CHAPTER I INTRODUCTION

1.1 Research Object Overview

1.1.1 TikTok Shop

TikTok is a video-sharing application that allows users to add music, filters, and other effects before posting their videos to the network. TikTok is currently available for download on the App Store for iOS and PlayStore for Android users. Users can browse and post videos that are between 15 seconds and one minute in duration. In 2016, the Chinese technology firm ByteDance published an early version of TikTok. Douyin was the company's name before it changed to TikTok. By the end of 2018, Douyin bought out Musical.ly, a competitor, and renamed it TikTok in an effort to increase its brand recognition. As a result of the app's popularity, users have access to a wide variety of viral music and content. An algorithm that is included into TikTok might potentially track user actions and recommend content that is more in line with the user's regular viewing habits. Then, the algorithm on "For You Page" would show the users' preferred content.

Meanwhile, TikTok Shop is a revolutionary new shopping service that enables merchants, brands, and creators to promote and sell things directly on TikTok via in-feed videos, lives, and a product showcase tab. Using three main pillars, TikTok Shop enables retailers to quickly scale their income stream. Initially, retailers broadcast their own shoppable lives, publish in-feed videos, or work with a TikTok Shop Partner (TSP). Second, businesses work with TikTok artists and talent agencies to leverage their networks through shoppable LIVE and in-feed videos. The third is that retailers may take part in TikTok Shop's monthly initiatives to boost their company performance and establish long-term impact.

The diversity of content on TikTok is separated into three categories: teaching, which includes lessons and skills; entertainment, which includes hilarious videos, singing, and dancing; and other categories. Moreover, TikTok offers three business initiatives, namely TikTok for Good, TikTok for Developers, and TikTok for Business.

At its core, TikTok for Good is a platform that allows people of all sizes from individuals, groups, and communities to make a positive impact in their local communities and beyond. TikTok for Good uses the platform's online activities to encourage and equip users to do good things in the world. TikTok's Promoted Hashtags feature makes it simple for users to spread awareness-raising content through other users "For You Page", while their Account Management facilitates connections between users and talented content creators for content posting. Advanced Analytics provides insight into how well an account is performing.

Moreover, to further enhance the user experience, TikTok has created a program called TikTok for Developers, which is aimed at the app's partners and other third parties. To make it easier for users to upload videos to TikTok, the program implemented the Share to TikTok button and the Embed Videos feature on partner applications and websites. And the final application is TikTok for Business. TikTok for Business enables enterprises to reach a broader audience by leveraging the features of TikTok. Businesses are able to interact with a broader audience on a global scale using TikTok for Business, therefore improving their chances of attracting new customers.

1.1.2 Erigo Store

Erigo is a clothing company that specializes in men's and women's clothes. Erigo was founded on November 28, 2010 produced by Indonesian businessman, Muhammad Sadad, Founder & CEO of Erigo Store. Erigo is a travel-oriented fashion brand or product that prioritizes the wearer's comfort and design. By selling through pop-up store events like Jakcloth, the business is targeting Indonesia's millennials and generation Z. The brand had its start as "Selected and Co." and throughout the years, the brand's name was changed to "ERIGO."

Erigo uses highly intense marketing and branding methods, together with promotions, to achieve high turnover. These efforts are targeted at grabbing consumers' attention. By implementing the "Wandering Souls" campaign, another representation of the Erigo brand spirit, strives to inspire and motivate the younger generation to always have a strong sense of curiosity and a desire to explore. This

campaign is an appreciation of diverse cultures, personalities, and ideas that is meant to inspire the local young population, particularly in the world of fashion, in a variety of ways. Using brand ambassadors, also known as celebrity endorsers, who are seen to have a favorable image and may reflect the overall image of the product, is one of the innovative tactics used by businesses to uphold the image and market a product to customers. Erigo is one business that specializes in this.

In 2016, Erigo got the idea to sponsor the traveling with Erigo initiative. The campaign's goal is to increase international interest in Indonesia by showcasing the country's young people's artistic talent. Sadad is keeping up with the changes by expanding his business by using the e-commerce platform as one of the sales channels. They begin to join Shopee at first and the owners acknowledge that the introduction of Erigo to Shopee resulted in a notable rise in sales. In reality, by 2020, Erigo's sales had increased by more than a factor of ten compared to the previous year, in 2019. By that, the company admitted that customers outside of the United States also enjoyed their items.

According to Sadad, Erigo joined Shopee's export program in 2020 and now ships to markets including Malaysia, Singapore, the Philippines, and Thailand. The Erigo approved store is one of seven Erigo outlets that now engage in this export scheme. In addition, a major turning point for Erigo was the September 9, 2021, announcement that the company will be performing a fashion show at New York Fashion Week (NYFW) 2022 as a local brand representing Indonesia.

1.2 Research Background

In recent years, Indonesia has achieved great progress in the information technology sector. It is currently the most prevalent way to deliver dynamic information distribution. Clearly, the goal of this advancement is to improve human efficiency. According to the data compiled by We Are Social, there is data that reveals the essential digital headlines in Indonesia, as indicated in the Figure 1.1 below:



Figure 1. 1 Essential Digital Headlines

Source: datareportal.com

Based on the data above, there are presently over 212,9 million people that regularly use the internet in Indonesia. The majority of Indonesians (77%) have gone online at some point in their lives, according to these statistics reports. There was an increase of 3.8 percent in internet subscribers from January 2022 to January 2023. As of January 2022, 205 million people in Indonesia were online as internet users.

The internet phenomenon revolutionized and updated the way traditional marketing functioned, giving rise to digital marketing as it had an influence on businesses and audiences. As a result of new technologies, digital marketing forms have altered (Indrawati et al., 2022). From the rapid development of digital technology, the Internet, and communication technology have all contributed to the emergence of a new paradigm in retailing known as live streaming shopping or live streaming commerce (Xiao et al., 2022). It was discovered that live streaming commerce has rapidly turned into a revolutionary sales tactic in the world of online shopping (Ma et al., 2022). The fast advancement of live streaming technology has led to its widespread adoption by online shops as a powerful tool for boosting sales (Gu et al., 2023).

Along with those lines, the "Shoppertainment" phenomena provides a boost to the effective marketing approach through the use of live broadcasts. The word "Shoppertainment" is used to describe content-driven commerce that prioritizes the consumer's experience by blending elements of entertainment and education to create highly immersive shopping environments (Bharadwaj et al., 2022). For instance, when an anchor uses live video to present, test, and demonstrate products, customers can ask questions and get instant responses, and viewers can watch the interaction between the anchor and customers, reducing the sense of distance and uncertainty between the audience, the streamers, and the customers (Wang et al., 2023).

Platform terpopuler yang digunakan untuk siaran belanja online 4 Juli 2022

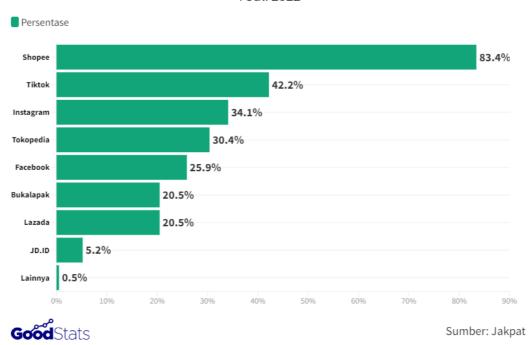


Figure 1. 2 the most popular platform used for live streaming shopping in Indonesia.

Source: goodstats.id

Based on Figure 1.2, the most popular platform used for live streaming shopping in Indonesia. According to Goodstats, the results of the Poll (JakPat) survey show that 83.4% of Indonesians have watched online shopping features via live broadcasts, aka live shopping. It is noted that live shopping users at Shopee are

the most in Indonesia, reaching 83.4%. TikTok is in second place with a percentage of 42.2%. Next, 34.1% of respondents said they used Instagram for live shopping. Even though Shopee got the first place on the survey, the widespread use of TikTok, especially among the younger members of Generation Z and the millennial generation, cannot be denied. TikTok's current massive popularity corresponds with the global spread of the COVID-19 pandemic, which made people looking for alternative solutions to continue their activities in daily lives, including shopping, work, and socializing, on their mobile devices.

According to the data compiled by Statista quoted through Goodstats, there is data in Indonesia that reveals the ranks of Tiktok users all around the world, as indicated in the figure below:



Figure 1. 3 List of Countries with The Most Tiktok Users (2022) Source: goodstats.id

It was shown in Figure 1.3 that Indonesia has the world's second highest number of TikTok users. In April 2022, the number of users reached 99.07 million, ranking one place below the United States, which had 136.42 million users. Brazil has the third-highest number of TikTok users after United States and Indonesia, at 73.58 million. It is Followed by Russia which had 51.3 million users, Mexico had 50.52 million users, Vietnam had 45.82 million, the Philippines had 40.36 million, Thailand had 38.38 million, Turkey had 28.68 million, and Pakistan had 24.05 million. TikTok's massive growth in popularity in Indonesia over the past few years and its subsequent development as a digital platform have given a new lease of life to the country, especially for the young people.

TikTok is a video-sharing application that allows users to add music, filters, and other effects before posting their videos to the network. As a result of the app's popularity, users have access to a wide variety of viral music and content. An algorithm that is included into TikTok might potentially track user actions and recommend content that is more in line with the user's regular viewing habits. Then, the algorithm on "For You Page" would show the users' preferred content. Meanwhile, TikTok Shop is a revolutionary new shopping service that enables merchants, brands, and creators to promote and sell things directly on TikTok via in-feed videos, live streaming, and a product showcase tab.

Moreover, TikTok offers business initiatives, namely TikTok for Business. TikTok for Business enables enterprises to reach a broader audience by leveraging the features of TikTok. Businesses are able to interact with a broader audience on a global scale using TikTok for Business, therefore improving their chances of attracting new customers. Consumers perceive TikTok to be simpler than other digital networks with more complex algorithms (Nahari, 2021).

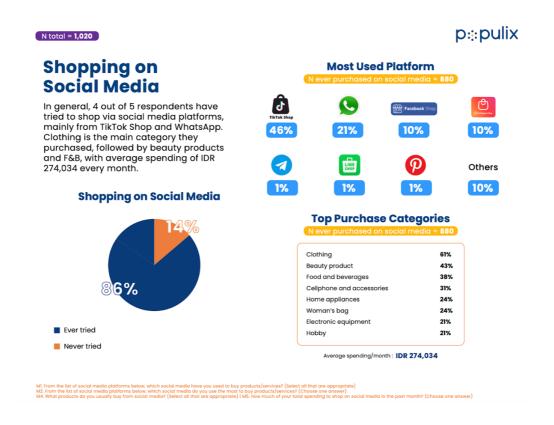


Figure 1. 4 Most Used Platform in Shopping on Social Media Source: Populix.co

Based on the data obtained by Populix in Figure 1.4 regarding Shopping on Social Media in 2022, the results of the survey were successfully distributed to 1020 respondents, resulting in data that 86% of respondents ever tried shopped through social media, and the remaining 14% had never tried to shopped online through social media at all. The survey also stated that the most widely used online shopping platform via social media is Tiktok Shop with a percentage of 46%, followed by Whatsapp with a percentage of 21%, Facebook Shop and Instagram Shop with a percentage of 10%, as well as Telegram, Line Shop, Pinterest, and others get a percentage of 1%. The survey results also stated that the top purchases of goods online on social media were clothing line products with a percentage of 61%, followed by beauty products with a percentage of 43%, food and beverage by 38%, cellphones and accessories by 31%. home appliances and women's bags by 24%, and electronic equipment and hobbies by 21%.



Figure 1. 5 Most Popular Brand in Indonesia

Source: starngage.com

Continuing with the results of the survey above, according to the data compiled by Starngage, there is data in Indonesia that reveals the most popular brand in Indonesia as for March in 2023. Based on the data obtained by Starnage in Figure 1.5 for the most popular brand in Indonesia, Erigo Apparel may be found at the second position on the list. Erigo Apparel has 2,585,321 followers and a follower engagement level of 0.1 on average across all of their social media platforms. Meanwhile, Garena Free Fire Indonesia is ranked number one for the most well-known brand in Indonesia for the month of March 2023, and it is now in first place. There are now 10.056,662 followers, with an average interaction rate of 0.02%.

Erigo is a clothing company that specializes in men's and women's clothes. Erigo was founded on November 28, 2010 produced by Indonesian businessman, Muhammad Sadad, Founder & CEO of Erigo Store. Erigo is a travel-oriented fashion brand or product that prioritizes comfort and design. As competition exists among online businesses and mobile shopping platforms becomes more fierce and new platforms emerge rapidly, maintaining client relationships is becoming increasingly important to businesses (Gu et al., 2023).

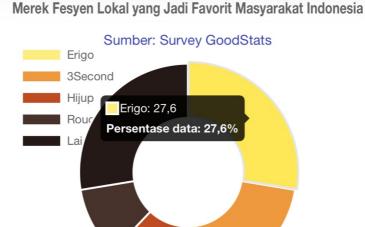


Figure 1. 6 Indonesian Favorite Local Fashion Brand Source: data.goodstats.id

Moreover, Based on data from the results of a Goodstats survey regarding the fashion preferences of young Indonesians that were shown in Figure 1.6, as many as 40.2% of the respondents chose local brands for the style of clothing worn on a daily basis. Meanwhile, 3.8% of respondents chose foreign fashion brands to wear. In line with the high number of people who are interested in local fashion brands, as many as 27.6% like Erigo products. While some others like the 3Second brand 23.8% as a popular fashion brand. While other respondents preferred products from the Hijup and Roughneck brands by 10.7% and 10.3%. In addition, the remaining 27.6% chose the various answers they chose. Some chose Eiger, Nimco, Jiniso, Benhill, Everbest, Heymale, and many others.

Businesses such as Erigo, who are involved in the process of developing a clothing line, have to put in a lot of effort to ensure that their brand continues to exist in spite of the intense competition that exists in the market for clothing lines, which is highly competitive. Because Tiktok has significant marketing potential since it is one of the most popular social media platforms for sharing and distributing ideas via short videos that reach a wide audience, Erigo utilizes intensive advertising, branding, and promotion strategies to boost their sales and

attract the interest of wider consumers. For those reasons, in July of 2020, Erigo opened a @erigo.store account on the video-sharing app Tiktok, where it has displayed more than a hundred pieces of promotional content. And now, more than 24 million likes have been given by users, and users experienced the videos anywhere with the view range from 100K to 5M times. This made the Tiktok social media platform to be an ideal site for product marketing and excellent advertising for Erigo to consumers. Since the majority of Erigo's Tiktok usage comprises interactive content (models, outfit advice, storytelling, brand ambassadors), this is an innovative method to stimulate the interest of Tiktok's social media users in Erigo's products.

Tiktok Shop has also included a live streaming option as part of their marketing strategy to entice users to make purchases. And, Erigo has taken steps to establish themselves from the competition by implementing a marketing strategy through live streaming in Tiktok Shop. By using live streaming, Erigo is able to record and distribute their videos in real time via live streaming, which also allows for two-way engagement with their audience. According to (Chen & Lin, (2018); Wongkitrungrueng & Assarut, (2020)), the integration of synchronous interaction technology with live streaming commerce enables the development of novel capabilities. In real time, both buyers and sellers may engage in visual and auditory conversation through video broadcasts and live chat, increasing the consumer purchase intention and sales for both parties.

Live streaming commerce not only provides entertainment from its interactive nature, but also convenience. In addition to saving time and effort, its channel makes it simple to place orders for specific products (Chen et al., 2022). When customers have a positive platform interaction experience, such as indicating high pleasure, convenience, and simplicity of use, they are more happy and likely to display a positive emotional state, leading to repeated system engagements (Verhagen & Bloemers, 2018).

Along with those statements, (Tong et al., 2022) has explained that emotions impact how individuals react and perceptions of the environment they are in, which is required for a retail atmosphere and crucial to consumers' perception and

decision-making. According to (Meng et al., 2021) There are a few broad dimensions along which consumers' feelings may be sorted, including pleasure and trust. When discussing the context of live streaming purchasing, the term "pleasure dimension" refers to how much an individual enjoys the experience. Meanwhile, according to Anisa et al., (2022) consumer trust can be defined as consumer perceptions of product reliability and suitability with consumer expectations where it drives a person's interest in a product in an online store.

Other than that, according to Anisa et al., (2022), consumers become interested in a product when they discover information about it through experience, observing how other consumers use it, or by approaching other consumers who have purchased it. As a result, the abilities and interaction quality of various anchors vary greatly, and they can provide consumers with vastly distinct live streaming shopping experiences (Li et al., 2022).

This research is a partial replication research which combines several studies into an independent study. This research refers to three studies, namely research conducted by Pinochet et al., (2018), which examines the effect of connectivity, interactivity, sense of presence, intelligence, convenience, and security on purchase intention through functional consumer and emotional experience. Then, research from Meng et al., (2021), which aims to examine the effect of celebrity online interactions on live streaming on purchase intention from the perspective of emotional contagion. And, research from Chen et al., (2022), where it aims to examine the effect of live streaming features on purchase intention. The three studies used the Structural Equation Modelling-Partial Least Square (SEM-PLS) data analysis technique.

This study has similarities with the research of Pinochet et al., (2018) and Chen et al., (2022) by adopting convenience and interactivity variables as independent variables, emotion and functional experience variables as mediating variables, and purchase intention as the dependent variable. Meanwhile, emotional contagion takes two variable dimensions from Meng et al., (2021), namely pleasant emotion and emotional trust. This study also chose to use Structural Equation Modelling (SEM) as an analytical tool to obtain more accurate measurement results.

Furthermore, the difference of this research from the three studies above is the number of variables tested, the research period, the location, and the research object, where the researcher uses Erigo Store Indonesia as the research object on this study. Moreover, besides focusing on examining the direct influence of each variable, this study also aims to measure the effect size of the influence of each mediating variable that have not been examined in previous studies.

Meanwhile, the reasons behind choosing those variables in this study were based on the inconsistent results of the previous research. According to Pinochet et al., (2018) interactivity and convenience has a significant influence on emotional and functional experience. And it is also stated that emotional and functional experience has a significant influence on consumer purchase intention. Meanwhile, according to (Kuswoyo et al., 2021), interactivity has no significant influence on functional experience and convenience has no significant influence on emotional experience. And it was also stated that functional experience has no significant influence on purchase intention. Regarding on the emotional contagion perspective on the dimensions of pleasant emotion, according to Meng et al., (2021) pleasant emotion and emotional trust has a positive significant influence on purchase intention. Meanwhile, according to Aisyah (2020), emotional trust has no significant influence on purchase intention. And according to Halik & Nugroho, 2022), consumer pleasure as the mediating variable has weakened the effect on content marketing and has no significant influence on consumer purchase intentions.

On the basis of the explanation provided above, it is essential to carry out research in order to identify the factors influencing customers' purchase intentions on live streaming platforms especially from the consumers functional experience and emotional contagion perspective. Therefore, the title of this research is "THE INFLUENCE OF LIVE STREAMING FEATURES ON PURCHASE INTENTION FROM THE CONSUMER FUNCTIONAL EXPERIENCE AND EMOTIONAL CONTAGION PERSPECTIVE".

1.3 Research Questions

Based on the previous background and problem statements, research questions are formulated a guidance to conduct the research, the questions are as follows:

- 1. How is the influence of Erigo Store live streamers' interactivity on consumer functional experience in Tiktok Shop Indonesia?
- 2. How is the influence of Erigo Store live streamers' interactivity on consumer pleasant emotion in Tiktok Shop Indonesia?
- 3. How is the influence of Erigo Store live streamers' interactivity on consumer emotional trust in Tiktok Shop Indonesia?
- 4. How is the influence of Erigo Store live streamers' interactivity on purchase intention in Tiktok Shop Indonesia?
- 5. How is the influence of Erigo Store live streaming convenience on consumer functional experience in Tiktok Shop Indonesia?
- 6. How is the influence of Erigo Store live streaming convenience on consumer pleasant emotion in Tiktok Shop Indonesia?
- 7. How is the influence of Erigo Store live streaming convenience on consumer emotional trust in Tiktok Shop Indonesia?
- 8. How is the influence of Erigo Store live streaming convenience on purchase intention in Tiktok Shop Indonesia?
- 9. How is the influence of consumer functional experience towards the purchase intention of Erigo Store products in TikTok Shop Indonesia?
- 10. How is the influence of consumer pleasant emotion towards the purchase intention of Erigo Store products in TikTok Shop Indonesia?
- 11. How is the influence of consumer emotional trust towards the purchase intention of Erigo Store products in TikTok Shop Indonesia?
- 12. How consumer functional experience mediates the relationship between Erigo Store live streamers' interactivity and purchase intention?
- 13. How consumer pleasant emotion mediates the relationship between Erigo Store live streamers' interactivity and purchase intention?

- 14. How consumer emotional trust mediates the relationship between Erigo Store live streaming convenience and purchase intention?
- 15. How consumer functional experience mediates the relationship between Erigo Store live streaming convenience and purchase intention?
- 16. How consumer pleasant emotion mediates the relationship between Erigo Store live streaming convenience and purchase intention?
- 17. How consumer emotional trust mediates the relationship between Erigo Store live streaming convenience and purchase intention?

1.4 Research Objectives

Based on the background and research questions, the research objectives are determined as follows:

- 1. To know and analyze the influence of Erigo Store live streamers' interactivity on consumer functional experience in Tiktok Shop Indonesia.
- 2. To know and analyze the influence of Erigo Store live streamers' interactivity on consumer pleasant emotion in Tiktok Shop Indonesia.
- 3. To know and analyze the influence of Erigo Store live streamers' interactivity on consumer emotional trust in Tiktok Shop Indonesia.
- 4. To know and analyze the influence of Erigo Store live streamers' interactivity on purchase intention in Tiktok Shop Indonesia.
- 5. To know and analyze the influence of Erigo Store live streaming convenience on consumer functional experience in Tiktok Shop Indonesia.
- 6. To know and analyze the influence of Erigo Store live streaming convenience on consumer pleasant emotion in Tiktok Shop Indonesia.
- 7. To know and analyze the influence of Erigo Store live streaming convenience on consumer emotional trust in Tiktok Shop Indonesia.
- 8. To know and analyze the influence of Erigo Store live streaming convenience on purchase intention in Tiktok Shop Indonesia.
- To know and analyze the influence of consumer functional experience towards the purchase intention of Erigo Store products in TikTok Shop Indonesia.

- 10. To know and analyze the influence of consumer pleasant emotion towards the purchase intention of Erigo Store products in TikTok Shop Indonesia.
- 11. To know and analyze the influence of consumer emotional trust towards the purchase intention of Erigo Store products in TikTok Shop Indonesia.
- 12. To know and analyze the mediation of consumer functional experience towards the relationship between Erigo Store live streamers' interactivity and purchase intention.
- 13. To know and analyze the mediation of consumer functional experience towards the relationship between Erigo Store live streaming convenience and purchase intention.
- 14. To know and analyze the mediation of consumer pleasant emotion towards the relationship between Erigo Store live streamers' interactivity and purchase intention.
- 15. To know and analyze the mediation of consumer pleasant emotion towards the relationship between Erigo Store live streaming convenience and purchase intention.
- 16. To know and analyze the mediation of consumer emotional trust towards the relationship between Erigo Store live streamers' interactivity and purchase intention.
- 17. To know and analyze the mediation of consumer emotional trust towards the relationship between Erigo Store live streaming convenience and purchase intention.

1.5 Research Benefits

1.5.1 Theoretical Benefit

The findings of this study are expected to be a method of presenting information to provide insights into the effect of live streaming features, to be used as a marketing strategy in today's competitions, and to serve as a reference for marketing analysis for various industries and online stores. It may also be used as a source of inspiration and a reference for future research or study in the same topic.

1.5.2 Practical Benefit

A. For Author

By carrying out this research, the author hopes to acquire insight into the field of marketing and, more specifically, the world of social media, digital marketing, and live streaming e-commerce in addition to the possible uses of TikTok in the context of other businesses.

B. For Erigo Store

By carrying out this research, the author also hopes that the research would also assist Erigo and marketers in developing effective social media strategies, particularly for the video-sharing site TikTok and live streaming commerce.

C. For Local Fashion Brands

By carrying out this research, the use of live broadcasts on TikTok as part of a company's marketing plan is an excellent approach to increase sales and draw in new consumers through the medium of Tiktok live streaming.

1.6 The Systematic of Mini Thesis Writing

In this research, the writer organizes and clarifies this research content clearly into five chapters. Below are the explanation about each chapter:

a. CHAPTER 1: INTRODUCTION

In this introduction section, the writer will give explanations about several topics including Research Object Overview, Background of this research, Problem Formulation, Research Objectives, Research Benefits, and Systematic Writing.

b. CHAPTER 2: LITERATURE REVIEW

In this chapter the writer will give a review regarding literature which includes the theories of the similar research before, and also including the hypotheses and theoretical framework from this research.

c. CHAPTER 3: RESEARCH METHODOLOGY

In this chapter, the writer will give an explanation regarding the way this research will be done, the data resources, and also the kind of data that is being used in this research. It also includes any information related to the population, number

of samples, variables, method of collecting the data, method of analyzing data and the instrument testing.

d. CHAPTER 4: RESULTS AND DISCUSSION

In this chapter, the writer will give an explanation related to the description about this research object in general, the result of instrument testing, and also including hypothesis testing.

e. CHAPTER 5: CONCLUSION

In this chapter, the writer will make conclusions and suggestions from the overall research. The conclusion and suggestion will be helpful to the local brands related to this research topic.