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## TikTok's Response to the ACCC's Report on Social Media Services Issues Paper

### 1. Introduction

TikTok welcomes the opportunity to respond to the ACCC's Issues Paper on social media services for the sixth report in the Digital Platform Services Inquiry (**Issues Paper**).

TikTok is an entertainment platform whose mission is to inspire creativity and bring joy. As a young and growing company, a challenger in a crowded digital sector with many strong incumbents, we have been fortunate to benefit from strong growth since our initial 2017 launch in Australia. That growth is testament to the power to convert great new ideas into commercial success through merits-based competition, and shows Australian consumers were eager for the greater choice that TikTok provides.

As an entertainment platform, we have a competitive set which extends beyond the 'social media services' listed in the Issues Paper, and includes YouTube and YouTube Shorts, Reels, Netflix (which recently announced its "Fast Laughs" feature), Twitch, and many others. TikTok competes vigorously in dynamic and constantly developing markets for both users and advertisers. The main way we compete is by seeking to provide our community with quality products and services – so they can access content that engages and inspires. In this respect, we are continually innovating and adapting the features of our platform to serve the needs of our growing community of more than one billion people worldwide.

We face fierce competition in offering these services, from both incumbents and other challengers. Many entrenched incumbents have large app ecosystems at their disposal, which they have leveraged into new competing products in the face of TikTok's disruptive growth. TikTok hopes to continue growing and building out its features in Australia in order to provide even more competition in various areas of the digital economy.

In this highly competitive environment, online consumer safety is a top priority for TikTok, and we have robust policies and processes in place to protect consumers from scams and misleading or deceptive conduct.

### 2. About TikTok in Australia

TikTok launched in Australia in May 2017. Since that time, we have grown to where millions of Australians come to TikTok to be entertained, to learn and to connect. Since our local launch, and as the ACCC states in the Issues Paper,<sup>1</sup> we have continued to grow around the world and TikTok now has over one billion global users.

We attribute our successful entry to the quality and innovation in our products and services. We offer our users a fun, welcoming experience where authenticity is celebrated. In the fast-changing digital world, TikTok is consistently working to develop new features to respond to our community's needs and expectations.

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<sup>1</sup> Issues Paper, p 10.

We have historically been able to grow based on the value of our “discovery engine,” as epitomized by our “For You” feed, which delivers creative content that our users are interested in, instead of focusing only on social connections. We provided users with engaging content in an appealing format which they were not finding on other platforms, partly because other platforms appeared focused on delivering content which only affirmed existing relationships and interests, instead of delivering novel and fresh experiences.

Upon opening TikTok, users are presented with the “For You” feed, our landing page which provides users with a stream of videos curated to their interests based on their interaction with the platform.<sup>2</sup> Users may also look to their “Following” feed and “Friends” tab,<sup>3</sup> which include content from TikTok accounts that a user has proactively chosen to follow. It is worth noting that, unlike say a user’s network on Facebook, in many cases, a user will have no real-world connection to many of the accounts that they follow and TikTok has historically been less reliant on the so-called “social graph” associated with pure social networking. However, we have explored ways that social connections may provide other avenues to discovery and entertainment. All of these feature improvements, optionality, and innovations feed back into TikTok’s core entertainment purpose.

### 3. Competitive landscape

#### 3.1. Competition beyond “social media services” across a broad competitive set

TikTok is an entertainment platform, competing with many conventional and developing forms of media where delineated categories are increasingly blurred. We find ourselves competing in a so-called “attention economy” to provide interesting and engaging content. At TikTok, we often say while users may “check” other platforms, they “watch” TikTok. CNBC relevantly reported in 2021 that “the competitive lines between traditional media companies and online video services like TikTok, Google’s YouTube, Facebook’s Instagram and Amazon’s Twitch are blurring.”<sup>4</sup>

We witness a competitive canvas that includes but extends beyond the “main social media services” identified in the Issues Paper, to include YouTube, as well as YouTube Shorts, Reels, Reddit, Twitter, Twitch, and many others. As TikTok has grown, many firms have developed their products to become more like TikTok.<sup>5</sup> The UK communications regulator has observed a fierce competitive growth of similar features elsewhere:

“Instagram and Facebook’s parent company Meta (previously known as Facebook) said in its Q1 2022 earnings calls that Reels would be core to its business strategy and future growth. The company highlighted that 20% of the time spent on Instagram globally was spent on Reels, and that video overall makes up 50% of the time that people spend on Facebook. Meanwhile, YouTube announced in June 2022 that 1.5 billion global users log into YouTube Shorts monthly. Alphabet, the parent company of YouTube, announced in its Q1 2022 earnings call that YouTube Shorts was averaging over 30 billion daily views – four times as many as a year earlier. Twitter is set to follow this trend in 2022, preparing to roll out a new

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<sup>2</sup> TikTok, ‘How TikTok Recommends Videos #ForYou’ (Web Page, 19 June 2020) <<https://newsroom.tiktok.com/en-us/how-tiktok-recommends-videos-for-you>>.

<sup>3</sup> TikTok, ‘Friends Tab’ (Web Page) <<https://support.tiktok.com/en/using-tiktok/exploring-videos/friends-tab>>.

<sup>4</sup> Sherman, Alex, ‘TikTok and Instagram inch closer to the streaming wars as competitive barriers blur’, *CNBC* (Online, 5 July 2021) <<https://www.cnbc.com/2021/07/05/tiktok-and-instagram-inch-closer-to-streaming-wars.html>>.

<sup>5</sup> Isaac, Mike, ‘Meta tweaks Facebook app to act more like TikTok’, *The New York Times* (Online, 21 July 2022) <<https://www.nytimes.com/2022/07/21/technology/facebook-app-changes-home.html>>.

test feature that invites users to post video reactions to tweets... Snap is also developing its service through investing in UK originals.”<sup>6</sup>

A further example is Netflix, which recently launched a “Fast Laughs” feed for mobile devices. Netflix now identifies TikTok as a competitor to its investors,<sup>7</sup> as did the music streaming platform Spotify in its annual report.<sup>8</sup> These are just some examples of the ever-developing competitive landscape. The resulting picture is an intense and fluid competitive environment of adapting services grappling for time and attention.

### 3.2. Overcoming barriers to entry

There are no doubt structural challenges for new entrants wishing to compete against large and established platforms like Meta’s Facebook. For example, it may be difficult to attract advertisers until a certain scale and reach has been realised – with advertisers looking for platforms that have exposure to a large number of consumers. Further, in relation to social networking, users are generally attracted to networks where they can find a significant number of connections (for example, friends, professional contacts, or people with similar interests), and a more established player will obviously have an immediate advantage over a new entrant whose users do not have those developed networks in place.

We have, nevertheless, seen that it is possible for new entrants to establish themselves relatively quickly and to effectively compete based on the quality and innovation of their product and service offerings, as the recent growth of TikTok has shown.

TikTok wishes to continue presenting new and disruptive competition to incumbent platforms. Many of these platforms have market power across broad app ecosystems, which they can leverage into new services in a way challenger firms (such as TikTok) cannot. It is critical that TikTok and other new entrants maintain their ability to build out and diversify their offerings to provide important new competition.

### 3.3. Low switching costs and multi-homing

TikTok sees a significant degree of multi-homing by both users and advertisers. Users generally employ multiple platforms for the same or similar types of services, such as entertainment, messaging, content and social interactions. Similarly, advertisers may promote different content on different platforms, or the same content across multiple platforms. We believe that this ability of users and advertisers to easily switch platforms and multi-home drives competition.

Most platforms do not operate on an exclusive basis. There are generally no subscription fees connected with the use of these platforms. Participation is rarely invitational and compatibility issues with users operating on more than one platform rarely occur.

TikTok users have very limited, if any, switching costs and there are no real practical limits with TikTok users being active on and sharing their content on other platforms. TikTok allows users to easily download their TikTok videos and share them elsewhere. This can be seen, for example, by the

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<sup>6</sup> The Office of Communications (Ofcom), ‘Media Nations: UK 2022’ (Report, 17 August 2022) pp 27-28 <[https://www.ofcom.org.uk/\\_data/assets/pdf\\_file/0016/242701/media-nations-report-2022.pdf](https://www.ofcom.org.uk/_data/assets/pdf_file/0016/242701/media-nations-report-2022.pdf)>.

<sup>7</sup> Netflix, Inc., ‘Shareholder Letter for Q2 2020’ (Letter, 16 July 2020) <[https://s22.q4cdn.com/959853165/files/doc\\_financials/2020/q2/FINAL-Q2-20-Shareholder-Letter-V3-with-Tables.pdf](https://s22.q4cdn.com/959853165/files/doc_financials/2020/q2/FINAL-Q2-20-Shareholder-Letter-V3-with-Tables.pdf)>.

<sup>8</sup> Spotify Technology S.A., ‘Annual Report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended December 31, 2021’ (Annual Report, 3 February 2022) <[https://s29.q4cdn.com/175625835/files/doc\\_financials/2021/AR/2021-Spotify-AR.pdf](https://s29.q4cdn.com/175625835/files/doc_financials/2021/AR/2021-Spotify-AR.pdf)>.

number of videos with TikTok watermarks that are shared to Reels. TikTok users can also find friends on Facebook and invite them to TikTok, and sign up to TikTok by using their Google or Facebook accounts. While there are some platforms where it is more difficult or time-consuming for users to download content to share with another platform (for example, to export an entire social graph or download albums of photos)<sup>9</sup>, it is generally easy for users to move between platforms.

In this way, it is not the case that users permanently switch between providers like customers might switch between sellers of specific products – rather, platform users may keep their accounts with different providers and simply add to the number of apps on their mobile phones.

The significance of multi-homing is supported by the Issues Paper’s data, which refer to Australian adult social media users using Facebook (75%), Instagram (44%), Snapchat (20%), Twitter (16%) and TikTok (15%) and add to more than 100%. This is also illustrated by the multi-homing statistics included in the UK CMA’s Final Report with respect to Facebook/Giphy, as set out in **Figure 1** below.<sup>10</sup>

**Figure 1:** Consumer cross-visiting behaviour amongst social media platforms, March 2021 (UK)

	Facebook Blue & Messenger	Instagram	WhatsApp	Snapchat	TikTok	Twitter
Facebook Blue & Messenger	100.0	90.2	91.8	83.7	84.4	89.4
Instagram	62.5	100.0	67.0	86.9	80.1	72.3
WhatsApp	70.3	74.1	100.0	83.7	77.5	69.1
Snapchat	20.4	30.5	26.6	100.0	45.3	25.0
TikTok	29.9	40.9	35.8	66.0	100.0	37.5
Twitter	45.8	53.4	46.2	52.7	54.3	100.0

Source: CMA analysis of ComScore MMX Multi-Platform data supplied by Facebook. Total Digital Population, UK.

### 3.4. Demographics

In response to the question in the Issues Paper regarding the influence that demographics have on users’ choice of platform,<sup>11</sup> our view is that it is the quality and features of a service which drive the popularity of a platform more than any other factor. Younger users are often “early adopters” of new technology, but in the relatively short time TikTok has operated in Australia, we have already seen our community “age up” and our users broadly diversify.<sup>12</sup> Third parties have also observed

<sup>9</sup> Data types between platforms may not always be “apples to apples” because of unique features.

<sup>10</sup> Competition and Markets Authority (CMA), ‘Completed acquisition by Facebook, Inc. (now Meta Platforms, Inc.) of Giphy, Inc.’ (Final Report, 30 November 2021) p 110 (Figure 16) <[https://assets.publishing.service.gov.uk/media/61a64a618fa8f5037d67b7b5/Facebook\\_Meta\\_GIPHY\\_Final\\_Report\\_1221\\_.pdf](https://assets.publishing.service.gov.uk/media/61a64a618fa8f5037d67b7b5/Facebook_Meta_GIPHY_Final_Report_1221_.pdf)>.

<sup>11</sup> Issues Paper, p 12 (Question 10).

<sup>12</sup> Kantar, ‘The Power of TikTok: Achieving breakthrough brand building with TikTok’ (Slide Deck, September 2020) p 30 <<https://www.tiktok.com/business/library/the-power-of-tiktok.pdf>>, “[T]he platform is swiftly attracting older users.”; TikTok, ‘Family time has evolved: From TV to TikTok’ (Web Page, 26 March 2021) <[https://www.tiktok.com/business/en/blog/from-tv-to-tiktok-family-time-has-evolved?platform=facebook&channel=facebook-organic-post-blog-familytime-44281&attr\\_source=facebook&attr\\_medium=organic-post&attr\\_campaign=facebook-organic-post-blog-familytime-44281&attr\\_agency=gbmhq](https://www.tiktok.com/business/en/blog/from-tv-to-tiktok-family-time-has-evolved?platform=facebook&channel=facebook-organic-post-blog-familytime-44281&attr_source=facebook&attr_medium=organic-post&attr_campaign=facebook-organic-post-blog-familytime-44281&attr_agency=gbmhq)>, “Parents make up an active, vocal and fast-growing slice of the community on TikTok”.

increasing adoption of TikTok among older users<sup>13</sup> and that TikTok sees teen usage rates similar to other platforms.<sup>14</sup>

#### **4. Advertising**

##### **4.1. Competition for advertising budgets is vigorous**

Advertising is the principal source of TikTok's revenues. We compete with other digital platforms, as well as various other forms of advertising, for advertising budgets based on effectiveness and return on the advertiser's spend. Platforms compete to show advertisers the effectiveness of the platform, such as the richness of data, the ability to target certain audiences, evidence of audience engagement, a large and diverse user base, and time spent on a platform. Brands are sophisticated with their advertising spend. We make detailed data and analytics tools available for advertisers to track their ad spend and effects. Advertisers evaluate the return on their advertising budget and shift between different services if the ad does not return the expected value.

##### **4.2. How we sell advertising**

We sell advertising directly on TikTok via our TikTok for Business Advertising platform.<sup>15</sup> That advertising takes two main forms:

- (a) Advertisers may utilise the self-serve ad platform to bid for and purchase in-feed advertising (i.e., in the "For You" feed) and manage their own campaign (typically referred to as "auction ads"); and
- (b) An advertiser can engage TikTok to manage an advertising campaign on its behalf by contacting the TikTok brand partnership team (typically referred to as "reservation ads").

##### **4.3. "Influencer" advertising on TikTok**

TikTok does not typically refer to "influencers", instead, TikTok refers to users who post content on TikTok as "creators". Any user can create content for TikTok and attract views, attention and followers. Some creators are followed by a significant number of other users.

In Australia, TikTok provides creators with a range of opportunities to monetise, including through the "TikTok Creator Marketplace"<sup>16</sup> which is available in 24 countries and allows brands to connect with and sponsor creators who take part. Creators can build a profile through this program which allows brands to browse, search and invite creators they want to work with, serving as an incentive to attract entertaining and engaging content.

Creators may also connect with brands outside of our platform and programs, where an individual creator has (or will) receive something of value from a third party to promote that brand's products or service. This could be a brand endorsement, partnership, or other kind of promotion. In such circumstances, creators must comply with our Branded Content Policy<sup>17</sup>, which requires the branded content toggle to be turned on when posting and prohibits advertising of products or services

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<sup>13</sup> The Guardian, 'Older People Using TikTok to Defy Ageist Stereotypes Research Finds' (Web Page, 18 May 2022), available at <<https://www.theguardian.com/technology/2022/may/18/older-people-using-tiktok-to-defy-ageist-stereotypes-research-finds>>

<sup>14</sup> Pew Research Center, 'Teens, Social Media and Technology 2022' (Web page, 10 August 2022) <<https://www.pewresearch.org/internet/2022/08/10/teens-social-media-and-technology-2022/>>

<sup>15</sup> TikTok, 'TikTok for Business' (Web Page) <<https://www.tiktok.com/business/en-AU>>.

<sup>16</sup> TikTok, 'Creator Marketplace' (Web Page) <<https://www.tiktok.com/creators/creator-portal/en-us/getting-paid-to-create/creator-marketplace/>>.

<sup>17</sup> TikTok, 'Branded Content Policy' (Web Page) <<https://www.tiktok.com/legal/bc-policy?lang=en>>.

relating to certain industries. To the extent that Branded Content does not comply with these rules, we remove the content or impose other restrictions.

TikTok also operates “creator funds”<sup>18</sup> in some countries (including the US, UK, France, Germany, Spain and Italy) which is an opportunity to be compensated based on certain content metrics, but this program is not currently available in Australia.

## 5. Consumer engagement with platforms

TikTok is dedicated to consumer safety. Our aim is to protect consumers against various harms including scams and misleading or deceptive content. We strive to be the most transparent and accountable company in the industry when it comes to keeping our users safe.

We have a number of tools available to our users to assist with consumer safety online, including:

- (a) Our Terms of Service<sup>19</sup> which describe how TikTok can be appropriately used. Our Terms of Service provide that users that find inappropriate content can report this to us, and that we take reasonable measures to expeditiously remove infringing material that we become aware of. We can also disable a user account, including if a user’s activities might violate applicable laws. Our Terms of Service also incorporate our Community Guidelines.
- (b) Our Community Guidelines<sup>20</sup> which are our code of conduct for a safe and friendly environment on TikTok. We created our Community Guidelines so users know what is, and what is not, allowed on the platform. In accordance with the Guidelines, we remove content or accounts that involve spam or fake engagement, impersonation, or misleading information that causes significant harm.
- (c) TikTok has an Online Safety Centre<sup>21</sup> which provides tools and resources for users of all ages to facilitate safe use of an online environment. This includes resources specifically for parents and younger people (such as our Family Pairing features, which allows parents to link their TikTok account to their teen’s account in order to enable a variety of content and privacy settings).<sup>22</sup>
- (d) We regularly publish Transparency Reports<sup>23</sup> to provide insight into the volume and nature of content removed for violating our Community Guidelines or Terms of Service, and how we respond to law enforcement requests for information, government requests for content removals and copyrighted content take-down notices.<sup>24</sup>
- (e) Advertisers must also comply with TikTok's Terms of Service, Community Guidelines and additionally, our Ads Policy<sup>25</sup>, which set out the requirements for and limitations around the

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<sup>18</sup> TikTok, ‘TikTok Creator Fund: Your questions answered’ (Web Page, 25 March 2021) <<https://newsroom.tiktok.com/en-gb/tiktok-creator-fund-your-questions-answered>>; TikTok, ‘TikTok Creator Fund Terms’ (Web Page) <<https://www.tiktok.com/legal/tiktok-creator-fund-terms?lang=en>>.

<sup>19</sup> TikTok, ‘Terms of Service’ (Web Page, February 2021) <<https://www.tiktok.com/legal/terms-of-service-row?lang=en>>.

<sup>20</sup> TikTok, ‘Community Guidelines’ (Web Page, February 2022) <<https://www.tiktok.com/community-guidelines?lang=en>>.

<sup>21</sup> TikTok, ‘Safety Centre’ (Web Page) <<https://www.TikTok.com/safety/en-au/>>.

<sup>22</sup> TikTok, ‘Guardian’s Guide’ (Web Page) <[https://www.TikTok.com/safety/en-au/guardians-guide/?enter\\_method=category\\_card](https://www.TikTok.com/safety/en-au/guardians-guide/?enter_method=category_card)>.

<sup>23</sup> TikTok, ‘Reports’ (Web Page) <<https://www.TikTok.com/transparency/en/reports/>>.

<sup>24</sup> TikTok, ‘Community Guidelines Enforcement Report’ (Report, 30 June 2022) <<https://www.TikTok.com/transparency/en/community-guidelines-enforcement-2022-1/>>. For example, our Community Guidelines Enforcement Report states that the total volume of ads removed for violating our advertising policies and guidelines increased in that quarter.

<sup>25</sup> TikTok, ‘TikTok Advertising Policies: Industry Entry – Oceania’ (Web Page) <<https://ads.tiktok.com/help/article?aid=10005239>>.

types of ads that can appear on TikTok. We strive to keep up with changing times and regulations, and our ads policies are reflective of that.

## 6. Other comments and corrections on the Issues Paper

In providing our response to the Issues Paper, we have not sought to address every matter raised by the ACCC, and instead we hope that our comments will assist the ACCC in better understanding our platform. Again, without having considered or fact-checked each of the matters in the Issues Paper, we note that:

- (a) It is not clear to us what is meant by “posts” in Table 1 in the Issues Paper<sup>26</sup>, as TikTok does not offer text posts for users in a way that is equivalent to posts on Facebook;
- (b) The Issues Paper lists a number of platforms collectively termed “social media service providers.” However, the listed platforms generally focus on different experiences and offerings for users, not all of which involve “social” connections as a key factor. For example, platforms like Facebook and WhatsApp emphasise social connections and messaging features, whereas TikTok focuses on entertaining and inspiring content, regardless of whether it originates from a social connection;
- (c) The Issues Paper raises questions regarding the extent to which users engage with social media service through apps, as opposed to mobile or desktop web browsers,<sup>27</sup> and states that the majority of social media usage is on mobile apps.<sup>28</sup> Without seeking to comment on the other platforms, we note that TikTok is a mobile-first app experience, and while it is possible to visit TikTok on a desktop, it is a small part of our consumption and not a business focus; and
- (d) The Reuters report referred to in the Issues Paper<sup>29</sup> which states that TikTok’s ad revenue in 2022 will be greater than that of Twitter and Snapchat is referring to global, as opposed to Australian revenue.

**29 September 2022**

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<sup>26</sup> Issues Paper, p 7.

<sup>27</sup> Issues Paper, p 12 (Question 12).

<sup>28</sup> Issues Paper, p 2.

<sup>29</sup> Issues Paper, p 8.