ByteDance's planning for the future development direction also needs further study in the future.

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