

## CHAPTER I INTRODUCTION

### 1.1 Overview Of Research Object

#### 1.1.1. Company Profile

The object of this research is about social media with marketplace, namely TikTok is a social media platform that allows users to create and share short videos with music, filters, and other effects. The company was founded in 2016 by Zhang Yiming, and it quickly gained popularity, becoming one of the most downloaded apps in the world (Playstore, 2023).



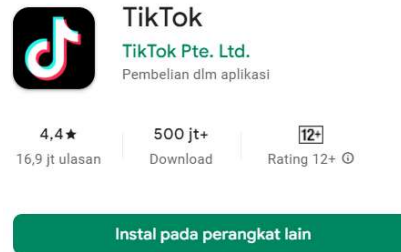
**Figure 1.1 TikTok Logo**

Source: Playstore (2023)

Before being widely known by the world community, this application was previously known as Douyin in its home country. Where users only use this application to share short videos with a duration of 15 seconds to all other users. Who would have thought, this application received a positive response from its users, so that this application became one of the applications that is quite popular in its home country. Because they felt successful in introducing it in their home country, ByteDance finally tried to introduce this application to the world of society. So ByteDance decided to change the name Douyin to TikTok (Diengcyber, 2023).

At this time, TikTok's popularity has slowly shifted Instagram as a social media giant. This can be seen from the fact that many Instagram users have started to switch to TikTok. Even at this time, the number of downloads for the TikTok application on

the Playstore has reached more than 500 million downloads worldwide (Playstore, 2023).



**Figure 1.2 Number of TikTok Downloads on Play Store**

Source: Playstore (2023)

On April 17, 2021, TikTok Indonesia officially launched TikTok Shop. TikTok Shop is a social commerce platform that is believed to provide a pleasant and comfortable shopping experience for brand owners as sellers, buyers, and creators. TikTok shop is an e-commerce solution integrated within TikTok that enables merchants and creators to showcase and sell products for the TikTok community to discover and purchase directly through a complete in-app experience (PopStar, 2023).



**Figure 1.3 Tiktok Shopping Logo**

Source: Seeklogo (2023)

TikTok shop have several features like (Playstore, 2023):

- a) Shopping direct integration: This feature allows TikTok users to purchase products directly from online stores run by creators or merchants integrated with TikTok.
- b) Partner integration: This feature allows businesses to integrate TikTok shop with third-party service providers to sell their products on TikTok.

- c) E-commerce Experience: TikTok shop provides a more convenient and faster online shopping experience for TikTok users, as they can purchase products directly from the app without leaving the platform.
- d) Video Ads: TikTok shop allows businesses to create short video ads or live videos to promote their products.
- e) Analytics: TikTok shop also provides analytical data to help businesses understand the performance of their campaigns and optimize their marketing strategies in the future.
- f) With these features, TikTok shop becomes an attractive solution for businesses to market their products and increase sales on the TikTok platform.

TikTok provide Affiliate is a program that becomes a liaison between content creators and sellers so that it benefits both parties.

TikTok Shop is increasingly popular. Since its appearance, this feature has attracted the attention of its users and could be a big business opportunity for companies. Public interest in online shopping encourages Indonesian traders to shop online. TikTok shop. Since its appearance, this feature has attracted the attention of users and could be a big business opportunity for companies. TikTok Shop is a feature of the TikTok application that makes it easier for businesses and users to sell and buy products. Because this feature makes it very easy for buyers to shop via social media without having to switch to other applications. Additionally, users can purchase products directly and get many offers and discounts, such as free shipping. One of the advantages and disadvantages of TikTok Shop is that brands or business actors can easily expand their market. It doesn't have to be difficult for people to go to the marketplace just to shop, using the TikTok application gives you a combined experience between the marketplace and social media, so it is more practical and certainly very interesting. Your community can use the TikTok platform to promote products, for example by using hashtags that are trending and appropriate to the brand you want to promote (BeTV, 2023).

According to Republika (2023) Minister of Cooperatives and SMEs Teten Masduki rejected the Chinese social media platform Tiktok from running a social media and e-commerce business simultaneously in Indonesia. Apart from the need to regulate

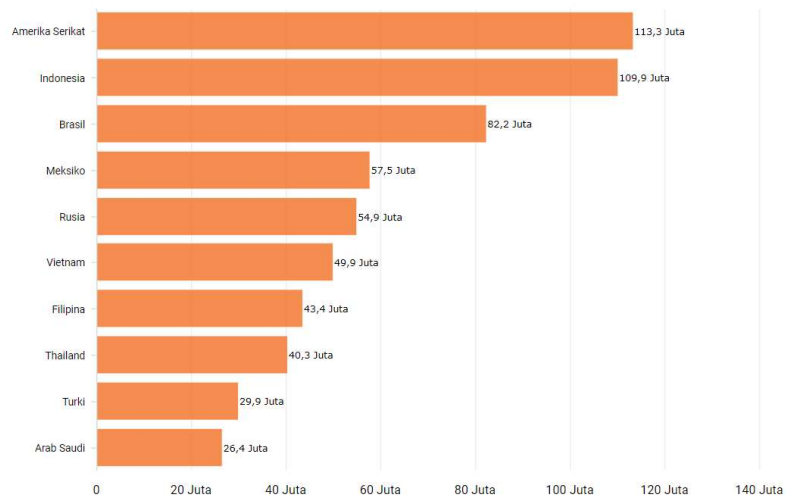
the separation of social media and e-commerce businesses, Teten also said that the government needs to regulate cross-border commerce so that domestic MSMEs can compete in the Indonesian digital market. Continuing, retailers from abroad may no longer sell their products directly to consumers. They, he said, must enter through the normal import mechanism first, after that they can sell their goods on the Indonesian digital market. "If they sell their products directly to consumers, Indonesian MSMEs will definitely not be able to compete because our MSMEs have to take care of distribution permits, SNI, halal certification, and so on," he explained.

The institution with the authority to decide whether TikTok has violated the rules or not is the Ministry of Trade (Kemendag). Kominfo is clear that he cannot take direct steps against TikTok, without a request from the competent agency or competent ministry, Regarding the TikTok issue and the TikTok Shop polemic, he admitted that he had not received a request from the sector ministry, in this case the Ministry of Trade, regarding sanctions or the like and he added that the decision to block or close the platform is the final decision if the Ministry of Trade gives an order, but TikTok does not heed the request in question (Industri.Kontan, 2023).

## **1.2 Research Background**

The rise of social media has brought about significant changes in the way businesses approach marketing and advertising. With the increasing popularity of social media platforms, particularly TikTok, businesses are now turning to these platforms to reach and engage with their target audience.

TikTok has recently launched its shopping feature, TikTok shop, allowing businesses to sell products directly within the app. As a result, it has become increasingly important to understand the impact of TikTok social media marketing on purchase decisions in TikTok shop (BeTV, 2023).



**Figure 1.4 TikTok Actives User per January 2023**

Source: Databoks (2023)

TikTok has experienced significant growth in Indonesia since its launch in the country in 2017. As of 2023, Indonesia is one of the largest markets for TikTok, with 109 million monthly active users (Databoks, 2023). One of the key factors driving TikTok's growth in Indonesia is the app's popularity among young people. This provides an opportunity for businesses to use social media as a medium in creating marketing strategies for their products. The popularity of social media is growing rapidly these days because of its ability to mimic everyday human social interactions (Alamsyah et al., 2020).



Figure 1.5 Social media shopping survey (social commerce)

Source: PopStar (2023)

Figure 1.5 shows that TikTok Shop users in January 2023 are dominated by women aged 18-25 years, while TikTok Shop users are male aged 36-45 years. Populix also said that TikTok Shop's development will continue to progress by 48%, due to various special offers for users. The Populix survey also stated that clothing is the type of product most purchased by social commerce users, followed by beauty products, food, gadgets, etc. These social commerce users are willing to spend as much as IDR 275,000 per month to shop on social commerce. As a result of the increasing use of TikTok Shop, it is not surprising that during 2022, TikTok Shop sales will increase fourfold or as much as IDR 66.7 trillion and followed by the WhatsApp application with 21%, Facebook Shop with 10% (PopStar, 2023).

## Understanding **LIVE STREAMING** Shopping Ecosystem in Indonesia

populix



**Figure 1.6 Increasing internet penetration is driving the rapid growth of e-commerce in Indonesia**

Source: Populix (2023)

Figure 1.6 states that Based on populix conducted on 506 men and women aged 17-45 years in May 2023, it was revealed that 69 percent of respondents said Shopee Live was the live streaming feature most frequently used by Indonesian people, far surpassing its competitors. namely TikTok Live (25%), Tokopedia Play (4%) and LazLive (2%). Shopee Live is also the live streaming feature that is most remembered by the Indonesian people with 60% of respondents, far surpassing TikTok Live (30%), LazLive (4%) and Tokopedia Play (2%) (Populix, 2023).

Indonesia has a large and rapidly growing youth population. Many of these young people have embraced TikTok as a platform for self-expression and creativity, and the app has become a cultural phenomenon in the country. As one of the largest markets for TikTok, Indonesia presents a unique opportunity for businesses to reach a large and engaged audience on the platform (Databoks, 2023).

By using TikTok as a marketing channel, businesses can leverage the app's algorithm and user data to target potential customers with relevant and engaging content. One of the key benefits of using TikTok for social media marketing is its ability to

generate high levels of engagement and user interaction. TikTok's short-form video format and emphasis on user-generated content has made the platform particularly effective at building brand awareness and driving user engagement also which can influence potential consumer buying interest (Rachmawati et al., 2016).

In addition to building brand awareness, TikTok social media marketing can also have a direct impact on purchase decisions in TikTok shop Indonesia (Meliawati et al., 2023). By using TikTok to promote their products and showcase their brand, businesses can create a sense of trust and credibility with potential customers, which can ultimately influence their decision to make a purchase (Databoks, 2023).

### **1.3 Problem Formulation**

As time goes by, social media users in the world are increasing, especially TikTok social media users. Publicity from viral social media TikTok increases website traffic and brand awareness, especially in Indonesia. Reported by Databoks (2023) Indonesia is ranked 2nd as the most active users of TikTok in the world. That many active TikTok users have opened up opportunities for TikTok to open its marketplace called the TikTok shop, TikTok Shop is a social e-commerce that allows users and creators to promote and sell products as well as carry out shopping activities in January 2023 social commerce TikTok Shop excelled by ranking 1st in sales with 46% of TikTok Shop's sales amounting to IDR 66.7 trillion and followed by the WhatsApp application with 21%, Facebook Shop with 10%, while in the same year in June, TikTok Toko was ranked 2nd after that, namely 30%, where Shopee was 69% ((PopStar (2023) & Populix, (2023))).

by combining social media and marketplace features, making the TikTok shop marketplace an attractive marketplace because it can make consumers see the brand reviewed and used by the seller or content creator. Very tight competition makes some e-commerce platforms carry out strategies to stay alive in the online shopping industry which affects TikTok shop customers decision making because of the existence of interesting content on competitor e-commerce platforms and higher brand awareness (Hootsuite, 2022). This statement is reinforced by research from Asi and Hasbi (2022) that social media marketing content has an influence on purchasing decisions. In the



other side, although the feature is advance, TikTok need to manage the most appropriate social media marketing to increase brand awareness because brand awareness can trigger consumers to decide to buy a product. This statement is supported by research from Sulistio (2018) that brand awareness has a direct impact on purchasing decision making and is the first factor that can influence customers purchase decision is brand awareness.

Based on the problem, it can be concluded that the research questions are follows:

- a. Does social media marketing on TikTok for TikTok shops have a significant effect on brand awareness of TikTok Shop Indonesia?
- b. Does social media marketing on Tiktok for TikTok shops have a significant effect on purchase decisions of TikTok shop Indonesia?
- c. Does brand awareness have a significant effect on purchase decisions of TikTok shop Indonesia?
- d. Does the brand awareness effect the relationship between TikTok social media marketing on purchase decisions on TikTok shop Indonesia?

#### **1.4 Research Objectives**

This study aims to find out and analyze:

- a. To find out the TikTok social media marketing effect on brand awareness of TikTok shop Indonesia
- b. To find out the TikTok social media marketing effect on purchase decision of TikTok shop Indonesia
- c. To find out the brand awareness effect on purchase decision of TikTok shop Indonesia
- d. To find out the brand awareness effect on relationship between TikTok social media marketing on purchasing decisions on TikTok shop Indonesia.

#### **1.5 Benefits of Research**

The following are the benefits of this study:

##### **1.5.1 Theoretical Benefits**

Some of the findings that may be useful for the community, can be used as a reference for the next research and input for academics and students who are conducting research.

### **1.5.2 Practitioners Benefits**

#### 1. For Companies

It is hoped that the results of this research will be useful input for TikTok and TikTok Shop, so that TikTok can determine the right decisions in developing product brand image marketing strategies on TikTok Shop based on purchasing decisions on social media.

#### 2. For Academics

It is hoped that the results of this research can help provide new information and knowledge that can be used in the future and for the company as input material on TikTok promotion and social media marketing to engage brand awareness on TikTok shop.

### **1.6 Writing Systematic**

This research is presented into 5 (five) chapters, the systematics are as follows:

#### **CHAPTER I: INTRODUCTION**

This chapter briefly presents general explanation of the research. The content includes overview of research object, research background, problem statement, research objective, research aims, and writing systematics.

#### **CHAPTER II: LITERATURE REVIEW**

This chapter contains literature review and previous research, which are related to the topic and variables of the research.

#### **CHAPTER III: RESEARCH METHODOLOGY**

In this chapter, the researcher describe the characteristic of the research, operational and variable measurement, steps of research, population and sample, data collection, validity, and data analysis method.

#### **CHAPTER IV: ANALYSIS AND DISCUSSION**

This chapter provides the results of the research systematically in order to be analyzed by using the methodology and also discussion.

## **CHAPTER V: CONSLUSION AND SUGGESTION**

The last chapter of the research presents the conclusion, which is derived from all the data processing and analysis and recommendation for further research.