

How Tiktok Control Indonesia's Market Through Tiktokshop

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Abstract

TikTok has emerged as the prevailing social media platform in Indonesia, capitalising on its considerable popularity to venture into the e-commerce industry with TikTokShop. This functionality introduces an ecosystem that combines concise video information with direct purchasing possibilities, therefore revolutionising how Indonesians engage with items and brands. The present study investigates the impact of TikTokShop on customer behaviour and market dynamics among Indonesian consumers. An analysis was conducted on the marketing techniques employed by companies, the efficacy of promotions using video content, and consumer reactions to products available through TikTokShop. The findings indicate that TikTokShop has effectively transformed the conventional purchasing paradigm by offering a more dynamic and participatory experience. This enhances customer involvement and broadens brand penetration, particularly among the younger demographic that constitutes the bulk of TikTok users in Indonesia..

Keywords; *Tiktokshop; Indonesia; Marketing Strategy; E-commerce*

1. INTRODUCTION

Originally named Douyin, TikTok, the now worldwide social media platform originated in China in September 2016 and was developed by the business ByteDance. Douyin rapidly garnered broad recognition within the Chinese domestic market. Recognizing the worldwide appeal of the conveniently digestible short video concept, ByteDance made the strategic decision to introduce a global iteration of Douyin, known as TikTok, in September 2017 (Fannin, 2019).

In November 2017, ByteDance made a calculated strategic decision to buy musical.ly, a widely popular lip-syncing application among Western adolescents. For TikTok, this \$900 million acquisition marked a significant milestone (Fannin, 2019). The official merger of TikTok and musical.ly in August 2018 resulted in the consolidation of its worldwide user base and expedited the platform's expansion in overseas markets.

The expansion of TikTok has been propelled by various pivotal elements, including its advanced recommendation system based on artificial intelligence, captivating short video format, and innovative functionalities like filters, effects, and music integration. A proactive marketing approach, which includes collaborations with celebrities and influencers, has significantly contributed to its widespread appeal. Consequently, TikTok achieved the highest number of downloads on the App Store worldwide in 2018 and continues to undergo rapid expansion in its user base.

The popularity of TikTok was substantially expedited by the COVID-19 epidemic in 2020, resulting in the app achieving a staggering 1.5 billion downloads worldwide. As of 2021, TikTok boasted a staggering 1 billion monthly active users, solidifying its position as one of the foremost social media platforms globally (Iqbal, 2024). Nevertheless, in addition to its exponential expansion, TikTok has also encountered a

multitude of problems and obstacles. Investigations have been initiated in several countries due to concerns over the privacy and security of user data, particularly about suspected data sharing with the Chinese government. TikTok was subjected to a temporary prohibition in India in 2019 and is now at risk of being banned in the United States in 2020 under the Trump administration (Allyn, 2020).

Notwithstanding these obstacles, TikTok persists in innovating and expanding. The platform has introduced new functionalities, including TikTok For Business for marketing and advertising purposes, and TikTok Shop, which incorporates e-commerce facilities into the application. Furthermore, TikTok is broadening its scope to include new sectors such as education and music streaming.

The influence of TikTok on popular culture and global society is substantial. The site has effectively catapulted the careers of numerous musicians and content creators, revolutionized the methods of music promotion and consumption, and emerged as a conduit for activism and social movements. In addition to generating a worldwide pop culture phenomenon through its viral trends and challenges, TikTok has also sparked worries about user safety about potentially hazardous challenges.

2. RESEARCH METHOD

In her book "The E-commerce Regime," Susan Strange argues that there exists a form of structural power within the international political economy. This power is achieved by a country through its efforts to exert control and dominance over the digital market in the present day. The theory of Knowledge Structure, also referred to as Knowledge power, posits that a country can exert influence on the broader society through the knowledge it generates, including culture and direct and indirect systems that can govern the world, particularly in the realm of political economy.

Given the widespread adoption of TikTok as a social media platform by global users, it is undeniably a highly lucrative venture, particularly in the development of its E-commerce platform known as TikTok Shop. A marketing strategy employed by TikTok, a social media platform, to enhance the growth of TikTok Shop as the leading Social E-commerce platform in many countries, is the utilization of Artificial Intelligence (AI) Algorithms. This enables TikTok Shop to gain a competitive edge over other E-commerce platforms by tailoring their products to the specific interests of individual TikTok social media users. This feature enables sellers to enhance their product promotion by producing concise video content that can be subsequently shared on TikTok and connected to TikTok users who share a similar interest in the product. Consequently, it encourages sales and transactions facilitated by the influence support offered by TikTok to sellers in TikTok Shop.

In addition, TikTok Shop employs preferences-tailored algorithms that adapt their operation according to the user's behaviour and viewing preferences during TikTok program usage. Unsurprisingly, when we develop an interest in a product, the majority of the things shown on our For Your Page (FYP) the next day are either identical or closely connected to the items we were interested in previously. The knowledge power possessed by TikTok is utilized to cultivate consumer interest among users and adapt customer preferences using curated content generated by algorithms. Thanks to the user preference data obtained from their social media algorithms, TikTok Shop has emerged as the leading Social E-commerce platform, effectively linking social media users with TikTok Shop merchants.

3. RESULT AND DISCUSSION

The Historical Background and Production Process of Tiktokshop

The TikTok Shop in Indonesia commenced operations on April 17, 2021, after acquiring official authorization from the government. Since June 2018, the TikTok application has become available in Indonesia. Notwithstanding the ban imposed by the Ministry of Communication and Information on July 3-10, 2018, TikTok continues to exist in Indonesia. Within the initial two years, the number of users reached 30.7 million. TikTok is an online social network designed for the synthesis and dissemination of concise video content. Douyin, a Chinese social media platform launched by Zhang Yiming in September 2016, offers a specialized version targeted towards its own market. By 2023, TikTok is projected to be the sixth most widely used social media platform globally, with 1.05 billion active users. Yet, notably, TikTok also has the longest duration of usage throughout the year. Since 2016, TikTok has gained immense popularity, amassing more than 3 billion downloads, with a staggering 672 million downloads in 2022 singularly. Furthermore, it has a staggering 50 million daily active users. Source: Cindy Mutia Annur, Catalogue of Data. A significant proportion of TikTok's users originate from the United States. According to data from April 2023, TikTok boasted a user base of 116.49 million in the United States and 112.97 million in Indonesia, positioning it as the second largest user base globally. Indonesia has a significantly larger number of TikTok users compared to the US, with a difference of 3.52 million individual users. As part of its ongoing development, TikTok has included the TikTok Shop functionality into its application. Through this tool, anyone can engage in the buying and selling of bravery.

As per the Anggi Mardiana KATADATA. The live sales feature of TikTok Shop facilitates direct interaction between sellers and buyers through the comments section during the event. According to representatives from Kompas, Galuh Putri Riyanto and Wahyunanda Kusuma Pertiwi, this facilitates direct interaction between merchants and buyers. The Southeast Asian market, particularly Indonesia, is a significant market for TikTok Shop. A significant number of users in Indonesia engage in the sale of their items only through live shopping or live streaming on TikTok Shop. TikTok Shop is deemed beneficial by 16 out of 18 students enrolled in the Advertising Copywriting course at Institut Bisnis Nusantara. They perceive this application as beneficial to their economy. Due to its integration into the TikTok application, TikTok Shop is seen as cost-effective and user-friendly, eliminating the need to switch to other programs for shopping purposes. On October 4, 2023, the Ministry of Trade of the Republic of Indonesia concluded the operation of TikTok Shop, which caused disappointment among users. Citizens anticipate the resumption of operations for TikTok Shop to facilitate cost-effective shopping. Thorough investigation is warranted on the intriguing phenomena of shopping at courageous stores. Online purchasing has supplanted queuing at shopping malls, therefore exemplifying the extraordinary progress of human civilization. A global exploration of the TikTok Shop phenomenon as a viable alternative to thrift shopping.

Guidelines for Creation

Today, TikTok is one of the social media platforms used for sophisticated advertising. The TikTok platform enables the sharing of items or products for sale using many sophisticated marketing strategies. The content analysis conducted by researchers revealed the presence of numerous sophisticated promotional strategies,

including advertising, narration, comedy, discounts, testimonials, hashtags, questions and answers, promotions, cashback, sound music, and criticism.

1. Promotional marketing Advertising is a strategic method employed to promote persuasive communication with consumers, characterized by an impersonal presenting manner (Saladin, D., & Oesman, 2002).
2. Narrative Delivery Digital marketing strategies incorporating storytelling tactics are adopted by major fashion firms including Prada, Chanel, and Louis Vuitton. The study conducted by Rome, Z.F.G., Medina, I.G., and Romero, N. P. titled "Storytelling and Social Networking as Digital and Mobile Marketing Tools for Luxury Fashion Brands" presented these findings. Such evidence demonstrates that storytelling is a frequently employed digital marketing strategy on social media platforms. Roma, Medina, and Romero (2017)
3. Techniques of Comedy The research conducted by Dewa, C.B., & Safitri, L.A. (2021) with the title "TikTok Social Media as a Promotional Medium for the Culinary Industry in Yogyakarta during the Covid-19 Pandemic" likewise emphasizes the identification of humorous strategies in advertising within the realm of digital marketing.

The ubiquity of TikTok outlets in certain countries

The TikTok Shop has emerged as a colossal phenomenon in Indonesia, profoundly transforming the e-commerce industry and consumer habits. Since its inception on April 17, 2021, the platform has witnessed significant expansion, taking advantage of TikTok Indonesia's substantial user base of more than 112 million active users. With this, Indonesia has become the second biggest market for TikTok worldwide, surpassed only by the United States.

TikTok Shop's success in Indonesia can be ascribed to several crucial elements. First and foremost, the interface is designed to be easily navigable and seamlessly integrated with the already widely used TikTok application. Users may seamlessly transition between video viewing and shopping without the need to relaunch the application. Furthermore, the inclusion of live streaming and commenting capabilities enables vendors and buyers to engage in direct interaction, therefore enhancing the buying experience by providing a more personalised and dynamic platform. The success of TikTok Shop in Indonesia can be attributed significantly to the advanced recommendation system employed by TikTok Inc. The algorithm provides recommendations for both movies and items that may be relevant to consumers, taking into account their tastes and behavior. This results in a strongly customised and pertinent shopping experience, thereby enhancing the probability of sales conversion. Live streaming is a prominent characteristic of TikTok Shop, which enjoys immense popularity in Indonesia. Merchants have the ability to engage in direct communication with prospective customers, showcase their products, address inquiries, and even provide exclusive price reductions during the live broadcast. This strategy integrates the most advantageous features of on-site buying with the ease of internet shopping, resulting in a distinctive and captivating experience for Indonesian customers.

Furthermore, TikTok Shop has effectively harnessed the potential of influencer marketing in Indonesia. Employing partnerships with renowned content creators and local celebrities has been a crucial tactic in advertising items and boosting sales. A significant number of Indonesian influencers not only endorse products, but also engage in direct sales through their own online storefronts on the network, taking advantage of their widespread following. To Indonesian MSMEs and young entrepreneurs, TikTok

Shop has emerged as a highly attractive venue for initiating and expanding their online enterprises. The user-friendly interface and extensive reach of TikTok have been essential in facilitating vendors to access a broader audience compared to what they could have achieved via conventional platforms. The aforementioned phenomenon has stimulated the expansion of the digital economy in Indonesia and created fresh prospects for several enterprises.

Nevertheless, the exponential expansion of TikTok Shop in Indonesia has also posed certain obstacles. A prominent concern is the widespread distribution of counterfeit products and substandard goods. As part of its efforts to tackle this problem in Indonesia, TikTok has introduced a more rigorous seller verification system and an enhanced reporting process for infringing products. Concerns regarding the influence of TikTok Shop on the psychological well-being of its users have also been expressed in Indonesia. However, some contend that the smooth incorporation of entertainment and commerce can potentially foster excessive consumer behaviour, particularly among the younger population in Indonesia. TikTok has implemented digital well-being metrics, including break reminders and usage time restrictions, however the efficacy of these measures remains a subject of ongoing discussion.

Regulatory hurdles pose a significant concern for TikTok Shop in Indonesia. On October 4, 2023, the Indonesian government temporarily halted the operations of TikTok Shop, illustrating the intricate regulatory challenges presented by the site. The Indonesian government has prioritized addressing concerns regarding data privacy, the repercussions on the local retail sector, and the susceptibility to tax fraud. TikTok is actively striving to tackle these concerns by establishing collaborations with local authorities and increasing the level of openness in its commercial operations in Indonesia. Notwithstanding the obstacles, TikTok Shop persists in pioneering solutions in the Indonesian market. The platform has recently introduced more functionalities, including augmented reality for virtual product testing and enhanced integration with local Indonesian payment systems. TikTok is allocating resources to enhance its logistics infrastructure in order to enhance delivery efficiency and maximize customer happiness throughout Indonesia.

Furthermore, the influence of TikTok Shop on the conventional retail sector in Indonesia is substantial. An increasing number of local and international companies, which previously depended on brick-and-mortar storefronts or conventional e-commerce platforms, are now adopting TikTok Shop as their main sales channel in Indonesia. This phenomenon has prompted a substantial change in marketing and distribution tactics in the retail sector of Indonesia.

Finally, the immense success of TikTok Shop in Indonesia exemplifies the efficacy of integrating social media interaction with e-commerce capabilities in a swiftly changing market. TikTok has harnessed its extensive user base, sophisticated analytics, and cutting-edge features like live streaming to establish a new model for online commerce that significantly appeals to Indonesian customers, particularly younger target groups. Nevertheless, it is crucial to persist in monitoring and resolving developing issues in Indonesia, such as data privacy threats, product quality, and the possible adverse effects on customer behavior.

Strategic cooperation with TikTok, the Indonesian government, and other relevant parties will be crucial in guaranteeing the platform's sustainable and accountable expansion in Indonesia. In light of the significant smartphone and internet penetration in Indonesia, TikTok Shop has considerable potential for further expansion in the country. Nevertheless, the achievement of its objectives will rely on its capacity to

consistently adjust to the distinct preferences of local consumers, adhere to governmental rules, and uphold the confidence of users. Furthermore, TikTok Shop has the ability to not only influence the trajectory of e-commerce in Indonesia but also serve as a paradigm for the amalgamation of social media and online commerce in other developing economies.

4. CONCLUSION

The popularity of Douyin in the Chinese market prompted ByteDance to introduce a global version of Douyin named TikTok in 2017. The acquisition of the musical.ly app by ByteDance was aimed at consolidating its user base and expanding its platform in international markets, particularly targeting Western teenagers. The popularity of TikTok was further expedited by the COVID-19 epidemic in 2020, resulting in the app becoming downloaded over 1.5 billion times worldwide. According to TikTok's 2021 report, the number of monthly active users exceeded 1 billion.

Furthermore, TikTok is broadening its scope to include new sectors such as education and music streaming. Furthermore, the platform has introduced several novel functionalities, including TikTok For Business for purposes of marketing and advertising, as well as TikTok Shop which seamlessly incorporates e-commerce within the application. In her book "The E-commerce Regime," Susan Strange argues that there exists a form of structural power within the international political economy. This power is achieved by a country through its efforts to exert control and dominance over the digital market in the present day. The theory of Knowledge Structure, also referred to as Knowledge power, posits that a country can exert influence on the broader society through the knowledge it generates, including culture and direct and indirect systems that exercise control over the world, particularly in the realm of political economy.

As a global social media platform, TikTok leverages its vast user base to develop its E-commerce platform, TikTok Shop. Since 2016, TikTok has gained immense popularity, amassing more over 3 billion downloads, with 672 million downloads documented in 2022 alone. The application also boasts a staggering 50 million daily active users. By implementing specific tactics, TikTok leverages the vast user base to introduce the TikTok shop function.

Anggi Mardiana states that live sales at TikTok Shop facilitate interaction between sellers and buyers through the comments section during the specific time. Tiktokshop leverages the substantial users base of TikTok Indonesia, which boasts over 112 million active users. With this, Indonesia has become the second biggest market for TikTok worldwide, surpassed only by the United States. Furthermore, the TikTok Shop employs algorithms that are specifically designed to adapt to the user's behavior and viewing preferences during their use of the TikTok program.

A number of crucial elements have contributed to the development of TikTok E-commerce in Indonesia. First and foremost, the interface is designed to be easily navigable and seamlessly integrated with the already widely used TikTok application. Users may seamlessly transition between video viewing and shopping without the need to relaunch the application. Furthermore, the capacity for merchants and consumers to engage in direct interaction via livestreaming and commenting capabilities enhances the purchasing experience by providing a more personalised and engaging environment.

The Live Streaming function of TikTok enables sellers to engage in direct interaction with prospective consumers, showcase products, address inquiries, and even provide exclusive discounts during live broadcasts. This strategy integrates the most advantageous features of on-site buying with the ease of Internet shopping, resulting in

a distinctive and captivating experience for Indonesian customers. In Indonesia, TikTok Shop employs an influencer marketing approach by partnering with renowned content creators and local celebrities to endorse products and boost sales. Indonesian MSMEs and young entrepreneurs employ this method to initiate and expand their enterprises through strategic partnerships with influencers, therefore facilitating a transition from in-person to online commerce.

Nevertheless, the exponential expansion of TikTok Shop in Indonesia has brought significant obstacles, including the widespread emergence of counterfeit products and substandard goods. To mitigate these concerns, TikTok is introducing a more rigorous seller verification system and an improved reporting mechanism for infringing products. However, detractors contend that TikTok shop fosters excessive acquisitive tendencies, particularly among the younger population in Indonesia, therefore affecting the mental well-being of its users. In response to this matter, TikTok implemented digital well-being mechanisms, including alerts for taking breaks and restrictions on usage duration. However, the efficacy of these measures is still a subject of discussion.

Regulatory hurdles pose a significant concern for TikTok Shop in Indonesia. On October 4, 2023, the Indonesian government temporarily halted the operations of TikTok Shop, illustrating the intricate regulatory challenges presented by the site. Indonesian authorities have prioritized addressing concerns around data privacy, the repercussions on the local retail sector, and the possibility of tax fraud. TikTok functionality remains operational. TikTok is continuously working to address these issues, including through collaboration with local authorities and enhancing transparency in its business practices in Indonesia.

Given the high penetration of smartphones and Internet in Indonesia, TikTok Shop has significant potential for continuous growth in the country. However, the success of the approach will depend on its ability to continuously adapt to local consumer preferences, comply with government regulations, and maintain user trust. Thus, TikTok Shop will not only shape the future of e-commerce in Indonesia but also have the potential to serve as a model for integrating social media and online commerce in other developing markets.

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