

CHAPTER 1

INTRODUCTION

1.1 Background

The era of the industrial revolution has contributed to the digitalization of many aspects of our daily lives (Purwaamijaya et al., 2021). One aspect that has become a part of our daily lives is the usage of the internet. Recent research by DataReportal indicates that Indonesia is home to over 185.3 million internet users, accounting for 66.5% of the population. This number highlights how important the internet is and how it affects the way Indonesians live and how many businesses operate. As people increasingly integrate digital technologies into their daily routines, social media has become a significant aspect of their lives. In January 2024, there are more than 139 million active social media users in Indonesia with the top three social media being WhatsApp, Instagram, and Facebook (Kemp, 2024).

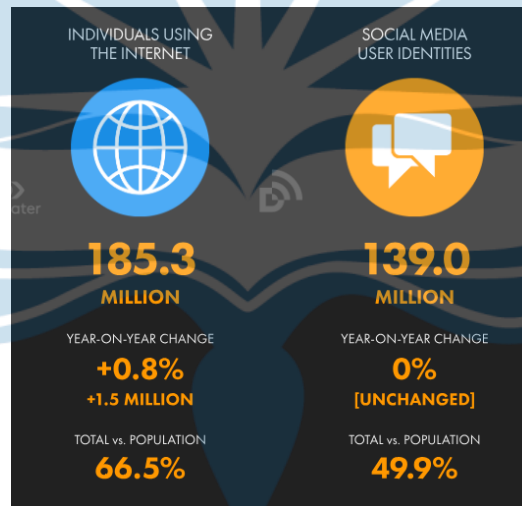


Figure 1. 1 Data Reportal 2024 Research: Internet and Social Media Users in Indonesia

Furthermore, digitalization has changed the way we shop by bridging the gap between social media and shopping, leading to the emergence of social commerce as a powerful tool in Indonesia. Social media platforms like TikTok and Shopee are prime examples of social commerce. Social commerce is more than just buying and selling online. It is more about the interaction. Buyers and sellers can chat and connect directly, creating a more social shopping

experience. Social commerce helps businesses build a more intimate relationship with their customers (Patwa et al., 2024).

One recent feature that TikTok has introduced is its live-streaming e-commerce, which can serve as an example of social e-commerce. It enables users to engage in real-time interaction with streamers and purchase products directly through the app, creating an interactive shopping experience. In Indonesia, TikTok is the fourth most used social media platform behind WhatsApp, Instagram, and Facebook. The app has over 99.1 million users with an average age of 18-24 years old (Juliana, 2023).

TikTok is a popular application that lets users create and share short-form videos. It is known for having many creative and entertaining clips that users can enjoy for free. TikTok offers a platform where users can engage and express themselves with a global community. Besides its main function as a video-sharing platform, TikTok also offers other features, one of them being live-streaming e-commerce, which has gained a lot of traction in the past few years (Oh et al., 2017). According to Erdly (2021), the live-streaming e-commerce feature in TikTok provides creators and small businesses with a unique space. It creates new opportunities for businesses to monetize their products. This is because the app grants freedom for both consumers and businesses to connect with their audience openly and engagingly.

Live streaming e-commerce has exploded in popularity in recent years because it makes it easier for businesses to market their product. It is a transformative approach that has transformed the digital marketing world, offering businesses a dynamic platform where businesses can showcase their products and engage with customers in real time. This trend is quickly becoming an economic and social phenomenon (Guo et al., 2021).

Another reason why live streaming e-commerce has been trending is because of the COVID-19 pandemic. The pandemic has accelerated the growth of live-streaming e-commerce because businesses were forced to find alternative ways to reach customers amidst lockdown and social distancing. In 2020, China and the USA sold \$200 billion and \$11 billion via live streaming (Festyant et al., 2023). Live streaming e-commerce can be defined as an online shopping experience where streamers use the platforms to engage with the viewers in real-time. During a live session, streamers promote products through demonstration or description, which creates interpersonal communication with the viewers (Xu et al., 2021).

Live-streaming e-commerce has 3 main features, consumption, real-time communication, and the content of the video (Hou et al., 2020). When products are being displayed using live streaming, it is more vibrant and alive compared to the conventional and traditional method which only relies on static images or text descriptions (M. Hu & Chaudhry, 2020). Viewers can ask the streamer using the live streaming chat and will be answered directly. The live streaming in TikTok usually starts with the broadcaster showcasing various aspects of the products to make it more interesting so that viewers are encouraged to buy the product. The products can be varied, one of the most popular products is fashion clothes. For instance, consider fashion live streaming. The streamer usually tries on the clothes and gives a detailed and closer look at the products. To attract the audience even further, the streamer can also give examples of how to style the clothes and what color matches the clothes. If a viewer finds something they like, the product information is usually already available on screen, allowing them to purchase it directly within a few clicks (Ming et al., 2021).

In TikTok live streaming, businesses often use social media influencers to help sell their products. This is because SMIs can attract a lot of attention. Social media influencers (SMIs) can be defined as individuals who have built their audience through a strong online presence. SMIs usually have a large following in social media such as TikTok, YouTube, or Instagram. Because of this, SMIs can significantly influence their followers' purchase intention. In this digital era, SMIs have become a powerful marketing tool. Partnering with SMIs grants businesses access to a wider audience, which can attract new potential customers for their products (Zhang et al., 2024).

The social media influencers world is booming, with influencers becoming increasingly more popular and bigger among social media users (D. Y. Kim & Kim, 2021a). There are many types of influencers according to their field of expertise, such as food influencers, fashion influencers, and travel influencers. These SMIs provide businesses with the ability to target specific demographics or interests. Businesses can freely choose the influencers whose area of expertise matches their product or service, helping them maximize the impact of their advertising programs (Ingrassia et al., 2022).

On TikTok, live streaming serves as an effective tool for social media influencers to promote products. Unlike traditional marketing, live streaming connects with viewers through real-time engagement. This real-time interaction helps build trust and makes viewers more receptive to

product recommendations (Peter & Dalla Vecchia, 2021). Businesses leverage this strategy by partnering with SMIs whose target audience aligns with their products. In live streaming, viewers can ask questions and receive immediate answers, and they can even request special offers or promotions. When compared to traditional advertising, TikTok live streaming e-commerce offers a unique and potentially more effective experience at a lower cost (Saima & Khan, 2020).

However, due to the rapid growth of the industry, there will also be some challenges that could be faced by people using the platform. For instance, in China, Taobao, Douyin, and Kuaishou, which are the top three live-streaming e-commerce platforms, control approximately 70% of the entire market. Additionally, the top ten streamers of the platform contribute 5% of the revenue, generating over 10 billion in sales. This data highlights a significant imbalance within the live-streaming e-commerce industry (Zhang et al., 2024).

Understanding the purchase intention of viewers in live-streaming e-commerce is essential for the live-streaming industry to have sustainable and healthy growth. A recent strategy used to boost sales in the live-streaming industry is hiring social media influencers. They are paid to do live sessions and are given a high commission for promoting the products. While some SMIs succeeded in boosting their sales, many SMIs struggle to achieve high sales despite their popularity. One of the main reasons for this is that some social media influencers are more credible than others. Some SMIs are not honest when reviewing the products, which can cause their followers to not trust them. Businesses need to be selective in choosing the SMIs that are going to be used to promote their product. They should look for SMIs that are transparent and honest with their opinion. Therefore, understanding how the credibility of SMIs contributes to consumers' purchase intention in live-streaming e-commerce is crucial (Mabkhot et al., 2022).

Even though the live-streaming e-commerce industry has shown significant growth in recent years, there is still a lack of research on it. Existing literature has only focused on social media exclusively in Saudi Arabia, which indicates that there is a significant link between social media influencers and purchase intention. However, it is important to note that there have been several studies in general that have shown a positive correlation between SMIs and purchase intention (AlFarraj et al., 2021; Liu & Zheng, 2024). For instance, Khan et al. (2024) stated that there is a positive and significant influence of trust in SMIs on online purchase intention. Moreover, other research such as the one conducted by Alotaibi et al. (2019), indicates that social

media influencers have no impact on purchase intention. This means there is still contradictory information about social media influencers' influence on purchase intention.

Furthermore, in the context of social media influencer marketing, credibility is one of the most important things (Saima & Khan, 2020). When influencers have strong credibility, it means that they have a strong relationship with their followers. This translates directly to consumer purchase intention. A trusted influencer can significantly influence a viewer's decision to buy. Moreover, a lack of credibility can negatively impact consumer purchase intention. While there is established research regarding the importance of credible SMIs in purchase intention. The research on how it specifically affects purchase intention in the context of TikTok live streaming remains scarce. Understanding this influence is crucial for both businesses and influencers (Francisco et al., 2021).

Despite the growing popularity of social commerce in Indonesia, there are still research gaps that this study can help address. Existing research mentions how influencers affect customers' purchase intention on social media. However, previous studies have primarily focused on social media platforms in general and were limited to the context of Saudi Arabia, leaving a gap in understanding how influencers impact purchase intention specifically within Indonesia's growing social commerce landscape. This research, focusing on TikTok and Indonesian consumers, will be a valuable opportunity to contribute new insight due to the unique context, cultural landscape, and distinct consumer behavior of the Indonesian market.

The reason for choosing to research the credibility of social media influencers (SMIs) on purchase intention in TikTok live-streaming e-commerce in Indonesia is because this area represents a rapidly growing and impactful intersection of digital marketing, consumer behavior, and social influence. In Indonesia, TikTok is the fourth most used social media platform behind WhatsApp, Instagram, and Facebook. The app has over 99.1 million users with an average age of 18-24 years old (Juliana, 2023). With TikTok's increasing prominence as a platform for live-streaming e-commerce, especially among younger demographics in Indonesia, understanding the role of SMIs is crucial. Their credibility has been shown to significantly affect consumer trust and purchase decisions. By exploring this topic, this research aims to contribute insights that could help businesses better harness the power of SMIs in boosting sales through live-streaming e-commerce.

The research on this topic is aimed to contribute to the knowledge that already exists in the live streaming e-commerce sector, but in a more specific context, TikTok in Indonesia. It will mainly investigate the impact that SMIs have on purchase intention, with influencers' credibility acting as the mediating variable. This is going to provide information, especially for live-streaming e-commerce users so that they have more knowledge on how the credibility of social media influencers can help increase customers' purchase intention. This knowledge is going to be valuable for both influencers and businesses, allowing them to utilize a more effective and informed marketing strategy regarding SMI endorsements, which can help them boost their sales effectiveness in the escape of TikTok Live Streaming E-commerce.

1.2 Research Questions

1. Do social media influencers affect purchase intention positively in TikTok live streaming e-commerce?
2. Do social media influencers establish credibility with consumers in TikTok live streaming e-commerce?
3. Does the credibility of social media influencers impact the consumers' purchase intention in TikTok live streaming e-commerce?
4. Does the influence of social media influencers on consumer purchase intention depend on the perceived credibility of the influencer in TikTok live streaming e-commerce?

1.3 Research Objectives

1. To identify strengths and positive influences of the relationship between social media influencer exposure and consumer purchase intention.
2. To explore the methods SMIs use to build credibility with their audience.
3. To determine the direct impact of perceived SMI credibility on consumers' purchase intention.
4. To identify if SMIs influence on purchase intention is mediated by the perceived credibility.

1.4 Research Contributions

After a thorough analysis of the research questions and objectives, this study aims to provide a range of practical applications. The knowledge gained from this research can provide helpful information for businesses operating in the sector of TikTok live streaming e-commerce. Based on the variables, it is anticipated that businesses will gain actionable insights on how to strategically engage with social media influencers within the landscape of TikTok e-commerce.

1.4.1 Theoretical Benefit

The theoretical benefit of conducting this research is provide readers with an understanding of how live streaming e-commerce works, specifically within the context of TikTok in Indonesia. This research focuses on the influence of social media influencers (SMIs) and their credibility on consumer purchase intention. Credibility being the mediating variable will add a deeper understanding of how trust and the credibility of SMIs influence consumer behavior. Overall, this research helps provide valuable insights for researchers who are interested in social media, e-commerce, and influencer marketing.

1.4.2 Practical Benefit

The practical benefit of conducting this research is to provide readers with practical implications for businesses, influencers, and consumers engaged in TikTok live streaming e-commerce. This research helps businesses optimize their marketing strategies by exploring the positive influences and strengths of the relationship between SMIs and consumer purchase intention. Furthermore, by having credibility as the mediating variable, both influencers and businesses will be provided with actionable knowledge to help them create effective marketing plans and build trust with consumers on TikTok live streaming e-commerce.

1.5 Research Systematics

The writing systematic in this research is divided into five chapters with the following outline:

Chapter I: Introduction

The thesis begins with an introductory chapter that explains the research plan as suggested by the title. It then presents a five-chapter breakdown, summarizing the key content of each section. These chapters cover the background of the problem, the research questions, the objectives, the research contributions, and the research systematics.

Chapter II: Literature Review

The chapter explains the literature review, previous studies, hypothesis development, and the research framework.

Chapter III: Research Methodology

This chapter explains the research type, research object, subjects, location, population and samples, data collection methods, operational definitions, research instrument testing method, validity and reliability test, structural model test, and the mediating effect.

Chapter IV: Data Analysis

This chapter discusses the overview, data analysis, and calculation results of the data processing based on predetermined hypotheses, including quantitative research tests, the scale of measurement, and analysis tools used in this research.

Chapter V: Conclusion

This chapter presents the conclusions drawn from the research, highlighting the key findings and their implications for managers. It also addresses the limitations encountered during the study and provides suggestions for future research.