

The Future Development of E-commerce in Tiktok

Jianyu Ma^{1,*,†}, Siwei Yu^{2,†}

¹ University of Toronto Scarborough Campus, 1265 Military Trail, Scarborough, ON M1C 1A4 Canada

² Lu He International Academy, 101199, Beijing, China

*Corresponding author. Email: guanghua.ren@gecademy.cn

†These authors contributed equally.

ABSTRACT

The main purpose of this research is to study the movement of Tiktok in the online shopping industry in China and discuss the potential of the future development of short video and online shopping combination marketing. The article reviewed the Marketing Mix theory and applied the SWOT method as a qualitative analysis on Tiktok to discuss the application. The result of this paper has shown that Tiktok's strengths and opportunities ensure e-commerce of Tiktok has a great user base and provides the users with a high level of satisfaction and consumer loyalty. By analyzing the internal and external strength of their marketing move and resources, they own to find out the future marketing strategy can be taken. And through the analyse of their internal shortages and external threats the app is facing to reach out solutions. . The research has shown that TikTok's strength and opportunities ensure e-commerce of TikTok will have a great user base and provide the users with a high level of satisfaction as well as consumer loyalty. Its weakness and threat show that the difficulties he will face include its various competitors and interface design. This study reveals some advantages and disadvantages for the future development of e-commerce in TikTok. Some suggestions for e-commerce and TikTok to help expand the advantages and narrow the disadvantages that may benefit the development for both of them are then discussed.

Keywords: Tiktok, E-commerce, Online shopping, 4 Ps, SWOT.

1. INTRODUCTION

Since 2016, the social media application "Tik Tok" comes into the market, and it becomes the dominant way of people's daily entertainment now. Tik Tok is a Music Creative Short Video Social Software That Can Shoot Short Videos. Users Can Choose Songs, Shoot Short Videos with the music they prefer as the background music. They form their own video works and share whatever they want. According to the statistics in early 2021. The daily active user number of Tik Tok has exceeded 600 million. Not only that, the user portraits of the app are very diversified. It has a great number of users in all age groups. All of these information about Tik Tok shows that this platform has great potential in the online shopping industry.

In 2020, due to the huge negative impact of COVID-19, people's daily life had been forced to change greatly. Short video applications, especially Tik Tok, have reached an unprecedented position among the public. The development of short video apps was also due to the self-isolation policy during that special period. Online shopping has also become remarkably

popular. The rapid increase volume of short video users raises up the marketing value of Tik Tok hugely. That allows the influencer economy to be developed to its peak. Shopping through the live broadcast has become the main way to shop for the users.

However, along with the influencer economy's development, many problems were exposed as well. The quality of the goods in the live broadcast is hard to distinguish. Some influencers start to recommend products without qualified quality to their followers. Fake goods like fake wine, fake health products can even threaten the customers' health. The credibility gap starts to develop between sellers and consumers. Because of that, whether the future development of Tik Tok in the online shopping industry can be great or not has becomes a controversial topic.

The purpose of this research is to conclude how great a chance Tik Tok has to develop in the online shopping industry in the future. Besides that, we should also figure out some valuable methods the company might take through a study about the company's move in the online shopping industry until now.

The relevant literature and materials mainly focus on Tik Tok's development as a Music Creative Short Video Social Software. There are also research about the causes of the red burst and the problems mentioned above. However, due to the influence of COVID-19, the change of the public's daily entertainment style is considerably great, which has generated changes that were hard to predict in the short video industry. In addition, there is almost no comprehensive research that analyzed Tiktok's move in online shopping industries, which is the main aspect of the business's income.

This paper chooses to study the moves of the Tik Tok app in the online shopping industry and its future development. On the one hand, it can give out a reference to benefit the operation and development of both the online shopping industry and the short video industry through a new point of view. On the other hand, it can supplement the theory related to Tik Tok, which can be beneficial for future study in the media academic community, e-commerce industry, and short video industry.

2. LITERATURE REVIEW

2.1. Marketing mix

There are various theories to help to explain the behavior of consumers. One of the most famous theories is the marketing mix. The marketing mix originated from Neil Borden, who listed 12 important ingredients that constitute marketing programs[1]. Then, Jerome McCarthy revised these factors and only kept four of them: the product, price, place, and promotion[1]. Over the past few decades, most of the research in marketing strategies pays particular attention to 4 the marketing mix. To help give a clearer aspect of the mix: The product consists of a product attribute, country of origin, and familiarity[2]. Price consists of list price, discounts, allowances, and credit terms [2]. The place consists of channels, locations, and transportations[2]. Promotion consists of advertising, personal selling, and sales promotion[2]. All of these factors can influence the consuming behaviors of the consumers.

2.1.1. Product

Research has shown that the relationship between quality and purchasing willingness is different according to the situation. Some believe the relationship is affected by the need of the consumers: "The effect of products quality varies according to the consumer's need for it, as the consumer can demand high quality of important product, while it can not compromise the quality of important products such as medicine[3]." Under this situation, whether the need for the product is important can affect the consumers' purchasing behavior. Another study also proved that. That study

shows that the necessity of need showed itself as a significant factor to purchase decision-making nearly for all commodities except alcoholic drinks, tobacco, recreation, and culture[4]. Moreover, service and product quality both have an impact on consumer loyalty [5]. If an online store can improve service quality, it will increase customer loyalty [5]. If an online store determines the quality of a product that will be traded, it will increase customer satisfaction, impacting consumer loyalty [5]. If the online store can improve the brand image in the minds of consumers better, it will further increase consumer loyalty [5].

2.1.2. Price

Price can greatly influence consumer's purchasing behavior. According to the law of demand, the higher the price, the lower the demand. The same idea can also be used when we consider substitutes. When making decisions, consumers prefer to compare the price between goods and their substitutes to get a better product at a lower price. Substitutes effect also works here: when the price of a product increases, even though the price of the substitute doesn't change, the price of the substitute becomes lower compared to that product, which will be more attractive to the consumers. One study of alcohol has shown this relationship: an increase in the monetary price of alcohol would be expected to lower alcohol consumption [6]. If consumers believe that the price of the product "which is charged by economic unit" is less than competitors, this will lead to an increase the sales, but if the price of a product exceeds the price charged by competitors, that may lead to a decrease the sale [3]. Moreover, if the online store offers a price that matches the product's quality, it will increase consumer satisfaction with consumer loyalty [5].

2.1.3. Place

The place is the channel for a product to be purchased and transported to the consumer and payment channel. There are three types of payment methods. One is to pay in cash, and one is to use a credit card. Another one is to use a digital wallet. Along with the wide use of mobile phones, the digital wallet has become an important payment method in people's lives. According to Shamsher Singh, who works in Banarsidas Chandiwalla Institution of Professional Studies, and Ravish Rana, who works in Delhi School of Economics, digital wallet, or e-wallet has the following advantages in the following aspects: saves time, ease of use, security, convenience and information stored under one roof, and attractive discount [7]. These aspects can facilitate consumption and decrease the physical burden since cash and wallet are no longer needed when we get out.

2.1.4. Promotion

According to Kevin Wongleedee, promotion is defined as an act of using several different types of communication in exchanging information between sellers and buyers to create positive attitudes and buying behavior to support marketing goals [8]. The 5 aspects of the promotional mix aspects are advertising, personal selling, sales promotion, publicity, public reaction, and direct marketing, including online marketing[8]. Advertisements are pretty influential in affecting consumers' brand choices. Kumar and Raju conclude that advertisements usually lead to cognition or memories toward the advertised products. These memories will eventually lead to positive attitudes toward the products and stimulate the consumers to buy them[9]. From the research they conducted, Kumar and Raju also conclude that an advertisement reaching a potential buyer while the buyer is seeking information will have a greater impact[9]. Thus we can get to know that advertisement is positively related to consumer consumption when trying to search the information. For sale promotion, reports have shown that a committed consumer is less receptive to sales promotional efforts, while a not committed consumer is more receptive to sale promotional, so the effect of sale promotions depend on the types of consumer[10]. However, there is a positive relationship between sale promotion and consumer loyalty[10]. If the online store can offer various types of promotions, it will increase customer satisfaction, impacting consumer loyalty[5].

3. METHOD

3.1. Research method and data collection

This study use swot analysis as a research method. The study will apply it when analyzing e-commerce's future development in TikTok. This method is suited for this study because it is a case study. Swot is more targeted and can analyze TikTok in a more comprehensive way, providing information from different perspectives and a thorough understanding of TikTok.

SWOT, just like Figure 1 has shown, can be divided into four elements: strengths, weaknesses, opportunities, and threats. Among them, strengths and weaknesses are classified as inside factors, while opportunities and threats are classified as outside factors [11]. When looking at strengths and weaknesses, they will analyze the product itself, like how a special product feature can promote sales. When looking at its outside factors—opportunities and threats, it means we will analyze factors like competitors, which are not related to the product itself. This study will analyze each of these four elements and involved the 4Ps that have been discussed in the previous parts to get a deeper understanding of

TikTok. All the information this paper will analyze in the swot is collected from papers found in google scholar.



Figure 1. SWOT [12]

3.2. Data Analysis

3.2.1. Research object

The research object is TikTok. Tiktok is a short music video platform where everyone can upload their videos. People are also able to stream and shop in it. It was invented by ByteDance, one of the earliest technology companies that apply artificial intelligence to mobile internet software. It was founded in 2016 and has become the biggest short videos platform in China. Before TikTok, ByteDance had published another app—Toutiao. It is a recommendation engine based on data mining. It can recommend information for users and provides services to connect users and information. With the technique of Toutiao, TikTok can analyze user's behavior and push personalized videos according to each user's preference. Links to products can be placed on the user's home page, videos, or live streaming. There are two kinds of merchants: individual businesses and enterprises, and third-party e-commerce platforms such as Taobao and Vipshop. Individual businesses and enterprises can become common shops, or they will be invited into the shop alliance. The way they are marketing is basically the same: they bind accounts of various channels, buy Dou+ to get more people to see their videos, and use "Luban", a platform that allows businesses to create e-commerce pages, manage their TikTok shops and orders, and search for data. However, if a shop is in the shop alliance and has opened the TikTok shopping cart, they can cooperate with an expert to promote its merchandise. For businesses that come from a third party, their products will be put into the merchandise warehouse of TikTok. Then, they can cooperate with experts or sell products by themselves, which also requires them to open the

function of the shopping cart. Moreover, they can input advertisements in TikTok to promote their sales.

Buyers can click on these product links and make their purchase within TikTok, while the purchasing process is almost the same with other shopping software.

3.2.2. *Swot Analysis*

The study will start by analyzing the strength of e-commerce development in TikTok. Firstly, the usage price of TikTok. Tiktok can be downloaded for free, and each user can publish and watch videos without paying any money. This has attracted many people to download it and increase user satisfaction, which will further increase consumer loyalty. Then, the promotion of products in TikTok. Compared with other shopping platforms, which work just like a channel for trading, e-commerce in TikTok tends to combine their products into the real-life scenario (scene shopping) and intelligently recommends these promoting videos to users who might be interested in it. People could come here just for fun and entertainment, but they can find out things they want to buy while they relax.

Then the study is going to analyze the weakness of e-commerce in TikTok. Tiktok is mainly divided into four parts, and its buttons are in the most obvious place. The first one is the homepage, where you can watch the videos. The second part is the friend page. The third one is the messages page. The last one is our personal homepage. There is no part for online shopping, and in all these interfaces, there is no direct button that allows the buyers to enter the shopping page. Each product's link is quite dispersed, while the only button to enter the shopping page has been sorted in a small button in the corner of the home page, which is quite unnoticeable. Moreover, the types of the products are not diversified enough. Some types, such as medicine, are lacks here. In addition, the quality of the product is pretty irregular. Some products of poor quality are just benefiting from the internet celebrity economy, with the effect of internet celebrity.

The Top 2 short videos platforms are TikTok and Kuaishou. Based on the data in QuestMobile, until June 2020, there are 8.6 million short video platform users among the monthly active mobile internet users in China. Tiktok has a share of 78% of them, which means it already has a large share of the market and a greater amount of potential consumers when compared to other short video platforms that are also interested in e-commerce [13]. Moreover, the online shopping industry is still young, and TikTok's effort keeps up with that trend.

Lastly, it's about the threats. Although TikTok has an advantage over other short video platforms, its other competitors can be a big threat. Real shopping

platforms, such as Taobao, Jingdong Mall, and Vipshop, have been developed in the field of online shopping for years and get much more experiences and users than TikTok. With their popularity, their types of products are more complete and diverse. They also get much more official stores for some famous brands.

4. RESULT

According to the swot analysis above, Tik Tok's internal advantage of developing in the future online shopping market is variable and incredible, such as free-downloading, intelligent technological promotion. These advantages lead to the result of their huge amount of user base and user loyalty.

The data from QuestMobile shows that Tik Tok owns a 78% share in the Chinese short video market. In that case, the company has quite a small number of competitors in the short video market [13]. Thus, the company's move to combine the online shopping style with short videos is not going to face too great a threat by other companies with a similar kind of marketing pattern. Not only that, consider Tik Tok's great user loyalty and considerably huge user number base, the promising companies in the short video industry are not likely to be Tik Tok's threat, not to mention sharing Tik Tok's market at their online shopping aspect. Under this condition, Tik Tok's dominant position in the online shopping and short videos' combination marketing area can be the company's significantly external advantage of their future online shopping development.

The most difficult internal disadvantage of their future development in the online shopping industry to solve is on their browsing page. Compared with traditional online shopping applications' dedicated online shopping page, Tik Tok's shopping page is very primitive, which is also hard to operate. Consider the public's fast-living style nowadays, and this internal shortage might harm the company's development in the market.

TikTok's enormous user base became the company's overwhelming strength among companies applying similar marketing methods (combines short video industry and online shopping industry together). However, those traditional online shopping applications such as Taobao, Jingdong Mall, and Vipshop still occupy most market share in the online shopping industry. Those companies can be the greatest external barriers to Tiktok's way of developing online shopping.

5. DISCUSSION

Tik Tok, as a new star in the online shopping industry, has considerably great potential to become one of the companies sharing large profit and being influential. However, as a short video application, the

threats that Tik Tok's move in the online shopping industry facing cannot be underestimated.

Upgrade online shopping page can be a very smart move to apply for Tik Tok, that can be super beneficial for them to turn their short video users into online shopping customers. Besides that, more cooperation with famous brands is a way to encourage their users to shop through their app. Not only that, this method can reduce the difference between Tik Tok and powerful traditional online shopping applications.

Compared with the previous article, this research focused on Tik Tok's development in the online shopping industry, which is an aspect rarely mentioned in the past. According to the result of the article's analysis, Tik Tok is the product of the times and has a broad space in the future. This point of view is similar to past articles that related to Tik Tok. The result of the article developed the study of both the short video industry and the online shopping industry. It added the study of the combination of the two industries, a market area that was barely mentioned in the articles before.

Because this article is mainly focusing on the future potential of Tik Tok in the online shopping industry, detailed information about different generations of people's shopping habits hasn't been collected. The detailed data about what kind of goods are popular under this marketing method is unable to be collected properly as well. Future studies with more detailed analysis like above can be helpful for Tik Tok's business strategy making.

6. CONCLUSION

This article focused on the study about Tik Tok's future development potential in both the short-video industry and online shopping industry in the Chinese market. Also analyzed the new marketing pattern of Tik Tok, which is the combination of short video industry and online shopping industry marketing method. Through the swot analysis, the article concluded: Tik Tok has great potential in both the online shopping and short video industries.

Tik Tok's move of developing in the online shopping market through the resources they owned in the short video industry is a new marketing method full of potential. However, their detailed design of the app's online shopping service has unsolved problems. For example, the shortages of their online shopping browsing page compare with traditional online shopping apps.

Besides the internal problems of Tik Tok, the external threat from those traditional online shopping apps is the most considerable barrier to their future development in the online shopping industry.

As a dominator in the short video industry, Tik Tok has a great influence on the public and a huge amount of users who are loyal to their app. These advantages can be the key advantage for their exploration in the online shopping market.

The conclusion of this article can not only have reference value for Tik Tok's future development in both the short video industry and online shopping market but is universally applicable in both industries. The traditional apps of the online shopping industry can figure out the threats facing in the future and shortages unsolved to improve. Other companies in the short video industry can also be benefited from the conclusion and suggestions of this article.

Due to the period of the combination of the short video industry and online shopping industry marketing method being applied is short. The conclusion about the potential of this marketing pattern does not have a huge amount of data backup. In this case, the conclusion can be limited in this part. Studies in the future can focus more on this marketing pattern when more data resources are being collected. Besides that, this article did not develop solutions for traditional online shopping apps about how to improve to be prepared for the future online shopping market, which is also an important aspect of the market's future exploration. Future studies that focused on this aspect can be considered valuable.

REFERENCES

- [1] Kasabov, Edward. "Marketing mix." Wiley Encyclopedia of Management (2015): 1-1. <https://doi.org/10.1002/9781118785317.weom090307>
- [2] Khemchotigoon, Yingluk. "The relationship between consumer animosity, marketing mix, perceived product quality, consumer satisfaction and intention to purchase of consumer behavior." International Conference on Trends in Multidisciplinary Business and Economics Research. Vol. 27. 2014.
- [3] Raewf, Manaf B., Thabit H. Thabit, and Yaser A. Jasim. "The Relationship between the Elements of Marketing Mix and Consumer Behavior during Environmental Uncertainty." Cihan University-Erbil Journal of Humanities and Social Sciences 5.1 (2021): 50-55. <https://doi.org/10.24086/cuejhss.v5n1y2021.pp50-55>
- [4] Stávková, J., L. Stejskal, and Z. Toufarová. "Factors influencing consumer behaviour." ZEMEDELSKA EKONOMIKA-PRAHA- 54.6 (2008): 276.
- [5] Delima, Ade, Hajar Mareti Ashary, and Osly Usman. "Influence of Service Quality, Product

Quality, Price, Brand Image, and Promotion to Consumer Satisfaction Affecting on Consumer Loyalty (Online Shop)." Product Quality, Price, Brand Image, and Promotion to Consumer Satisfaction Affecting on Consumer Loyalty (Online Shop)(January 1, 2019) (2019).

- [6] Chaloupka, Frank J., Michael Grossman, and Henry Saffer. "The effects of price on alcohol consumption and alcohol-related problems." *Alcohol research & health* 26.1 (2002): 22.
- [7] Singh, Shamsher, and Ravish Rana. "Study of consumer perception of digital payment mode." *Journal of internet banking and commerce* 22.3 (2017): 1-14.
- [8] Kevin Wongleedee. "Marketing Mix and Purchasing Behavior for Community Products at Traditional Markets". 7th World Conference on Educational Sciences, (WCES-2015), 05-07.

Doi: 10.1016/j.sbspro.2015.07.323
- [9] Kumar, D. Prasanna, and K. Venkateswara Raju. "The role of advertising in consumer decision making." *IOSR Journal of Business and Management* 14.4 (2013): 37-45.
- [10] Oyeniyi, Omotayo. "Sales promotion and consumer loyalty: A study of nigerian telecommunication industry." *Journal of Competitiveness* (2011): 66-77.
- [11] Mind Tools content Team, SWOT analysis— How to Develop a Strategy For Success, MindTools, "https://www.mindtools.com/pages/article/newTMC_05.htm", 17 August , 2021.
- [12] Dan Shewan, How to Do a SWOT Analysis for Your Small Business (with Examples), wordstream, "<https://www.wordstream.com/blog/ws/2017/12/20/swot-analysis>", 17 August, 2021.
- [13] East wealth web, Douyin and Kuaishou hold the first place in the market competition pattern of China's short video industry in 2020 , Baidu, "<https://ml.mbd.baidu.com/r/rDXpMIBUxW?f=cp&rs=1035939394&ruk=NmRnUnt6wID28IRyCZO kVw&u=47d5c5d84435af4d>", 17 August ,2021.