



Platform Growth Under Regulatory Pressure A Case Analysis of TikTok Shop in Indonesia

Zhixian Cui, Zhang Fan, Ying Min, Zhifei Wang, Shuo Zhang, Qingyu Zhou, Chang Liu, Zhenqing Ma, Shixiao Liu, *Yishi Du

Yantai Institute, China Agricultural University, Yantai, 264670, China

Zhixian Cui, 2357643581@qq.com
Zhang Fan, 17686113503@163.com
Ying Min, 2654666269@qq.com
Zhifei Wang, 1281905142@qq.com
Shuo Zhang, 993360737@qq.com
Qingyu Zhou, zqy719030@163.com
Chang Liu, 2965313544@qq.com
Zhenqing Ma, qq2762540832@163.com
Shixiao Liu, 13325027261@163.com
*Yishi Du, 1794219557@qq.com

Abstract. TikTok Shop in Indonesia provides a useful case for studying the tension between platform growth, small business participation, consumer trust, and public regulation in the digital economy. The platform entered Indonesia with a model that connected social media content, creator influence, livestreaming, product discovery, and direct purchase in one application. Its rapid growth helped many sellers reach consumers at lower marketing cost, but it also raised concerns about unfair competition, data governance, predatory pricing, and the protection of offline merchants. In 2023, Indonesia restricted e-commerce transactions inside social media platforms, which forced TikTok Shop to suspend direct transactions. TikTok later returned through a strategic partnership with Tokopedia. This paper analyzes the case from a management perspective. It argues that TikTok Shop's development in Indonesia was shaped by three connected forces. The platform created demand through entertainment-based commerce. It supported seller growth through low entry barriers and creator networks. It also had to adapt its business model after regulatory pressure changed the rules of market participation. The case shows that platform success in emerging markets depends not only on user traffic and transaction efficiency, but also on local legitimacy, institutional compliance, seller trust, and the ability to balance innovation with public policy concerns.

Keywords: TikTok Shop, social commerce, Indonesia, platform strategy, regulatory pressure, digital economy, small business management.

1 Introduction

Social commerce has become one of the most visible changes in the digital economy. Traditional e commerce platforms usually begin with search, product comparison, and price evaluation. Social commerce begins in a different way. Consumers see content, watch creators, join livestreaming sessions, read comments, and then move toward purchase. This changes the relationship between media consumption and shopping. Purchase is no longer separated from entertainment, social interaction, and online influence.

TikTok Shop became an important example of this shift in Indonesia. Indonesia is a large digital market with young consumers, active social media users, and many small sellers. These conditions made the country highly attractive for social commerce expansion. TikTok Shop offered sellers a chance to reach consumers through short videos, livestreaming, creator promotion, and direct checkout. For many small businesses, this model appeared more accessible than traditional online marketplaces because visibility could be created through content rather than through paid search ranking alone.

The case also revealed the difficulty of managing platform growth. TikTok Shop was not only a marketing tool. It became part of the retail structure. This raised questions about competition with offline merchants, price pressure on small businesses, consumer data, and the boundary between social media and e commerce. In 2023, Indonesia banned e commerce transactions on social media platforms. Reuters reported that TikTok then stopped facilitating transactions in TikTok Shop Indonesia, while the government stated that the rule was intended to protect offline merchants and marketplaces from predatory pricing and unfair pressure.

TikTok's later return through Tokopedia showed that platform companies can adapt when regulation changes market access. Reuters reported that TikTok agreed to buy 75.01 percent of Tokopedia and inject TikTok Shop Indonesia into the enlarged Tokopedia entity. This move changed the case from a story of fast platform expansion into a story of regulatory adaptation, local partnership, and business model redesign.

This paper asks how TikTok Shop developed in Indonesia, why it faced regulatory pressure, and what its experience reveals about platform strategy in emerging markets. The paper uses a case analysis approach. It does not estimate causal effects or use internal company data. Instead, it builds an analytical account based on recent literature on social commerce, livestreaming, trust, consumer value, SME adoption, and platform regulation.

2 Literature Review and Conceptual Basis

2.1 Social Commerce and Platform Trust

Social commerce differs from ordinary online retail because it places transactions inside a social environment. Consumers do not only evaluate products through price and function. They also respond to social cues, seller identity, platform reputation,

livestreaming atmosphere, comments, and peer behavior. This is why trust is central to social commerce. Without trust, the same features that make social commerce attractive can also increase uncertainty.

Recent research on TikTok Shop shows that seller trust and privacy concerns influence purchasing behavior among Generation Z users [1]. This finding is relevant to the Indonesian case because TikTok Shop did not only ask consumers to buy from a platform. It asked them to trust a new shopping environment where entertainment, recommendation, and payment were combined. Trust in sellers, trust in platform security, and trust in the transaction process all shaped whether users felt safe enough to purchase.

Live commerce further changes this trust relationship. Consumers can observe products in real time, ask questions, and evaluate the behavior of sellers or streamers. Research on live streaming purchase intention in Indonesian social commerce shows that perceived usefulness and psychological distance influence purchase intention [2]. This suggests that livestreaming can reduce the gap between online consumers and sellers. It gives consumers a stronger sense that they are watching a real person, a real product, and a real selling situation.

Trust also works together with social support and perceived risk. Research on Generation Z social commerce users shows that information sharing and social support can improve online trust, while perceived risk remains a barrier to purchase intention [3]. This helps explain the appeal and vulnerability of TikTok Shop. The platform created a lively shopping environment, but this environment still required users to believe that products, sellers, data protection, and platform rules were reliable.

2.2 Seller Adoption and Regulatory Fit

TikTok Shop also needs to be understood from the seller side. Social commerce gives small businesses a relatively low cost way to reach consumers. Instead of relying only on storefront location or marketplace search ranking, sellers can use short videos, livestreaming, creator cooperation, and audience engagement. For small firms, this can reduce marketing barriers and support fast customer acquisition.

Research on social commerce adoption among SMEs in Jordan shows that organizational readiness and consumer pressure are important factors in whether firms adopt social commerce [4]. Although the country context is different, the logic is useful for the Indonesian case. Sellers are more likely to adopt social commerce when consumers are already active on these platforms and when firms believe they have the capacity to manage online interaction, logistics, and customer service.

The value of livestreaming is also connected with perceived consumer benefits. Research on Indonesian consumers buying through live streaming platforms shows that utilitarian value, hedonic value, and social value influence purchase intention through consumer trust [5]. TikTok Shop combined these values in one commercial setting. Consumers could obtain product information, enjoy entertainment, and feel part of a social shopping scene. This mixture helped the platform grow quickly.

Regulatory fit becomes a problem when platform expansion begins to affect market structure. A platform may be efficient for consumers and sellers, yet still create public

concern if its growth is seen as harmful to offline merchants, domestic marketplaces, or fair competition. In this sense, platform strategy cannot be evaluated only by user acquisition, seller numbers, or gross merchandise value. It must also be evaluated by institutional acceptance.

3 Case Background

TikTok Shop entered Indonesia at a time when social media use and online shopping were already deeply embedded in daily life. The platform's advantage came from its ability to connect entertainment and shopping without asking users to leave the app. A user could watch a product demonstration, follow a creator, join a livestreaming session, read comments, click a product link, and complete a purchase in one flow. This reduced friction in the consumer journey.

The model was attractive to sellers because it did not depend only on formal brand reputation. A small seller could use a livestreaming session, a viral video, or a creator recommendation to reach customers. For businesses with limited advertising budgets, this was appealing. It allowed small sellers to compete through content and interaction rather than through large scale media buying.

The same model also created pressure. Offline merchants and traditional small retailers faced stronger competition from online sellers who could use platform algorithms, discounts, and influencer promotion. Policymakers became concerned that social media platforms were no longer only spaces for promotion. They had become direct commercial infrastructures with strong influence over pricing, visibility, and consumer choice.

Indonesia's 2023 restriction on e commerce transactions through social media changed the business environment. TikTok Shop had to stop direct transactions in the country. This was a significant event because Indonesia was one of TikTok Shop's most important markets in Southeast Asia. The suspension showed that platform growth can be interrupted when the business model conflicts with national regulatory priorities.

The Tokopedia partnership became TikTok's response to this institutional challenge. Instead of returning as a pure social media based shopping platform, TikTok entered a structure connected with an established Indonesian e commerce company. This changed the strategic meaning of the case. TikTok no longer relied only on user traffic and social content. It also needed local partnership, legal compliance, and institutional credibility.

4 Case Analysis

TikTok Shop's Indonesian experience can be understood through three management issues. The first issue is how the platform created demand. The second issue is how it supported seller participation. The third issue is how regulation forced a change in market entry strategy.

The demand side of the model was built on entertainment. TikTok did not ask users to begin with a shopping intention. Many users discovered products while watching content. Livestreaming sessions, creator videos, flash promotions, and user comments created a setting in which shopping appeared as part of leisure. This helped TikTok Shop reach consumers who might not have searched for products on a conventional marketplace.

The seller side depended on accessibility. Small businesses could present products with relatively simple tools. They did not need an expensive advertising campaign to begin. A seller with strong presentation skills, a responsive livestreaming style, or effective creator cooperation could gain attention quickly. This made TikTok Shop attractive for small firms that needed visibility but lacked scale.

The model also depended on speed. Content trends can appear and disappear quickly. Sellers had to respond to changing audience interest, product feedback, and platform traffic. For some firms, this created new opportunities. For others, it created operational pressure. A seller who gained sudden demand through livestreaming still needed inventory, delivery capacity, customer service, and refund handling. Platform visibility alone was not enough.

Regulation changed the logic of growth. Before the restriction, TikTok Shop could rely on integration. Content, promotion, seller interaction, and purchase happened in one space. After the restriction, the platform had to separate or restructure these functions. The Tokopedia partnership allowed TikTok to connect social traffic with an established e commerce entity. This was not just a legal adjustment. It was a strategic adaptation to local institutions.

The case shows that platform power has two sides. On the one hand, TikTok Shop created a new route for digital entrepreneurship. It helped many sellers reach consumers through content based commerce. On the other hand, rapid expansion raised concerns about market fairness, data governance, and offline retail survival. These concerns were not external to the business model. They came from the same integration that made the platform attractive.

TikTok Shop's experience also shows that emerging market strategy cannot be copied mechanically across countries. A model that works in one market may face different regulatory, political, and social expectations in another. Indonesia did not reject digital commerce itself. The issue was the combination of social media influence, direct transactions, pricing pressure, and market control. The platform had to show that it could participate in the local economy without weakening public policy goals.

5 Conclusion and Future Research

The TikTok Shop case shows that platform growth must be supported by institutional awareness. User traffic and seller adoption can bring commercial success, but they do not automatically create legitimacy. When a platform begins to influence retail competition, consumer data, and small business survival, compliance should become part of market entry design rather than a late response to regulation.

For small sellers, social commerce offers new opportunities but also creates dependence. TikTok Shop helped sellers reach consumers through content, livestreaming, and creators. However, sellers also became dependent on platform rules, algorithmic visibility, commission structures, and regulatory stability. Therefore, small businesses should treat social commerce as one important channel, not as their only business foundation.

The case also shows the difficulty of balancing innovation and market protection. Social commerce can support digital transformation and consumer convenience, but it may also pressure offline merchants and raise concerns about fair competition. The partnership with Tokopedia suggests that local collaboration can help global platforms adapt to regulatory expectations and rebuild market legitimacy.

In conclusion, TikTok Shop's experience in Indonesia shows that social commerce success depends on more than consumer attention. It also requires seller readiness, platform trust, consumer protection, and regulatory fit. Future research can examine this case through seller interviews, consumer surveys, platform data, or comparisons with other Southeast Asian markets. Such research may help explain whether social commerce can become a stable retail model or remains dependent on regulatory negotiation and short-term platform traffic.

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