CHAPTER I

INTRODUCTION

1.1 Overview Research Object

1.1.1 TikTok

Figure 1. 1 TikTok Logo

Source: Google (2020)

TikTok is a short music video platform introduced by Zhang Yiming in 2016 and owned by the company ByteDance. The platform is a place to express creativity through videos that create experiences that are original, inspiring and fun. TikTok allows its users to create short videos with music, filters and several other creative features. What makes TikTok stand out from its competitors is that this entertainment app allows anyone to become a creator due to its simplicity and convenience. It's been six years since its launch in September 2016, TikTok is experiencing immense popularity (Azizah et al., 2021). TikTok was originally called Douyin. Then later in 2018, Douyin bought a similar app, Musical.ly, and changed the app under a new name that now is globally known as TikTok. The user's experience is boosted by the viral music and content preferences that the users like on the app. TikTok has an algoritm that could track the user's activity and navigate the users towards similar videos that the users usually watch. The

algorithm would then show preferred contents on For Your Page of the users (Bbc, 2020). Content variety in TikTok is divided into three types, there are "teaching" which is the videos of people sharing and teaching to do things including tutorials and skills, "entertainment" which is the videos that entertain people including funny videos, singing, dancing, and others, and "promotion" which is opinion sharing and content creators promote products or brands to other users.

TikTok is available to be downloaded on App Store for iPhone users and PlayStore for Android users. TikTok has three programs in its business, which are TikTok for Good, TikTok for Developers, and TikTok for Business. First, TikTok for Good is a program that allows users, with big or little audiences, organizations, and communities to bring positive impacts to their surroundings. The concept of TikTok for Good is to inspire and support people to do good through online campaigns on TikTok. TikTok created ways to offer to users to expand and reach individual or organizations goals by Account Management, which helps the user to connect with talented creators to post contents, Advanced Analytics, which helps tracking and monitoring the account performance, and Promoted Hashtags, which helps the contents about awareness to be passed through other users For Your Page. Secondly, TikTok for Developers, is a program designed for third parties (partners) of TikTok that allows users to have a better experience with TikTok. The program created Share to TikTok button on other partners app to ease the users in posting videos and Embed Videos to give credits of the original owner of the TikTok videos on other partners website or apps. And the last program, TikTok for Business. TikTok for Business is designed specifically to give business the opportunity to reach wider audiences by utilizing the features available on TikTok. Through TikTok for Business, it allows business to interact with wider audiences globally, which increases the opportunity to gain new customers.

1.1.2 Somethinc

Figure 1. 2 Somethinc Logo

Source: Google (2021)

Somethinc is a local cosmetics brand that is developed by PT. Royal Pesona Indonesia. The brand was first established in 2019. Somethinc has achieved MUI and BPOM Certification and the brand claims their products are cruelty-free. The product range offers makeup, skincare, and beauty tools. According to (Compas, 2021), Somethinc sales in 2021 reached IDR 8.1 billion. Even though Somethinc was founded almost four years ago, its product sales have managed to rank third as the most popular local skin care brand in Indonesia in 2021.

Somethinc sells their products through e-commerce platforms, as well as offline stores such as drug stores in shopping malls. Somethinc also has expanded its business to another Southeast Asia countries such as Malaysia, Singapore, and Vietnam (Somethinc, 2022). Somethinc sells their products through marketplace, distributors and drug stores across Indonesia (Somethinc, 2022). With the range of their products, Somethinc can attract many users, starting from the age 11 and regardless of their gender, followed with the reviews of Somethinc products from the consumers, it pushes Somethinc to become one of the leading beauty brands from Indonesia.

The marketing channels of Somethinc are available on TikTok, Instagram, Facebook, Youtube, and their official website. The reason why the writer chose Somethinc is because Somethinc has been widely talked and discussed about on

TikTok. Based on the information obtained, #Somethinc total views have reached 2 billion as of March 2023 and the brand account profile has also been verified by TikTok. Even Somethinc has the most followers compared to its competitors on TikTok, with a total of 2 million followers (TikTok, 2023).

1.2 Research Background

Purchase intention is an important issue to study in various industrial fields at this time (Xiao et al., 2018). The high level of competition and dynamic consumer wants and needs result in faster customer switching (Zhang et al., 2018). The concept of purchase intention was first studied in 1976 by Fishbein & Ajzen, which was adopted from the theory of reasoned action (Vahdati & Nejad, 2016). Purchase intention has received great attention from academics and people in business, resulting in a lot of research on purchase intention. Purchase intention is one of the concepts that reflects real purchasing behavior (Pandey & Srivastava, 2016). Understanding what consumers want and creating purchase intention in consumers is an effective strategy to deal with today's dynamic business environment (Pan & Chen, 2019).

The influence of current technological developments has a major impact on society. Dissemination of content from various social media platforms makes it easy for the general people understand to get information. From these conditions, the distribution of content has a big influence on the increase in the level of sales of a product, especially in today's digital era, making it easier for people to access a product that buyers are interested in. However, there is instability in customer purchase intention. Online consumers cannot see the physical condition of the goods and sellers directly (Shahnaz & Wahyono, 2016). Because product sales on the internet will change the way marketing purchases (Lupiyoadi, 2013). Therefore, the trend of selling through live streaming on social media platforms and even e-commerce is one of the best strategies that influence customer purchase intention, because consumers can see the physical condition of the goods and sellers directly. In e-commerce live streaming, sellers choose the most suitable streamers (such as traditional celebrities, Internet celebrities, producers, local officials, etc) to endorse

their products. The streamer introduces the usage methods and main functions of the goods, organizes marketing activities, improves the consumers' shopping experience, and finally facilitates transactions and obtains gifts (Wongkitrungrueng & Assarut, 2020).

According to (Schiffman & Kanuk, 2010), explain that the occurrence of the consumer purchasing intention process is influenced by factors which are divided into internal factors that refer to psychological aspects and external factors consisting of the socio-cultural environment and marketing efforts carried out by business owners. Researchers in this study focused on promotion as a form of marketing effort that is included in external factors. Business owners are competing to innovate in promotions. A form of promotion that is quite interesting and is currently hype in Indonesia this time is by using marketing and sales methods through live streaming on social media platforms. Seeing the rapid development of this method in China, as of December 2021, the number of live streaming end users in China reached 703 million, an increase of 127 million from 2021 (CNNIC, 2022) making Indonesia also apply the same method.
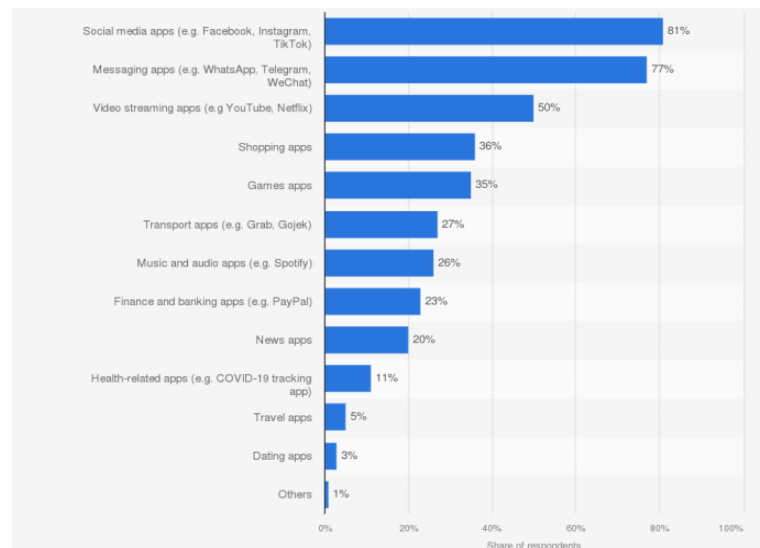
Figure 1. 3 The most frequently used smartphone applications in Indonesia

Source: Statista (2021)

Based on the reported (Statista, 2021) in the Figure 1.3, regarding the applications most frequently accessed using smartphones until September 2021, social media applications are ranked first with a percentage of 81%. That way, social media marketing is very appropriate to apply in the current era, especially since people are used to the conditions of the Covid-19 pandemic which has just ended. Conditions that require humans to keep their distance and use technology to communicate. Social media marketing is a marketing activity carried out by companies by utilizing digital media. One of the digital marketing strategies is to utilize social media as one of the media that is often used by today's society, including in Indonesia.

In Indonesia, there are 191 million people who are active on social media. This is supported by the latest report by We Are Social, there are 191 million internet users in Indonesia, or it can be interpreted that 69% or more than half of Indonesia's population has experienced access to cyberspace.

Figure 1. 4 Number of Active Social Media Users in Indonesia in 2015-2022

Source: We Are Social (2022)

The development of technology in the digital era has resulted in increasing number of social media users every year. Many business actors are starting to market their products through e-commerce. Many people prefer to shop online rather than coming to stores to buy necessities.

Figure 1. 5 Indonesian E-Commerce Transactions

Source: KataData (2021)

In this study the authors focused on one of the social media, namely Tiktok. TikTok is a short music video platform introduced by Zhang Yiming in 2016 and owned by the ByteDance company. Currently, TikTok is not only an entertainment medium, but also a trade promotion medium (Azizah et al., 2021). This research uses the TikTok application as the medium because TikTok has succeeded in becoming a favorite non-game application which is very popular for downloading by internet citizens and TikTok also has a perfect gift and purchase function. This situation then made TikTok one of the new media that creators in the world and even online merchants looked at to market their products.

Figure 1. 6 Countries with the largest active users of Tiktok in the world

Source: We Are Social (2022)

Indonesia is the market share for the TikTok application with the second largest number of active users in the world, with more than 22 million monthly active users. Based on observations of existing phenomena, social media TikTok is currently in great demand by teenagers, besides being able to relieve fatigue, drive away boredom, provide entertainment and fill spare time, as well as a marketing medium.
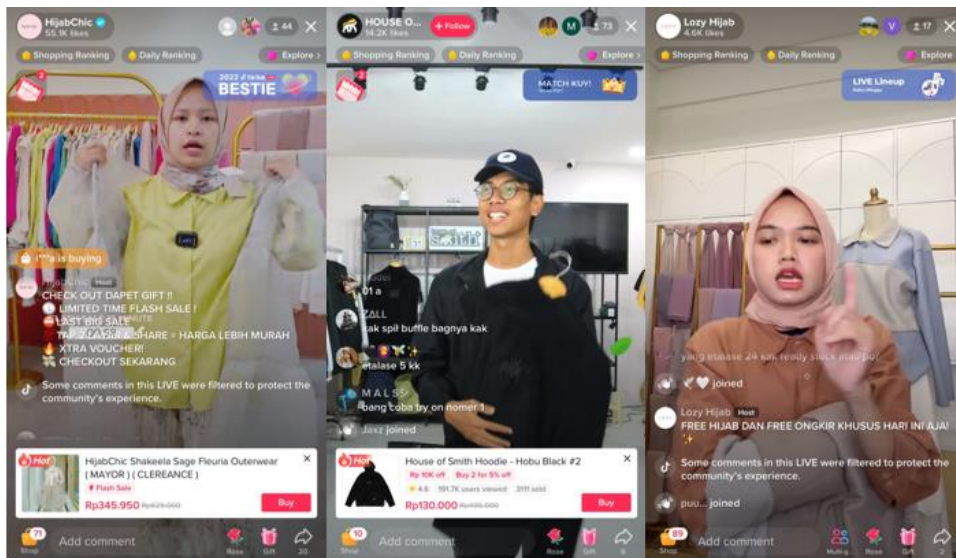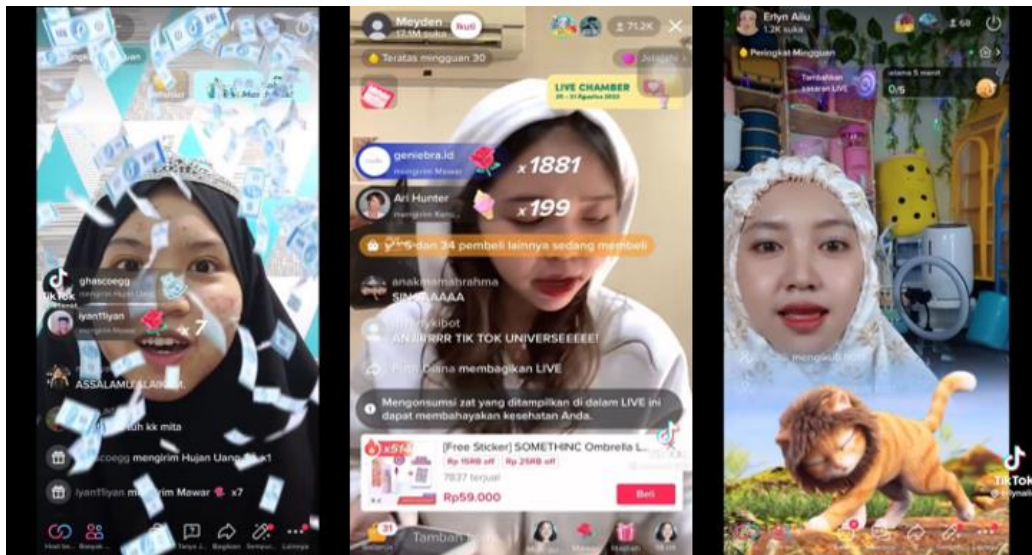

Figure 1. 7 TikTok Live Streaming Display

Source: TikTok (2022)

Among the many strategies that are currently popular among online sellers and buyers, the Live Streaming strategy shown in Figure 1.6 is the most common today. Almost all brands in Indonesia, both local and foreign brands implement this strategy. E-commerce live streaming optimizes traditional e-commerce in several ways (Sun et al., 2019; Wang et al., 2018a). First, streamers provide consumers with more detailed transaction information via real-time video. Second, live streaming allows consumers to interact with streamers directly in real-time. Third, live streaming is important for streamers to provide personalized guidance services. By optimizing the several methods above, buyers can more easily determine and purchase the products they are interested in. Because with live streaming, buyers are less likely to buy the wrong product. As a form of appreciation for explanation

assistance by the host of a live streaming, buyers or viewers can give gifts contained in the live streaming display as in Figure 1.7.


Figure 1. 8 Gift-Giving Display to the Host

Source: Tiktok (2022)

Gift-giving, also known as donation, refers to the act of presenting virtual gifts to a live streamer. Gift-giving in live streaming is a good way to win everyone's attention, especially through giving high-value gifts. Consequently, users always send virtual gifts to live streamers in order to promote their relationships and improve their feelings of superior social status (Hamilton et al., 2014a). The gift-giving feature contained in the live streaming display on the TikTok application allows viewers to react and appreciate live content in real-time. Giving gifts is one way to collect diamonds that are given based on the popularity of the live video.

One of the contents from social media marketing that is in great demand, especially for teenagers, is beauty content with various types of videos ranging from make-up tutorials, make-up tips and beauty product reviews. Currently, the promotion of beauty products through social media is in full swing, all brands are competing to create strategies to win the market. Somethinc Beauty Products is a relatively young brand because it was only established in 2019. However, as a new brand, Somethinc managed to achieve total sales of IDR 53.2 billion and managed

to occupy the first position in sales of the best-selling beauty products in E-Commerce in its first three years. established as a beauty products brand in Indonesia (Compas, 2022).This is because the Somethinc brand is believed to be the mainstay of skincare for many people with powerful ingredients and benefits.
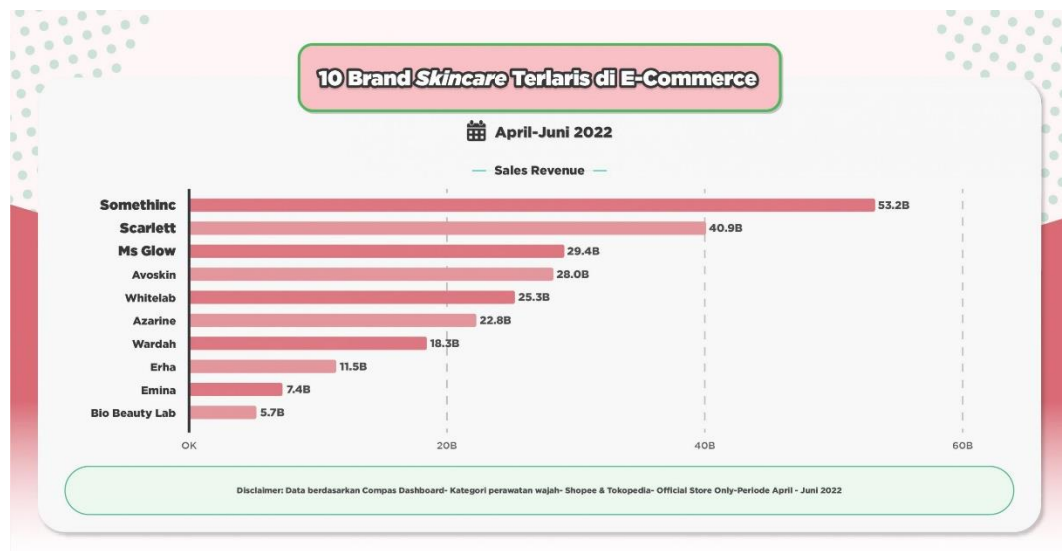
Figure 1. 9 10 Best Selling Local Skincare Brands in the Online Marketplace

Source: Compas (2022)

The social relationship between streamers and consumers here is based on the principle of reciprocal favor and relationship harmony, namely swift guanxi. Its establishment is fast, comes at a low cost, and centers around a very focused goal (Cheng et al., 2020). Swift guanxi is the extension of traditional relationships in business activities. It refers to the "social connection based on the exchange of benefits" that is generated to achieve a certain purpose (Ou et al., 2014a). Based on the principle of "the exchange of benefits", as the streamers work for the consumers, they often get gifts from consumers in return. Thus, swift guanxi is crucial for online commerce (Liu et al., 2008a).

Though swift guanxi plays a core role in the decision-making process of consumers' online shopping behaviors, the formation mechanism of swift guanxi between streamers and consumers remain unclear (Lin et al., 2019a). Therefore, this paper constructs a theoretical model based on affordance theory and swift

guanxi theory to empirically study the influence of TikTok live streaming affordances on swift guanxi between streamers and consumers as well as its effect on consumers' purchase and gift-giving behavior.

1.3 Problem Formulation

The phenomenon in this study is the widespread use of live streaming sales strategies in e-commerce which has a positive effect on increasing interest in buying a product. With e-commerce live streaming, it allows streamers and viewing users to go online in real time and fully interact in multimodal formats such as text, voice and video. E-commerce live streaming integrates live streaming into social commerce. Commerce is the main content of live streaming, and live streaming is a technical means to achieve its goals. They complement each other (Wang et al., 2018b). One of the most trending examples right now is selling beauty products by live streaming on the TikTok application.

Of the many platform choices that also feature live streaming, TikTok is the most trending because of the growing popularity of TikTok, which has made it a trend in society. TikTok has succeeded in becoming a very popular favorite non-gaming application for internet citizens to download. Within the TikTok application, users can express their creativity through videos that create an original, inspiring and fun experience. Therefore, TikTok is not only used as an entertainment medium, but also as a medium for trade promotion at this time (Azizah et al., 2021). Through live broadcasts on TikTok, Somethinc skillfully offer their products while reading audience comments and serving requests to show or demonstrate the products being sold. That way, Somethinc can attract more customer purchase intentions. Then, there is also a gift giving feature to the host which helps users explain the products being sold. This feature allows viewers to react and appreciate sellers' live content in real-time. During the live stream, viewers can send virtual gifts that appear on the screen and can later be exchanged for money or virtual objects. Therefore, this research was conducted to find out more about the influence of TikTok live streaming affordance on consumer's gift giving and purchase intentions on Somethinc beauty products.

Based on the background and formulation of the problems in the research above, the authors specifically formulate the research problem as follows:

a. How does the assessment each Swift Guanxi indicator on TikTok Live Streaming (Telepresence, Flow, Guidance Shopping, and Metavoicing) on Somethinc Beauty Products?

b. How does Swift Guanxi influence the Purchase Intention of Somethinc TikTok Live Streaming viewers?

c. How does Swift Guanxi affect the Gift-Giving Intention of Somethinc TikTok Live Streaming viewers?

1.4 Research Objective

Based on the background and problem formulation above, the research objectives were determined as follows:

a. To analyze the assessment of each Swift Guanxi indicator on TikTok Live Streaming (Telepresence, Flow, Guidance Shopping, and Metavoicing) on Somethinc Beauty Products.

b. To find out whether Swift Guanxi on Live Streaming Tiktok affects Purchase Intentions on Somethinc Beauty Products.

c. To find out whether Swift Guanxi on Live Streaming Tiktok affects Gift-Giving Intentions on Somethinc Beauty Products.

1.5 Research Benefit

This research is expected to provide benefits for various parties both directly and indirectly. The benefits of research are as follows:

1.5.1 Theoretical Benefits

It is hoped that this research can be used as an effort to develop knowledge, especially in the field of digital marketing and it is hoped that the findings obtained can be used as an assessment material as a reference for future researchers.

1.5.2 Practical Benefits

It is hoped that this research can be of benefit and consideration for entrepreneurs, as well as information material about the influence of tiktok live streaming affordance on consumer's gift-giving and purchase intention.

1.6 Final Project Systematic Writing

To make it easier to understand this research, the systematic writing of this research is as follows:

CHAPTER 1: INTRODUCTION

This chapter contains an explanation of overview of research object, research background, problem formulation, research purposes, research benefits and writing systematics.

CHAPTER 2: LITERATURE REVIEW

This chapter contains the results of literature reviews related to research topics and variables, and is used as a basis or reference when preparing to think about and propose a framework for research hypotheses.

CHAPTER 3: RESEARCH METHODOLOGY

This chapter contains outlines the approaches, methods, and techniques used to collect and analyze all the data findings that answer research problems. This chapter will discuss the research methods that used, the type of research, operational variables, stages and techniques of data collection.

CHAPTER 4: RESEARCH RESULTS AND DISCUSSION

This chapter describes the results of research and discussion, which must be described systematically according to the determination of the problem and the research objectives.

CHAPTER 5: CONCLUSION

This chapter contains conclusions from the results of research and suggestions or input to businesspeople, decision makers and suggestions to readers and to subsequent researchers.