Proceedings of ICFTBA 2026 Symposium: Driving Organizational Strategic Change for Financial Gains
DOI: 10.54254/2754-1169/2026.BH36609

Scale Efficiency and Local Legitimacy—The Overseas Expansion Strategy of Chinese Social Media Platforms

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Abstract. The core tension in the transnational expansion of social media platforms lies between scale efficiency and local legitimacy. Taking TikTok as its primary case, with RedNote (Xiaohongshu) and WeChat as comparisons, this paper decomposes overseas expansion strategy into four pillars: mode of entry, algorithmic distribution, the monetization loop, and governance architecture. It traces how ByteDance bought out the cold-start cost of network effects through the acquisition of Musical.ly, externalized content production to local creators so that the cultural discount never arose, extended an advertising–live-streaming–commerce loop at speeds that varied by market, and finally exchanged equity and governance rights for continued market access through the TikTok US data security joint venture formed in January 2026. The two comparative cases sharpen the argument from opposite directions: RedNote acquired scale by accident in the "TikTok refugees" episode of 2025 but could not consolidate it without institutional preparation, while WeChat, lacking a distribution mechanism independent of the social graph, has been unable to cross network barriers already occupied abroad. The paper argues that expansion follows two curves separating by stage. In the early phase algorithmic and product capability permit low-cost replication, the further expansion proceeds, the higher the legitimacy costs imposed by compliance, data governance and geopolitics, and the deeper institutional pressure reaches from operations into ownership itself. What ultimately sets the ceiling is not product capability but institutional adaptability. On this basis the paper draws out four strategic patterns and offers recommendations at two levels: for platform firms, and for policy and industry.

Keywords: overseas expansion of social media, platform strategy, TikTok, institutional legitimacy, network effects

1. Introduction

The overseas expansion of social media has been one of the significant phenomena of China's digital economy in recent years. Following a first wave of globalization led by manufacturing and e-commerce, platform firms such as ByteDance and Tencent began exporting products, algorithms and business models as an integrated whole [1]. Among them, TikTok's speed of expansion and scale of influence have been the most striking, and its trajectory exposes most sharply both the opportunities and the constraints that Chinese platforms face in global operation.

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This paper takes TikTok as its primary case, with RedNote and WeChat as comparisons, in order to distil the strategic patterns of Chinese social media platforms going abroad and to offer recommendations. It does not set out separate chapters for literature review or methodology, theoretical references are distributed through the text instead. The materials are drawn from public reporting, official announcements and prior research. The paper's basic claim is that the success or failure of platform expansion depends, in its early phase, on product and algorithmic capability, and in its later phase on institutional adaptability—and that the latter is precisely where existing research, which has concentrated on entry paths, drivers and operational challenges, remains comparatively thin [2].

2. Four strategic pillars of TikTok's expansion

TikTok's overseas expansion is often summarized as a victory of the algorithm. Once the strategy is disaggregated, however, four pillars appear, each corresponding to a different stage, and the later the stage, the less it turns on product capability and the more it turns on institutional adaptability.

2.1. Acquiring an initial user base through acquisition

In November 2017 ByteDance acquired Musical.ly, a North American short-video application, and in August of the following year merged its users into TikTok, thereby acquiring at a stroke a body of European and American users whose usage habits had already formed. Douyin and TikTok were then operated as separate brands, with independent data and independent teams. Market entry also followed a sequence: Japan and Southeast Asia first, and only after the product form had been validated did the platform move into Europe and the United States.

The value of a social product depends on its existing user base—the more users it has, the more attractive it becomes to the next user. This is the classic network effect [3]. Its corollary is a prohibitive cold-start cost: entering a market already occupied by Instagram and Snapchat from a standing start makes user acquisition unaffordably expensive. The substance of the acquisition was to buy out that cost in a single payment. This also explains why TikTok does not conform to the incremental path described by the Uppsala model [4]: network effects reward speed, and moving slowly means losing.

2.2. Algorithmic distribution lowers the cost of content supply

TikTok produces no content of its own, content is supplied by creators in each market. Recommendation is based on behavioral feedback rather than on the social graph. A new account's first video can still obtain exposure, so the threshold for creating is very low. This mechanism can be reused in every new market: the platform ships the system, and local content grows of its own accord.

In substance this externalizes the fixed cost of content production to the creator side, leaving the platform to bear only the cost of matching—and the algorithm drives matching cost down very far. This is the characteristic structure of a two-sided market [5]. The implication for communication is equally important. Traditional media going abroad must contend with the cultural discount: content loses value once it leaves its native context [6], a constraint that research on the international communication capacity of Chinese media has repeatedly identified as the central obstacle to content exports [7]. TikTok sidesteps the problem entirely, because what users see is produced by local people in the first place, no cross-cultural translation is involved.

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2.3. The monetisation loop is bounded by local conditions

Monetization advances in three layers: in-feed advertising and branded challenges first, then live-stream gifting, and finally closed-loop commerce. TikTok Shop was piloted in Indonesia and the United Kingdom in 2021, subsequently extended across several Southeast Asian markets, and entered the United States in 2023. The pace differs markedly by market: fast in Southeast Asia, slow in Europe and the United States. In Indonesia the social commerce business was suspended for a period following a change in local regulation, and resumed only through partnership with a domestic platform.

That one model produces different outcomes in different markets is a matter not of the product but of payment habits, logistics infrastructure, and consumers' willingness to shop within a social setting. Such differences can be observed through the CAGE framework [8]: cultural, administrative, geographic and economic distance jointly determine how far a business model can be transplanted. The greater the distance, the more the model must be redesigned rather than copied, the Indonesian reversal shows that administrative distance alone is sufficient to sever a chain that was already working.

2.4. Trading governance structure for market legitimacy

After entry into Europe and the United States, the principal problem ceased to be growth and became market access. The response began with data localization: Project Texas in the United States and Project Clover in Europe handed data storage and access rights to local entities. After the Indian ban of 2020, the United States legislation of 2024 and the executive framework subsequently set out for continued operation [9], the concessions deepened further. In January 2026 the TikTok US data security joint venture was formally established, with Oracle, Silver Lake and MGX holding 45 per cent in aggregate and ByteDance retaining 19.9%—still the largest single shareholder [10]. Data protection, algorithm security and content moderation fall to the joint venture, while commercial activities such as commerce and advertising continue to be operated by wholly-owned ByteDance entities, the algorithm's intellectual property remains with ByteDance and is licensed for use.

This is a transaction in which equity and governance rights are exchanged for legitimacy. Whether a platform retains the right to operate in a host country depends on the fit between its organizational form and the host country's institutional environment, that is, on institutional legitimacy [11]. Existing research on platform expansion concentrates largely on localized operations and content adaptation [2], how institutional pressure reshapes a firm's ownership and governance structures in return has attracted considerably less attention. That is the gap this paper seeks to address.

3. Two comparative cases

Beyond TikTok, two further trajectories offer useful contrast. RedNote encountered a passive and sudden legitimacy shock, WeChat has been persistently constrained by cross-market network barriers. From opposite directions, the two corroborate the account given by the four pillars.

3.1. RedNote/Xiaohongshu: passive expansion and the contingency of legitimacy

In January 2025, as the United States TikTok ban approached taking effect, large numbers of American users moved to RedNote, briefly carrying the application to the top of the app store charts

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in a phenomenon the press labelled the "TikTok refugees." This was not expansion of the firm, it was unanticipated traffic produced by an external policy disturbance. What followed, however, was a series of problems concerning the language of content moderation, data compliance and cultural difference, and the surge receded quickly. The episode shows that user scale may be acquired by accident whereas legitimacy cannot: scale expansion without institutional preparation is unlikely to consolidate into a stable overseas market. This is precisely the logic revealed by the fourth pillar, seen from the other side.

3.2. WeChat: network barriers and the failure of cross-market migration

WeChat is a near-complete super-application within China, yet its overseas expansion has long been constrained. The core obstacle is the strong local lock-in of social networks: users' relationships in a given country have already settled onto incumbent platforms such as WhatsApp and LINE, and WeChat cannot use content algorithms to bypass the cold start of the social graph as TikTok did. Here the network effect functions as someone else's moat rather than as one's own advantage. Read in reverse, this demonstrates the value of the first and second pillars: TikTok was able to spread rapidly precisely because its distribution mechanism does not depend on pre-existing social ties, while WeChat's difficulty shows that a social product lacking such a mechanism will struggle to cross a network barrier already established in another country.

4. Strategic patterns

If the first and second parts answer the question of what was done, this part attempts to answer why it worked or failed, abstracting more general patterns from the four cases.

4.1. Growth logic and legitimacy logic separate by stage

Platform expansion follows two curves that are not synchronized. The earlier is a growth logic: scale is built rapidly on product, algorithm and network effects, costs are replicable and returns are realized quickly. The later is a legitimacy logic: the right to continue operating is purchased with compliance, data governance and equity arrangements, at costs that are high, difficult to replicate and irreversible. TikTok's four pillars correspond exactly to this migration from growth to legitimacy. The characteristic misjudgement is to apply the successful experience of the earlier phase directly to the later one—product capability can solve the problem of growth, but it cannot solve the problem of access.

4.2. Algorithmic distribution is the key mechanism for bypassing the cultural discount

Traditional content exports are constrained by the cultural discount [6] and WeChat is constrained by relational lock-in, what these have in common is that both must "transport" an existing asset, whether content or relationships. TikTok's algorithmic distribution outsources content production to local creators and exports only the matching system, so that content is generated in situ in every market. This both lowers supply costs and inherently avoids cross-cultural translation. This mechanism is the technical precondition that distinguishes TikTok from other Chinese social products and that made rapid globalization possible.

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4.3. The portability of a business model is determined by institutional distance

The same advertising–live-streaming–commerce monetization loop ran smoothly in Southeast Asia, slowly in Europe and the United States, and was interrupted for a period in Indonesia. The differences derive not from the product itself but from the institutional and economic distance [8] constituted by payment systems, logistics, consumption habits and local regulation. The greater the distance, the more redesign rather than replication is required. Monetization is therefore not a purely product-level proposition but a question of adaptation to the host country's institutional environment, and portability has a definite upper bound.

4.4. Institutional pressure reshapes ownership and governance structures in return

The deepest pattern is this: once legitimacy costs rise beyond a certain level, institutional pressure no longer acts only on operations but penetrates to the firm's ownership and governance architecture. The formation of the TikTok US joint venture was the outcome of ByteDance ceding equity and governance rights in exchange for market access [10, 11]. This suggests that the ultimate constraint on platform expansion is neither technology nor market, but geopolitics and the institutional environment—the ceiling is set by institutional adaptability, not by product capability.

5. Recommendations

On the basis of the foregoing, recommendations can be offered separately for platform firms and for policy and industry. The former concern the strategic choices of individual firms, the latter concern improvement of the wider environment for expansion abroad.

5.1. For platform firms

First, bring legitimacy costs forward into strategic design. Firms should not respond passively once access is obstructed, but should incorporate data localization, ownership structure and governance arrangements into their overall planning from the moment they enter markets of high institutional distance, leaving room for concessions that may become necessary and avoiding the weak position that ad hoc bargaining produces.

Second, protect and separate core technical assets. Algorithms and core intellectual property are a firm's least substitutable assets, and in any governance concession they should be insulated through arrangements such as equity separation and licensed use, so that operational control may be ceded without the loss of technical primacy. ByteDance's retention of the algorithm's intellectual property is instructive here.

Third, sequence entry by institutional distance rather than by market size. It is preferable to validate the model in markets of shorter cultural and institutional distance before moving progressively into markets of greater distance and higher legitimacy cost, using the resources and experience accumulated in earlier markets to support the compliance investment required later.

5.2. For policy and industry

First, provide institutional support and coordination for platform expansion. Faced with intensifying data and security review in host countries, individual firms have limited bargaining power. Industry associations and relevant authorities can offer coordination on rule alignment, dispute response and

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the construction of compliance standards, reducing the institutional risk that firms would otherwise carry alone.

Second, advance capacity-building in cross-border data flows and compliance. Data governance capability is among the core elements of legitimacy competition. Firms and third parties should be supported in developing data localization and compliance audit capabilities that host countries can genuinely trust, so that trustworthiness itself is cultivated as an exportable competitive strength rather than regarded merely as a passive cost.

6. Conclusion

Taking TikTok as its primary case, with RedNote and WeChat as comparisons, this paper has decomposed the overseas expansion strategy of Chinese social media platforms into four pillars—mode of entry, algorithmic distribution, the monetization loop and governance architecture—and has drawn four patterns from them. Growth logic and legitimacy logic separate by stage: the costs of the first are replicable and quickly recovered, those of the second are high, non-transferable and largely irreversible. Algorithmic distribution is the mechanism that bypasses the cultural discount, because content is generated in situ rather than transported. The portability of a monetization model is bounded by institutional distance, not by product quality. And once legitimacy costs pass a threshold, institutional pressure reaches past operations into ownership and governance. The conclusion follows directly: for a Chinese platform going abroad the ceiling is set by institutional adaptability rather than product capability, and legitimacy is best treated as a design variable from the outset rather than a bill settled after access has been blocked.

Three limitations qualify these findings. The evidence rests on four cases and on public sources, so the patterns are analytically generalizable but not statistically so, a larger sample coding entry mode, compliance expenditure and regulatory outcome across platforms and host countries would allow the weight of institutional distance to be estimated rather than inferred. The governance arrangements examined here, in particular the joint venture formed in January 2026, are still unfolding, and judgements about their stability await further observation. The literature drawn on also leans towards platform economics and institutional theory, with comparatively little from international political economy or from host-country regulatory scholarship.

Three directions therefore seem worth pursuing. The first is the measurement of legitimacy cost itself—compliance spending, data-localization investment, and equity conceded—and its relation to survival in a host market. The second is comparison with non-Chinese platforms facing similar review, which would separate what is specific to Chinese ownership from what is general to platform scale. The third is longitudinal tracking of whether a governance concession preserves long-run competitiveness or slowly erodes it.

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