CHAPTER 1

INTRODUCTION

1.1 BACKGROUND

The fast growth of digital technology over the past few years has facilitated the sped-up sharing of information between businesses and consumers, creating an array of new marketing options. It is to be recalled back in 2020, when the unexpected pandemic of COVID-19 ambushed countries all over the world, bringing major changes to the way mankind lives their lives. Lockdown as one of the policies to anticipate the spread of COVID-19 kept people from going to places even to buy staples. With very limited activity and restricted access to public places, people started allocating their time more to surfing the internet and social media.

In the latest survey done by the Indonesian Internet Service Provider Association (APJII), it was found that the users of the internet in Indonesia account for 221.5 million of Indonesia's population, with Java Province having the greatest penetration rate of internet usage (83.64%) in 2023 (Syifa, 2024). The increase in the number of internet users and usage continues to be driven by the communication and lifestyle needs that emerged during the COVID-19 pandemic. This coping strategy of relying on the internet has shaped our society into a new consumer behavior, shifting the prior pandemic traditional in-store shopping to an online shopping behavior.

To keep up with changing market trends and customer preferences, businesses around the world, including Indonesia, started to enter the B2C e-commerce business model. B2C, or Business-to-Consumer transactions happen when businesses sell their goods and services to individual customers (Chen et al., 2019). B2C business models utilize a vast array of digital platforms, such as social media, mobile apps, and websites, to interact with and directly sell products and services to customers. Fast forward to 2024, which is the year we are living now. The continued use of online shopping is still evident.

1

As per the most recent report by Statista (2024) on e-commerce users in specific countries in Southeast Asia, Indonesia will likely rank highest on the list, with the number of users reaching 99.1 million in 2024. Social Media Statistics for Indonesia based on the Digital 2024 Global Overview Report found that digital marketplaces are widely accessible across the country, as evidenced by the fact that users aged 16 to 64 make purchases online once a week. This report also found that these users spent 7 hours and 38 minutes daily using the internet by the year 2024 (Howe, 2024). With the enormous usage of digital marketplaces, Indonesia has become a promising market for B2C e-commerce.

Figure 1.1

Global Digital Report 2024 – produced in partnership with Meltwater and We Are Social: Weekly Online Shopping Activities

Source: Meltwater.com, 2024 accessed on April 30th, 2024
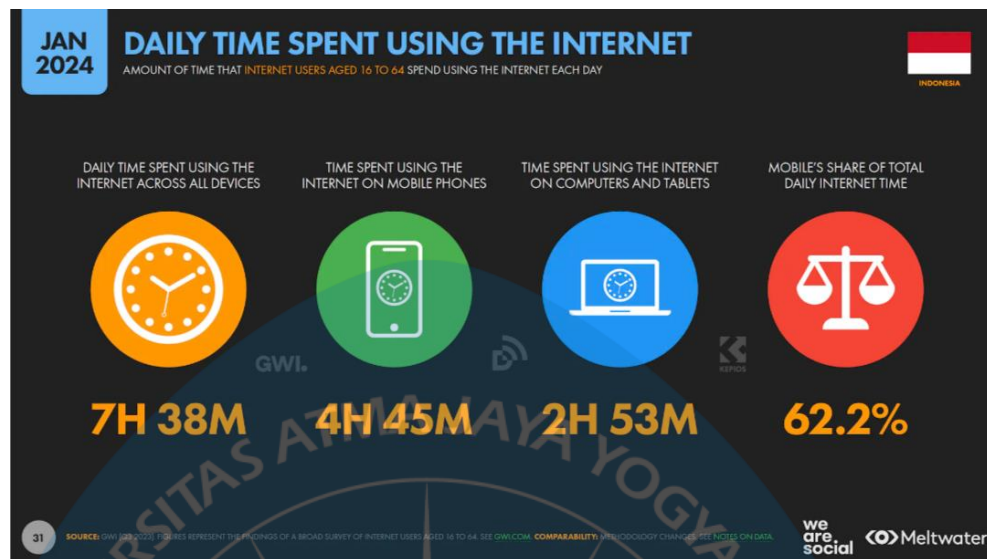
Figure 1.2

Global Digital Report 2024 – produced in partnership with Meltwater
and We Are Social: Daily Time Spent Using the Internet

Source: Meltwater.com, 2024 accessed on April 30th, 2024

Out of many digital platforms now available, social media has become a potent tool for B2C e-commerce in Indonesia, making it the most favorable platform for businesses to sell their products. The delivery of e-commerce activity and transactions via social media environments is known as social commerce (Almahdi, 2021). Through social commerce, consumers can see, purchase, and make transactions for products that appeal to them, just like e-commerce activity, but with an enhanced interaction between the seller and buyer. Sellers' concern in social commerce is no longer limited to just selling and making their products sold out but also engaging and building relationships with their customers.

Referring to an article in the Harvard Business Review, human presence creates value in the minds of consumers. In the digital age of shopping habits, it is also undeniable that businesses need to maintain real human interaction to build strong connections with their customers (Waytz, 2019). The connection

built when customers and sellers are in a constant discussion and they could feel each other's presence, leading to a gradually built social relations is what we called by social presence (Ma et al., 2022). To fulfill the need of social presence, e-commerce started to introduce a special feature called live shopping features. In the live shopping experience, sales representatives of the store will hold a live stream and engage in a two-way conversation via an integrated chat field. In the comment section, viewers of the live streaming can engage with the seller by raising questions, giving their opinions about the products being displayed, and interacting with other clients while they shop (Wongkitrungrueng et al., 2020). This interaction will boost people's trust in the store since they will be able to see the real form and condition of the product. Moreover, when salespeople mention customers in order to acknowledge their presence and responding to their requests, it gives customers a feeling of appreciation, build connections between the two parties, and enhance the social presence in live shopping (Lim et al., 2020)

According to research done by Merritt & Zhao (2022), interaction and engagement during the live streaming commerce were important factors in the success of the practice and one of the primary drivers for people to shop with the live shopping feature. In addition, they also discovered that live streaming commerce could improve the sustainability of businesses by guaranteeing that customers are buying things they actually need, which would reduce the number of product returns and align it with the Sustainable Development Goals. Live shopping feature has also helped many small businenesses build their careers succesfully in the e-commerce business through social media platforms. By interacting in real-time with customers from different parts of the country, live shopping enables online merchants to display their products simultaneously, providing customers with more comprehensive product details without having to construct actual physical storefronts in different areas (Y. Sun et al., 2019). They may effectively showcase and market their products to a wider audience with a minimized cost, build brand awareness, and gain loyal customers, all thanks to this live shopping feature.

To further attract customers to engage in live shopping, many stores are implementing sales promotion as their strategy. According to the book Marketing Principles, sales promotions are frequently designed to encourage consumers and potential customers to act immediately, make greater purchases, and make recurring purchases (Tanner & Raymond, 2012). Some of the interesting consumer sales promotions adopted by merchants in live shopping are price discounts for certain products and banded pack deals for a limited quantity and time that are only valid during the live event (Sharma, 2022). A study done by Yang (2021) found that product discounts are an important driver for attracting people to use live shopping and place orders during live streaming. Many people are tempted by the low-priced deals offered in live shopping, resulting in them competing to join the live shopping and purchase the products whose promotions appeal to them while they are still available. Without people realizing it, their action of hunting "only during live promotions" results in a new consumer behavior called impulsive buying. Impulse buying is the act of making an unplanned, spontaneous purchase decision that is triggered by environmental cues or stimuli and is accompanied by intense sensations of excitement and pleasure (Wu et al., 2016). Another definition of impulsive purchasing is that it is one of those cravings that makes a person happy. Individuals who purchase impulsively are more likely to buy products at the last minute (Kalekar & Babar, 2022).

Previous studies have examined the phenomenon of impulsive buying when shopping during live streaming. A study on impulse buying behavior by Refasa et al. (2023) found that price reductions have been shown to increase consumers' inclination toward impulsive purchases since there is a strong, difficult-to-control, positive emotion that occurs in response to price reduction, leading people to make purchases on the spur of a moment.

Combining both social media and sales promotion as factors affecting impulsive behavior, Derek et al. (2022) found that social media presence and sales promotion had a positive and significant impact on students' impulsive

buying behavior on Shopee e-commerce at Sam Ratulangi University's (Unsrat) Faculty of Economics and Business (FEB). According to the findings about the impact of social media on impulsive buying behavior, the majority of FEB Unsrat students are exposed to Shopee-related content on Facebook, Instagram, and TikTok, among other social media platforms. This exposure ultimately causes them to make impulsive purchases on Shopee. According to this research, Shopee e-commerce uses five indicators which are coupons, rebates, price bundles, premium (prize), and contest as part of their sales promotion to boost sales and profit. These indicators have also been successful in encouraging impulsive shopping among FEB Unsrat students on Shopee.

A study by Zhang et al. (2023) demonstrate that social presence of the live streamer, other viewers, and the product positively impact affective intensity. Affective intensity is what drives the urge to buy impulsively. According to this study, social presence of other viewers fosters a sense of community and interpersonal interaction. When customer started to get emotionally engaged with other viewers, the product, or the streamer through social connections, they will sense a higher level of affective intensity.

As customers are getting more emotionally engaged with other viewers during the live broadcast, their affective intensity increased which may ultimately cause them to make impulsive purchases. Research done by Zhang & Shi (2022) found that customers are more likely to make impulsive purchases when they feel more connected or when they have a sense of being physically present in a virtual setting, such as the live broadcast room.

The shift in consumer trends and preferences for online shopping, which ultimately leads to impulse buying, has resulted in several studies being conducted in this area. Based on all of the previously mentioned studies, most of the studies examined the impulsive buying behavior among Chinese live streaming customers, leaving customer impulsive behavior in other countries around the world unexplored. With various platforms nowadays providing live streaming features, an urgency arises to explore if engaging in other live

6

streaming platforms in other country could result in a same impulsive buying behavior like the consumers in China.

The phenomenon of impulsive buying has also been studied on a variety of Online Travel Agent (OTA) mobile applications, including Traveloka, Tiket.com, and Pegipegi, in addition to live streaming platforms. Given the various studies on impulsive buying behavior with different context, study object, research scope, and results, author feels the need to deepen the knowledge of consumers' impulsive buying behavior by conducting further research in this field on TikTok live streaming platform.

The reason to use TikTok as the study object platform for this research is because most of the previous studies had only explored the popular live streaming platform in China, which is Taobao Live. In this research, the author would like to explore another country, which is Indonesia, that also heavily relies on live streaming social media platforms. The TikTok social media platform is packed with 126.8 million users aged 18 and above in Indonesia in early 2024 (Kemp, 2024). According to Social Media Statistics for Indonesia based on the Digital 2024 Global Overview Report, the average time used by Indonesians to use TikTok is 38 hours and 26 minutes per user per month, reflecting very intense usage, which makes consumers more prone to impulsive buying behavior while engaging in TikTok and its live shopping feature (Howe, 2024).
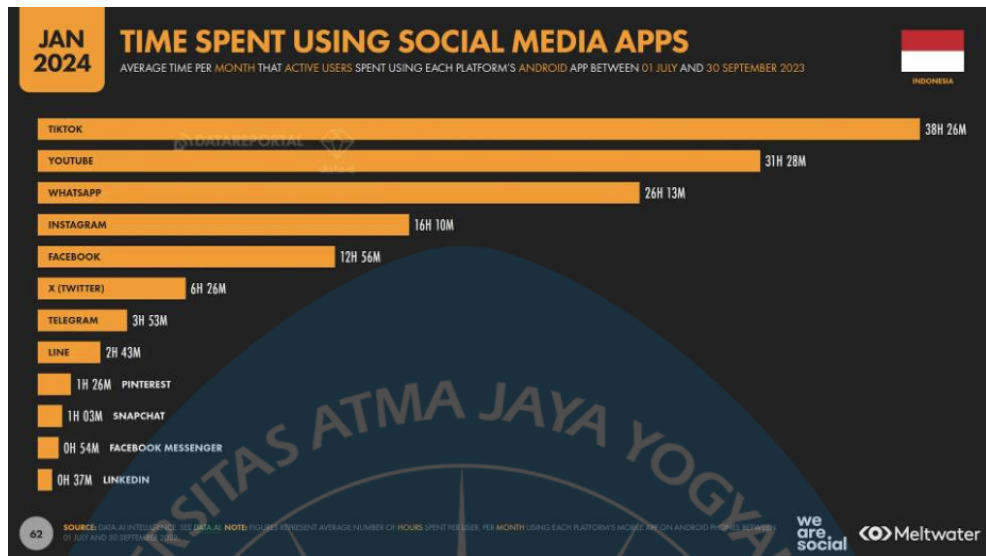
Figure 1.3

Global Digital Report 2024 – produced in partnership with Meltwater and We
Are Social: Time Spent Using Social Media Apps

Source: Meltwater.com, 2024 accessed on April 30th, 2024

To explain how TikTok live streaming platform could results in
consumers' impulsive buying behavior, Stimulus-Organism-Response (SOR)
method will be implemented in this research. The SOR model itself identifies
Stimuli, or stimulating cues, from the environment which trigger an individual's
internal assessment, or what we called as Organism, resulting in an approach-
and-avoidance reaction, or known as Response (Mehrabian & Russel, 1974).
The SOR method has been used for research on various topic such as customer
purchase intention by Zhu et al. (2020), customer purchase decision by
Vidyanata (2022), customer repurchase intentions Tian et al. (2022), consumer
satisfaction Hsu et al. (2021), and others.

However, studies on customer's impulsive buying behavior specifically
on TikTok live streaming implementing the SOR method is still not well
documented, with the scope of research mainly focusing on Chinese live
streaming customers as explained in the previous section. The urgency to update

knowledge on the latest trend of consumers' impulsive buying behavior in TikTok live streaming platform and to fill the research gap with recent data is necessary to acknowledge any changes and to see if there are differences of result of this study compared to the previous studies done on this field.

Therefore, a research modification is done by referring this research to previous study done by Huo et al. (2023) about impulsive buying behavior in live streaming platform using the Stimulus-Organism-Response method. In Huo's research, social presence and sales promotion provided within the live streaming serve as Stimuli, factor triggering the internal perception and level of enjoyment of the viewers. By facilitating an interactive human presence of seller and buyer in the live streaming room, along with the tempting sales promotion, these stimuli could deliver people a pleasant experience during the live stream. This pleasant feeling viewers get from social presence and sales promotion during the live stream will make viewers feel at home watching hours of products being showcased, seller's persuasive way of promoting and explaining their product's excellence, plus enticing promos that are only valid during live broadcasts.

Without them realizing, they are already fully immersed and focus with the live streaming that they really enjoy and start to lose track of time and everything around them, which is what we called as flow state (Ellis et al., 1994). Flow state act as the Organism of the research that eventually leads the flow experience into an impulsive behavior of the customer. As customers are fully engaged with the ambience of live streaming, they also started to be tempted by the promotion that surrounds them, especially after being exposed with the product's excellence and live streaming promotion for a quite long time. Customers who initially had no intention of buying end up buying one or more products, especially when they find out that they can get a cheaper price if they buy several products (bundle promotion). By doing so, these customers have commited an unplanned purchases or impulsive buying behavior as the Response, which also means that they have completed the three stages of

Stimulus-Organism-Response model of the study. The results of Huo et al. (2023)'s study is in accordance with all the above-mentioned hypothesis. They also added to the results that positive moderation of time and money availability of flow experience and impulse buying behavior was also shown by the results of this study.

Based on that previous study, author modified by specifying the study object platform to TikTok live streaming and determining the research scope to be Indonesia. Although proven as succesful, unfortunately, the moderation of time and money availability will not be included in this research. The main reason was because these moderations were last studied by research of old age such as in the research by Beatty & Ferrell (1998) about impulse buying that used time and money availability as the situational variables. Based on this research, individuals with more time available will have a higher level of in-store shopping. The more available money an individual possess produced positive feelings and a positive influence on actual impulse purchasing.

Research by Chang et al. (2014) is another study that implies time and money availability as moderator. However, Chang's study found that only money availability was proven to moderate the relationship between female consumers' positive emotional responses and impulse buying behavior positively. Apart from these researches, there is no recent research that uses time and money availability variables as moderator between flow experience and impulse buying behavior, making this hypothesis lack of recent previous study that will make it less relevant if included in this research. In order not to hinder the process of collecting the adequate supporting studies, this research will only include social presence and sales promotion as Stimulus, flow experience as Organism, and impulse buying behavior as Response.

Hereafter, this research aims to investigate the stimulus people need in order to be in a flow state and generate an impulsive buying behavior in TikTok live streaming shopping. In this research, it will explain what factors could trigger people to consider shopping, how these stimulis could influence one's

inner perception and thoughts to produce the feel of enjoyment, until it finally causes people shopping impulsively without they are noticing. This research is expected to contribute theoretical benefits and suggestions to live streaming commerce and impulsive buying literature. Not only theoretical, the study also provides practical benefits and suggestions to merchants and TikTok platform developer. By conducting this research, author also hope to see more of research pertaining to consumer behavior in the various marketing field in the upcoming time.

1.2   RESEARCH QUESTIONS

In light of the above described background, the following research questions were created for this study:

1. Does social presence influence consumers' flow experience?

2. Does sales promotion influence consumers' flow experience?

3. Does flow experience influence consumers' impulsive buying behavior?

1.3   RESEARCH OBJECTIVES

In accordance with the above-mentioned research questions, the aim of this study is to:

1. To investigate the influence of social presence toward consumers' flow experience.

2. To investigate the influence of sales promotion toward consumers' flow experience.

3. To investigate the influence of flow experience toward consumers' impulsive buying behavior.

1.4   RESEARCH BENEFITS

The following benefits are expected to come from this research, both in theory and in practice, for those in need:

1.   Theoretical Benefits

The results of this study are expected to contribute to the literature of live streaming commerce and impulsive buying, as there are still a few pieces of documentation from the current study that frame the shifting patterns of consumer behavior. This study is also expected to provide an in-depth discussion of the theories compiled within the research, hence contributing a new perspective on social presence, sales promotion, flow experience, impulsive buying, and how these factors through Stimulus-Organism-Response model.

2.1 Practical Benefits for Merchants

The results of this study are expected to encourage merchants to further study and comprehend their customers' behavior, whether it is that of their existing customers or that of potential customers. By conducting this research, merchants that rely on live streaming as a medium for their sales and promotion activities could use this research as a reference source on understanding factors that could trigger impulsive buying behavior while leveraging human interaction and promotional stimuli in order to persuade and encourage people to make impulsive purchases to boost sales.

2.2 Practical Benefits for TikTok Platform Developer

The results of this study are expected to give TikTok platform developers insight into how to better understand consumers' behavior. They are also expected to brainstorm features that would meet user needs and business objectives. TikTok platform developers may also utilize this study as a guide to see how heavily used their platform is by Indonesians. And by realizing so, they

are expected to address any performance issues with TikTok to provide optimum app speed and a seamless user experience.

1.5 RESEARCH SYSTEMATICS

CHAPTER I: Introduction

Introduction entails five parts which are research background, research questions, research objectives, research benefits, and research systematics. The research begins with the background of the research, which contains the reasons why the problem was raised as a research title. According to the background, some questions raised and are meant to be answered at the end of this study. The research is done to serve a purpose that is outlined in the research objectives. Research benefits are also included to describe the benefits that people can get from this research, both theoretically and practically. Lastly, research systematics conclude the structure and outline of the research.

CHAPTER II: Literature Review

In line with the name, this part of the research will provide readers the base theory used throughout the study. Scholarly term of the variabels used in this research will be explained in this part by citing expert opinions from previous research. Hypothesis development and theoretical framework of the research will also be covered as author's temporary view toward the problem.

CHAPTER III: Research Methodology

This chapter entails the scope of the study, sample methods, data collection techniques, data measurement methods, instrument methods of testing, and data analysis strategies.

CHAPTER IV: Analysis and Data Processing

The overview, data analysis, and computation results of the data processing based on predefined hypotheses are covered in this chapter, along

with the measurement scale, analytical tools, and quantitative research tests employed in this study.

CHAPTER V: Conclusion

This chapter presents the findings and recommendations for the completed study. Outline and outcome of the results become the base of writing the conclusion in the research. Subsequently, this part will also explain the managerial implication recommendations that offer insights for businesses or scholars undertaking future research. Lastly, it is closed with the limitations within the research and suggestions for future research.