

PHISHING BEHAVIOR ON SOCIAL MEDIA: CASE STUDY ON MSME PRODUCTS IN INDONESIA THROUGH TIKTOK SHOP

Fina Fayza Amalia *¹

Development Economics, Udayana University

finaffayza@gmail.com

I Wayan Sukadana

Development Economics, Udayana University

wsuka@unud.ac.id

Abstract

The aim of this research is to find out the reasons for the rejection of the closure of the TikTok Shop on October 4 2023 by MSME players in Indonesia purely because of rational business or irrational business problems (behavior economics). This research uses a case study approach using snowball sampling techniques, data triangulation, and descriptive statistical analysis of two-average difference tests on MSME products in Indonesia through the TikTok Shop. The research results show that the rejection of the TikTok Shop on October 4 2023 was caused purely by rational business reasons related to income, but on the other hand, of course there are irrational business problems from phishing behavior motives. This motif is designed through the TikTok Shop algorithm which can have a positive impact and can indirectly harm users. It is true that the TikTok Shop algorithm has a positive influence on digital marketing communications in Indonesia, such as the recommendation algorithm. The TikTok algorithm has great potential to help marketers achieve marketing goals more effectively with creative, interactive and audience-relevant marketing communications being the key to success in achieving marketing goals on TikTok. TikTok's success in capturing users' attention is not only based on its unique short video concept, but also on the power of its sophisticated algorithm. This sophistication could certainly be a boomerang for MSMEs without them realizing it. The case of closing the TikTok Shop resulted in a correlation relationship (only matching) at certain times between the number of TikTok Shop users and the number of Shopee users.

Keywords: Tiktok Shop Algorithm, Irrational Business, Correlation, Phishing, Rational Business

INTRODUCTION

As one of the countries with the largest territory, Indonesia needs a big role in the use of data and information for the progress of a country. The ease of disseminating information is of course utilized by MSME players in building business networks selling through social media and e-commerce. However, this development has given rise to new challenges with the emergence of various cyber crimes by parties who seek to exploit system weaknesses and user awareness of information systems.(Radiansyah & Priyadi, 2016). One form of cyber crime carried out by fraudsters is phishing. Phishing is a common tactic used by cybercriminals to obtain personal information by posing as a

¹ Correspondence author

trusted entity (Sutarli & Kurniawan, 2023). Phishing is included in cyber fraud, which is one part of cybercrime which also has a difference in the problem of "territorial crime" which has no time limit for its occurrence (Aas, 2019). Cyber fraud is a term used to describe fraudulent acts or crimes committed online or through information and communication technology.

Through social media, phishing attacks are increasingly popular, taking advantage of users' unawareness of potential risks. This kind of attack can have serious impacts on individuals and organizations such as identity theft, leakage of sensitive data, and financial loss. The leak of personal information and the financial losses these attacks can cause can undermine trust and stability in cyberspace. The dissemination of information from various sources certainly has an influence on the behavior and mindset of the Indonesian people. Moreover, concerns about the spread of false information or hoaxes via social media are also an inseparable issue. Phishing attacks often involve spreading fake links or information that can easily deceive users (Simarmata et al., 2019).

The source of data and dissemination of information is of course obtained through the population of a country itself, because Indonesia has a large population. Indonesia continues to record growth in numbers resident every year it increases.

Survey results from the Indonesian Internet Service Providers Association (APJII), internet users in Indonesia reached 215.63 million people in the 2022-2023 period. This number increased by 2.67% compared to the previous period of 210.03 million users. The number of internet users is equivalent to 78.19% of Indonesia's total population of 275.77 million people. The percentage is 1.17% points higher than in 2021-2022 which was 77.02%. On the other hand, the increase in the number of internet users will certainly influence age groups in using the internet.

The broad scope of access is of course also used by the Indonesian people to follow technological developments. Trends in the business world are increasingly varied along with the development of internet technology. One of the popular trends in the business world is digital marketing. Many products or services are promoted via websites and social media. Digital marketing began with a shift in business models which was influenced by the impact of the Covid-19 pandemic which forced business owners and the Indonesian people to adapt. One way to do this is to use the TikTok Shop platform as a social media to promote their business. Of the many e-commerce sites in Indonesia, TikTok Shop, as an application that takes a big role in the business world, has become one of the digital marketing media that is widely used and popular with business people. TikTok is a creative short video social media platform launched by the Chinese company ByteDance on September 20 2016. TikTok application users can share creative entertainment videos with music they like as background music (Li et al., 2021).

Initially, TikTok social media was just an application that provided entertainment and education through interesting videos. In order to expand overseas, TikTok management decided to enter the Indonesian market in September 2017. The application's entry time was immediately warmly welcomed, especially among young people. Since the TikTok application was launched on the international market in September 2017, the TikTok application has become popular globally. Tiktok was introduced to Indonesia in 2018 by a 13 year old child, namely Bowo Alpenliebe, who was famous for shaking his "fingers".

As time goes by in 2021, the TikTok application in Indonesia launched a new feature in the form of TikTok Shop. Factors that influence consumers' shopping decisions

to make online purchases via the TikTok Shop application include ease of use, privacy, security and efficiency (Nasution et al., 2022). The TikTok Shop application is able to attract the interest of the Indonesian people, especially the people of Tulungagung, to become MSME actors on social media. In 2022, sector MSMEs is still a support in achievement investment in the Regency Tulungagung. The last few years, targets investment are no longer big companies. However, it is focused on the perpetrator MSMEs considering the number of perpetrators MSMEs itself which has increased rapidly and in large numbers since the Covid-19 pandemic. Micro, small and medium enterprise sector (MSMEs) in Tulungagung Regency ranked first among businesses that contribute value investment highest. Head of the Investment and One Stop Integrated Services Service (DPMPTSP) Tulungagung Regency, Fajar Widariyanto, Tuesday (31/1/2023) said that "based on data in 2022, investment realization in Tulungagung Regency reached IDR 571 billion. Even achievements realization MSME investment in Tulungagung Regency in 2022 will be the highest since pandemic Covid-19 two years ago. This realization was 163.2% higher than the target, namely IDR 350 billion. When compared with the realization achievements in 2021, the figure is considered high because at that time the investment realization was more than IDR 459 billion. Considering that since 2021, the business sector in Tulungagung Regency has begun to grow after being hit by the Covid-19 pandemic. "In 2022, we will exceed the target by 163.2 percent or IDR 571 billion." Fajar also said in detail that "investment realization was obtained through Foreign Investment (PMA) and Domestic Investment (PMDA). The only thing that dominates is capital from the MSME business sector in Tulungagung Regency. Then followed by the trade and retail sector, the tourism sector and the large industrial sector. Apart from high investment realization, the investment value in 2022 will reach a record high in the last four years. In 2019, the investment value in Tulungagung Regency was IDR 2.96 trillion. That figure fell to IDR 1.97 trillion in 2020 and continues to fall to IDR 1.13 trillion in 2021. "This year the investment value reached IDR 4.22 trillion, this is the highest record in the last four years." He also said "With high investment in the MSME sector, currently the government requires MSME players to have a permit to set up their business (Sirri, 2023).

Tulungagung Regency is located in East Java Province, Indonesia, which has potential in the creative economy sector. The creative economy covers a variety of industries and sectors, including arts, culture, media, technology, fashion, design, architecture, culinary and entertainment (Alimi, 2023). Many industrial sectors are developing in Tulungagung, including marble crafts, which is the second largest marble producing industrial sector in Indonesia. Tulungagung Regency has the nickname as marble city because the marble mining is quite large. Apart from crafts, some people in Tulungagung Regency are active as business actors, such as Muslim clothing shops, hoodies, negligees, beauty products and food products. The TikTok Shop application also influences online shop operators in Tulungagung to sell various promotions via social media, one of which is by live streaming TikTok. The TikTok account data used came from 5 MSME respondents in Tulungagung Regency, including:

1. Respondent 1 (Muslim clothing shop)
2. Respondent 2 (snack shop)
3. Respondent 3 (girls & boys clothing store)
4. Respondent 4 (homemade house dress shop)
5. Respondent 5 (snack shop)

The various features and conveniences offered, TikTok not only provides live features, but this application also provides online shopping features in one application which makes it easier for them to get a profit turnover of millions of rupiah. Moreover, if the live is FYP capable, information can easily be spread and reached by TikTok viewers all over the world. Apart from these advantages, the prices offered are cheaper compared to other e-commerce accounts in Indonesia such as Shopee because TikTok Shop provides big discounts to buyers. The payment feature is also equipped with a digital wallet service. This digital wallet allows users to store funds that can be used to make payments. The digital economy, especially e-commerce, has made a significant contribution to Indonesia's Gross Domestic Product (GDP) (Pratiwi, 2023). Large businesses such as e-commerce, logistics and transportation service providers, social media, and many other businesses have started to partner with or create digital wallets as one of their payment tools (Kevin, 2023). Indonesia seems to not only be the country with the second most TikTok users, but also the country that contributes greatly to the TikTok business, especially the e-commerce business at the TikTok Shop.

The TikTok application, which initially had the lowest number of users compared to Shopee and Tokopedia, over time TikTok has been able to increase the number of users per year with its newest feature, namely TikTok Shop as a business shop to support MSMEs. The increase in users certainly has an impact on increasing the income earned.

However, this growth story changed drastically with the closure of the TikTok Shop in Indonesia. TikTok Shop is officially closed by Tiktok starting Wednesday, October 4 2023 at 17.00. Of course there is a reason for this, namely because TikTok Shop does not have a trading permit for e-commerce and only has a permit as a Foreign Trade Company Representative Office (KP3A). The e-commerce business permit has been stated in the Minister of Trade Regulation (Permendag) Number 31 of 2023 concerning Business Licensing, Advertising, Development and Supervision of Business Actors in Trading via Electronic Systems. The regulations in Minister of Trade Regulation Number 31 of 2023 are the basis for the TikTok Shop service to be closed. Based on these regulations, TikTok Shop is prohibited from facilitating further trade transactions and can only accommodate promotional activities. Minister of Trade Zulkifli Hasan said "Social commerce can only facilitate the promotion of goods or services, no direct transactions, direct payments, no more". Other reasons behind the shutdown include concerns regarding data privacy, regulatory compliance, and disputes between businesses and the platforms themselves. According to the Minister of Trade (Mendag) Zulkifli Hassan, the reason for closing direct buying and selling transactions on the TikTok Shop is to prevent misuse of personal data. Apart from that, this policy is also to prevent social media, such as TikTok, from monopolizing the algorithm. Therefore, social commerce that combines e-commerce services in social media such as TikTok Shop is not allowed. The Minister of Communication and Information (Menkominfo) Budi Arie Setiadi was met after attending the JAPNAS National Conference on Jalan TB Simatupang, South Jakarta, Wednesday (4/10/2023) and said that if social media and e-commerce were combined, it was feared that the TikTok algorithm could be misused."

TikTok Shop currently only has a permit as an Electronic System Operator (PSE) from the Ministry of Communication and Information (Kominfo), not PMSE (Trading Through Electronic Systems) from the Ministry of Trade (Kemendag). Kominfo defines PSE as the use of electronic systems by state officials, people, business entities and the public which can be carried out for public and non-public services. Through this permit, a

company can operate its electronic services in Indonesia. Meanwhile, PMSE is a trading permit where transactions are carried out through a series of electronic products and procedures (e-commerce). The Ministry of Trade (Kemendag) emphasized that there has been no application for a TikTok Shop permit from TikTok. Application for permits related to social media as e-commerce. "No, I haven't submitted an application yet. Actually, TikTok shop still has a permit, a permit as a KP3A at the foreign trade representative office where its activities are limited. But it hasn't been able to progress as e-commerce until now," stressed the Director General of Domestic Trade at the Ministry of Trade, Isy Karim. , when met at the National Food Agency Office, South Jakarta, Monday (16/10/2023) (Damayanti, 2023)

The development of e-commerce platforms in Indonesia has been accompanied by increased government and regulatory supervision in recent years. This is due in part to the rapid evolution of these platforms and the accompanying challenges in terms of taxation, consumer protection, intellectual property rights and data security. The TikTok Shop case is an interesting example of issues that have surfaced (Lismula, 2022; Mogi, 2021; Yuswar et al., 2023). The Ministry of Trade (Kemendag) emphasized that there has been no application for a TikTok Shop permit from TikTok. Application for permits related to social media as e-commerce.

The closure of the TikTok Shop has drawn many pros and cons from various parties, especially MSME players. They oppose the closure because if the TikTok Shop is closed, they will lose their jobs and income. Many TikTok Shop users are individuals or small business owners who rely on this platform to develop their business. TikTok Shop closures can have a negative impact on a country's micro and macro economy. MSME players who sell through the TikTok Shop application feel that they really benefit because they can reach a wide market through the For Your Page (FYP) feature. Banning TikTok Shop will certainly cause MSMEs to lose a wide market reach and have to start remarketing strategies from scratch on other sales platforms. This of course has new problems, because other platforms clearly have differences because of different problems, different prospects, and so on.

On the other hand, fellow MSME players in the conventional market fully support the closure because they feel that the prices offered at the TikTok Shop are below local market prices and in online sales, gimmicks often occur in the buying and selling process. The public and government are concerned that the TikTok Shop feature could create a market monopoly which could harm MSMEs. Minister of Trade (mendag) Zulkifli Hasan touched on predatory pricing when discussing TikTok. This was expressed by Zulkifli Hasan when he met one of the accessories traders at Tanah Abang Market who complained about the existence of the TikTok Shop. "Wholesale buys for Rp. 7,000, TikTok can sell for Rp. 4,000, half that. "That's what is called predatory pricing," said Zulkifli Hasan Thursday (28/9/2023). Market traders and MSMEs complain about exorbitant prices (Zahra et al., 2023). As time went by after the closure of the TikTok Shop on October 4 2023, the latest surprising news came from Tokopedia, which collaborated with TikTok. Acquisition of Tokopedia by TikTok owned by the original company China, ByteDance received serious attention from the Indigenous Indonesian Entrepreneurs Association (HIPPI). The General Chair of HIPPI, Erik Hidayat, considers the acquisition a national threat. This is not without reason, because TikTok injected an investment of 1.5 billion United States (US) dollars to own 75 percent of Tokopedia's shares in PTGoToGojek Tokopedia Tbk (GOTO). This could be considered a threat to national

security because the super app is again owned by foreign parties. This is very frustrating because as the majority shareholder, GoTo can already be controlled by companies from China. Meanwhile Indonesians have nothing. Some of the threats posed by TikTok Shop's cooperation in injecting funds into GoTo shares include:

1. Consumer data is a concern
2. The government's consistency is being questioned
3. Jokowi said there was an application that obtained 123 million user data in a matter of months which could threaten the development of Indonesia's digital economy, especially in terms of data security.

Indonesia's market share is indeed an attractive place for investors to invest their money in local Indonesian companies. The collaboration between TikTok and Tokopedia is not only a concern for the government and MSMEs but also for all Indonesian people. Apart from Tokopedia, there are 3 companies that have been contacted by TikTok, including: Bukalapak, Tokopedia, CT Corp. Many economist observers have voiced their analysis regarding this matter. This is certainly good news for TikTok because it can expand their sales in the long term. However, what you have to be careful of is the threat of phishing behavior in the digital business world. The use of social networks has become part of the daily lives of many Indonesians. With so much information being shared and stored, the security of social media users is becoming an increasingly important concern. The impact of social media hacking can be very detrimental to users. TikTok Shop has become a popular platform for business people to market and sell their products directly to users of the platform. The TikTok Shop platform has also been the subject of controversy and legal scrutiny. Some of the legal problems identified include dishonesty by business actors regarding the products they sell, discrepancies between the products ordered and those received by consumers, consumers' lack of understanding regarding the details of the products purchased, giving rise to misunderstandings between consumers and business actors, and a complaint process for returning goods that is not easy. and requires quite a long time (Iskandar et al., 2020; Jaman & Pertiwi, 2023; Nugrahanti, 2016; Putriani et al., 2023). Apart from that, there are concerns regarding legal protection of consumer rights when making transactions on the TikTok Shop (Septyaningsih et al., 2023). Apart from these problems, TikTok Shop has great potential in the e-commerce sector, including the marketing industry and online shopping media in the form of short videos (Wijaya, 2023). The use of Indonesian is also very important in marketing promotions for TikTok Shop accounts (Zulianti et al., 2022).

Therefore, in this research a grand quote was obtained regarding Phishing Behavior in Social Media: Case Study of MSME products in Indonesia via TikTokshop. Is the refusal to close the TikTok Shop purely due to business or related to behavior?

RESEARCH METHODS

The research method used is a non-parametric case study approach using snowball sampling techniques, data triangulation techniques, and descriptive statistical analysis techniques of the difference between two means. In this research, because the researcher had limitations in searching for samples, the snowball sampling technique was used, initially only having a small number of data sources and then increasing it to a larger number according to research needs. The choice of this technique was due to the fact that the few data sources were unable to provide satisfactory data, so the

researcher gradually looked for additional informants as data sources. After conducting research using the snowball sampling technique, of course, to increase the validity and reliability of the research using data triangulation techniques. This data triangulation technique will combine various data and data sources to be analyzed through interviews, observation and documentation. The results of the technique used will be described and presented with data calculations from 5 informants using the descriptive statistical analysis technique of the two difference in means test. In this test, you will find out how the variables used are related to each other, whether they have a correlation or not. The correlation here is only mutually compatible, it doesn't necessarily mean there is an influence.

RESULTS AND DISCUSSION

Observation and Interview Results

1. Optional Questions:

1.1 Is it true that there is a difference between admin fees on Toktok and Shopee?

Answer :

1.1.1 Informant 1: That's right, there are differences. Because admin fees on Shopee after becoming a seller are 10% higher than TikTok Shop's only 4%.

1.1.2 Informant 2: That's right

1.1.3 Informant 3: That's right, because every social media or marketplace is different, as there are events and promotions which are definitely different.

1.1.4 Informant 4: That's right

1.1.5 Informant 5: That's right

1.2 Is it true that most consumers are interested in shopping at TikTok Shop rather than Shopee?

Answer :

1.2.1 Informant 1: True, but for those who opened the TikTok Shop as a result of the closure on October 4 2023, sales activity was still less busy than before the closure.

1.2.2 Informant 2: That's right, because TikTok is an entertainment application as well as an online shopping place

1.2.3 Informant 3: That's right, currently what I see is mostly on TikTok than Shopee

1.2.4 Informant 4: It's true that it's cheaper without admin fees too

1.2.5 Informant 5: That's right, because consumers are more interested in low prices and interesting content

1.3 Is it true that selling other than at the TikTok Shop will turnover decrease?

Answer :

1.3.1 Informant 1: No, because shop sales do not only rely on sales through 1 online selling application on TikTok Shop, but the

previous owner has also opened an offline shop and added online shop support applications, including: WhatsApp, Instagram and Shopee

1.3.2 Informant 2: True, but it didn't decrease drastically

1.3.3 Informant 3: Not necessarily, selling anywhere depends on each person's luck. There are those who sell well on the TikTok Shop, there are those who only sell on Shopee which sells well. There is also one on Lazada which is selling well. Every business actor is different and cannot be equalized

1.3.4 Informant 4: Thank God no, as long as the goods we sell are of good quality

1.3.5 Informant 5: Not necessarily

1.4 Is it true that selling at the TikTok Shop is enough to make sellers comfortable with the convenience offered without having to switch platforms?

Answer :

1.4.1 Informant 1: That's right, because TikTok Shop makes it easy for business people to join the shop for free and can provide maximum profits as long as the business person is diligent in upgrading their sales strategy.

1.4.2 Informant 2: True, but other platforms also need to be considered

1.4.3 Informant 3: You could say that, but it still depends on each individual. If you want to develop your business even faster, that means you have to develop in a marketplace other than TikTok Shop

1.4.4 Informant 4: That's true in the sense that it only focuses on 1 application

1.4.5 Informant 5: Maybe

1.5 Is it true that the reach of TikTok Shop users is wider than Shopee?

Answer :

1.5.1 Informant 1: That's right, because the application also offers various interesting content, not just as a buying and selling application

1.5.2 Informant 2: That's right because TikTok has many influencer artists who are attractive

1.5.3 Informant 3: Actually, it's the same

1.5.4 Informant 4: That's true, but now I prefer Shopee because I just started using TikTok Shop and there was news that TikTok Shop was closed.

1.5.5 Informant 5: That's right

1.6 Is it true that consumers choose CO via live streaming rather than CO via shop basket?

Answer :

- 1.6.1 Informant 1: That's right because most users or buyers look for goods at cheap prices, namely through discount prices
- 1.6.2 Informant 2: True because buyers feel the sensation of buying and selling virtually
- 1.6.3 Informant 3: Not really
- 1.6.4 Informant 4: That's right
- 1.6.5 Informant 5: That's right

1.7 Is it true that consumers are interested in informative and realistic content rather than promotions with the promos offered on the TikTok Shop?

Answer :

- 1.7.1 Informant 1: It's true that it's more about promotion, because not everyone can attend the live shop session. Therefore, the presence of content can attract users to buy merchandise because the content already contains information related to the merchandise.
- 1.7.2 Informant 2: That's right, promotions are enough to reach buyers even if the product is bad. An example of a viral mixue and gacoan noodle product that has gone viral for a while has several advantages: cheap price, lots of contents, normal taste but sales are crazy.
- 1.7.3 Informant 3: That's right
- 1.7.4 Informant 4: That's right
- 1.7.5 Informant 5: That's right, it's more about interesting content

1.8 Do you feel uncomfortable (fearful) while selling on TikTok Shop, especially regarding the security of store data held by TikTok Shop?

Answer :

- 1.8.1 Informant 1: No because I feel comfortable and safe
- 1.8.2 Informant 2: No, God willing, it's safe even though there are gimmicks while I sell online
- 1.8.3 Informant 3: No
- 1.8.4 Informant 4: No
- 1.8.5 Informant 5: No

2. Question description:

2.1 What are your views regarding the benefits of the TikTok Shop account as a buying and selling shop for MSMEs? especially as a source of increased income.

Answer :

- 2.1.1 Informant 1: I think it's quite helpful, because the price competition is really bad between Shopee and TikTok Shop.
- 2.1.2 Informant 2: It's quite helpful for online marketing.
- 2.1.3 Informant 3: Actually, it is very profitable and really helps us as small entrepreneurs to sell and promote their products.

2.1.4 Informant 4: It's quite helpful because in the TikTok Shop there used to be a free shipping feature, there were no admin fees so it was very profitable for sellers.

2.1.5 Informant 5: I think e-commerce like TikTok Shop really helps MSMEs because with the digital market, products are more widely known by potential consumers.

2.2 Is the closure of the TikTok Shop on October 4 2023 very unfortunate for you as an MSME actor?

Answer :

2.2.1 Informant 1: It's a shame because sales have also decreased, even though this is not actually a major problem

2.2.2 Informant 2: It's a shame because the closure has an impact on decreasing turnover and team performance due to their respective busy lives. Moreover, the disbursement of sales results from the TikTok online shop takes too long, up to 7-10 days, so that in the end it becomes difficult if the sales themselves and the affiliate are not cooperative because they send samples but don't make sales or make short videos. The shop is still active but not as aggressively promoted as before closing on October 4 2023. Then there are also many COD orders that are not paid for or the goods returned as rejected cannot be resold (seller's loss).

2.2.3 Informant 3: Felt it was a shame when it closed, but maybe it's different for offline players who haven't updated the marketplace, it might really help their offline sales. With this, of course there will be a decline in sales, sis. So no items are sold on the TikTok Shop so the effect is to start over from scratch.

2.2.4 Informant 4: It's a shame because turnover has also decreased. In the digital era, we should also keep up with the times.

2.2.5 Informant 5: Yes, it is very unfortunate, but there must be a logical reason, such as the decline in offline MSMEs that are not up-to-date on digital. Of course, the impact of the closure is also there every live, it turns out the impact is not as big as TikTok. On TikTok, our videos spread very quickly, there are a lot of people watching, it's possible that people will check out (buy goods) and on other platforms, only two to 10 people will watch, whereas on TikTok it can be tens or even hundreds. If only that many people watch, let alone check out.

2.3 Is the seller account registration process on TikTok Shop and Shopee given easy access to registration and services?

Answer :

2.3.1 Informant 1: That's right, both are given convenience. However, the difference is that if the TikTok Shop is live, there is a minimum rule of having 1000 followers. Registration is free by entering user data

- 2.3.2 Informant 2: Yes, it's free by entering personal data
- 2.3.3 Informant 3: It's true that it's given convenience
- 2.3.4 Informant 4: It's true that everything is made easy, nothing is difficult, only in the initial stages you have to have 2 applications. At first it was a bit confusing because in TikTok Shop there is its own TikTok application and its own seller, so it was a little difficult because you had to use a link.
- 2.3.5 Informant 5: I think it's easy, because there are no difficult requirements.

2.4 What is the basis for selling your shop through TikTok Shop compared to other e-commerce accounts, for example Shopee?

Answer :

- 2.4.1 Informant 1: For shop sales promotions
- 2.4.2 Informant 2: To reach buyers because the access range is wider on the TikTok Shop.
- 2.4.3 Informant 3: To follow developments in online sales and carry out digital marketing.
- 2.4.4 Informant 4: To try your luck in sales. Initially we sold on Instagram because our buyers started from out of town, so we started switching to Shopee to get the free shipping feature. Then after we diligently sold using Shopee, over time the admin changed to 8% for the star seller plate. Then, due to changes in admin fees, we and the team finally agreed to register for the TikTok Shop. Early 2023, we went to TikTok Shop because we felt that the new TikTok Shop account was trending and we tried our luck there.
- 2.4.5 Informant 5: Because TikTok was first known for its entertaining content, so sellers can take advantage of it by creating content that attracts potential buyers. Plus the yellow basket feature that can be clicked directly and there is an affiliate program that can help wider sales.

2.5 What is the difference between TikTok Shop and Shopee admin fees?

Answer :

- 2.5.1 Informant 1: The rates are different, for Shopee there is an additional handling fee of IDR 1,000 and of course different seller sites have different admins. In the past it was only IDR 2,000
- 2.5.2 Respondent 2: TikTok Shop used to have no admin fees
- 2.5.3 Respondent 3: -
- 2.5.4 Informant 4: In the past, TikTok had no admin fees for Shopee, it was 8%
- 2.5.5 Informant 5: Previously, the TikTok Shop admin fee was 1% of the price + 2,000.

2.6 What impact will the closure of the TikTok Shop on October 4 2023 have on the shop's sales turnover?

Answer :

- 2.6.1 Informant 1: Turnover has decreased at TikTok Shop
- 2.6.2 Informant 2: Sales are decreasing
- 2.6.3 Informant 3: Sales turnover has decreased and we have to start from scratch again
- 2.6.4 Informant 4: It really experienced a decline but after TikTok closed we switched back to Shopee live
- 2.6.5 Informant 5: -

2.7 The prices of goods sold by TikTok Shop are known for being unreasonable (reckless), especially when it comes to imported goods. Actually, who determines the market price? the TikTok Shop or seller

Answer :

- 2.7.1 Informant 1: Seller
- 2.7.2 Informant 2: Seller
- 2.7.3 Informant 3: Seller
- 2.7.4 Informant 4: Seller, there because there is a price cut
- 2.7.5 Informant 5: Seller

2.8 After closing the TikTok Shop, are you still actively selling?

Answer :

- 2.8.1 Informant 1: Still active
- 2.8.2 Informant 2: Still active
- 2.8.3 Informant 3: Still active
- 2.8.4 Informant 4: Still active but due to a decline in sales, finally we and the team decided to return to developing sales in offline stores and other accounts such as Shopee, WhatsApp and Instagram.
- 2.8.5 Informant 5: Still active, but no sales.

Discussion

In the case of closing the TikTok Shop, as explained in the introduction, it sparked a lot of controversy, pros and cons, from the public, especially MSMEs and the Indonesian government. The analysis in this research will prove which allegations are actually the reason for closing the TikTok Shop on October 4 2023. Is the refusal to close the TikTok Shop purely due to rational business or irrational problems (behavioral economics)? Through research that has been carried out, for approximately two months, facts were obtained through comparative analysis of sales revenue between TikTok Shop and Shopee as well as descriptive analysis which is divided into two, namely long-term and short-term analysis. The following is a comparison of the sales revenue of TikTok Shop and Shopee from informants for 2022-2024.

A comparison of sales for 2022-2024 shows that revenues and profits from informant sales through TikTok Shop and Shopee in the last three years have increased and decreased. The income and profits obtained by informants through TikTok Shop are superior to Shopee. This profit is obtained from the formula $\pi = TR - TC$. Of course, it also

shows financial ratios to measure how efficiently the company produces net profit from revenue, namely through net profit margin and gross profit margin.

In 2022, informant 1's margin on the TikTok Shop application will be 25% of revenue, this is inversely proportional to the shopee application where the value is nil. On the other hand, informant 2 has a minus progress margin on TikTok Shop of -47% and -89% on Shopee. Of course, informant 2 as an MSME has its own constraining factors. During the interview, respondent 2 said that "Moreover, the disbursement of online shop TikTok sales takes too long, up to 7-10 days, so that in the end it becomes difficult if you sell yourself and the affiliate is not cooperative because you send samples but don't make sales or make short videos." Then there are also many COD orders that are not paid for / the goods returned as rejected cannot be resold (seller's loss) which I often experienced before the closure of the TikTtok Shop. Then there are also many COD orders which are not paid for or goods returned as rejected cannot be resold (loss seller)."

Regarding the direct statement made by respondent 2, of course the informant experienced many unexpected events while selling. Not only does TikTok Shop offer ease of doing business, but there are risks such as seller losses, because this is outside of TikTok Shop's responsibility. Even though they experienced this incident, they continued to actively use the application without limits. Meanwhile, for informant 3, on the TikTok Shop and Shopee applications, the margin figures obtained were both positive, namely 13% for TikTok Shop and 19% for Shopee. Even though both have positive results and the ratio is only 1:2, this figure shows that Shopee is superior to TikTok Shop.

In 2023, the informants were able to obtain an increased percentage of online sales from 2022. If we look at the three informants, informant 1 is the main focus because the margin ratio at the TikTok Shop store is much greater, 53%, than at Shopee at -90%. This figure of -90% can be categorized as a large number which can have an inefficient effect on managing store operational costs. This inefficient effect was of course previously planned by the informant regarding the strategy that would be used when risks occurred, such as: sales did not only rely on the TikTok Shop and Shopee digital platforms, but they already carried out buying and selling transactions through offline stores. As time goes by, with the addition of the TikTok Shop closure case on October 4 2023, informants as MSME actors must be able to rack their brains to design a better business strategy. Even in the first two months of 2024 they will still be active on both the TikTok Shop and Shopee applications. Only in those two months did the researchers compare that the informants temporarily switched to Shopee. So the profits obtained are greater through Shopee by 33% for informant 1, 18% for informant 2 and 1% for informant 3.

After analyzing through table 4.1, several advantages and disadvantages will be analyzed through long-term analysis and short-term analysis as follows:

1. Short Term Analysis

In the short-term analysis, TikTok Shop has potential benefits offered to MSMEs as users of the application. The advantages include:

- a) Ease of Service and Transactions

Compared to other applications such as Shopee, TikTok Shop has several advantages. These advantages, starting from registering an account to the process of running a business as a seller, are free of charge (free). The sales administration fees charged are much lower

than the Shopee application. There are no difficult requirements to complete this process, but just use the user's personal data.

b) Tiktok Shop Influences Increased Exposure

TikTok Shop provides an opportunity for local MSMEs to quickly increase their visibility. TikTok Shop utilizes the use of short videos which are a unique and interesting format. MSMEs can create creative content that displays their products in an entertaining, informative, or even funny way. In addition, the advertising features provided by TikTok Shop provide MSMEs with the opportunity to target specific audiences based on user preferences and behavior. In addition, TikTok Shop provides special features such as a shopping feature directly from the video, so users can buy the products they see in the video without having to leave the application. (Asshidqi & Yuliana, 2023).

c) TikTok has received mixed responses from Indonesian people, both negative and positive. This was confirmed by respondents who successfully filled out the questionnaire given by our team, namely respondents Nur Aida and Ananda Ningtyas. Respondents said the TikTok Shop feature had advantages and disadvantages. Benefits of using TikTok Shop:

- (1) Helping consumers buy products and goods remotely, especially those who are lazy to go out to buy products offline.
- (2) The TikTok shop is considered very interesting.
- (3) There is fast service.
- (4) The price set is very cheap, even lower than the market price (Zahra et al., 2023)

d) TikTok Shop positive algorithm

The presence of TikTok Shop has changed consumer behavior significantly. From visual content preferences, active participation in trends, to impulse buying decisions, the platform has created a dynamic and engaged online shopping ecosystem. This provides a huge opportunity for brands and MSMEs to innovate in the way they interact with consumers and sell their products in this digital era. Furthermore, TikTok Shop also stimulates purchasing dynamics based on the opinions of friends and the community (Asshidqi & Yuliana, 2023).

2. Long Term Analysis

Long-term analysis will explain that in the TikTok Shop algorithm there is a phishing design that can harm users (MSMEs). Social media algorithms refer to a series of rules and procedures used by social media platforms to regulate how content is displayed to users (Edy Chandra, 2023). The goal is to improve user experience (MSME), promote relevant content, and increase user engagement (MSME). This phishing design will be explained through several negative impacts of TikTok Shop which refer to the TikTok Shop algorithm. Here's the explanation:

a) Tiktok Shop Has the Potential to Create Unbalanced Competition

TikTok Shop, with all its advantages, has the potential to create a competitive imbalance between local MSMEs and imported products or big brands. Even though MSMEs can take advantage of the TikTok Shop

advertising feature, the competition is still unequal in terms of financial capacity. Imported products or big brands can quickly adapt to market demand and have advantages in terms of availability and delivery times. In addition, consumer trust is often higher in big brands or imported products that have been proven in the market. Although TikTok Shop provides a platform for MSMEs to build trust through direct interactions and user testimonials, it is challenging to overcome consumer uncertainty and skepticism towards the brand. (Asshidqi & Yuliana, 2023).

- b) Respondents said TikTok Shop still charges consumers high shipping costs during the transaction process. Apart from that, TikTok Shop is also accused of causing many Micro, Small and Medium Enterprises (MSMEs) in Indonesia to go bankrupt. In fact, the integration of e-commerce with social media has encouraged the government to make changes to Minister of Trade Regulation Number 50 of 2020 concerning Business Licensing, Advertising, Development and Supervision of E-commerce Companies (PPMSE). It is believed that this revision can be a protection against the "poison" of TikTok Shop. This TikTok shop can be toxic for consumers because the prices of goods bought and sold on the TikTok platform are set at very low prices, even lower than market prices. This gives rise to the term "predatory pricing" (Naben, MN, et al. (2023).

The closure of the TikTok Shop does provide benefits for local MSMEs because they do not have to compete with cheap imported products which can kill local products in the TikTok Shop, but the government must also help promote local products so that local products are no less competitive with imported products (Yusriyah, 2016).

- c) Lack of Security of TikTok Shop User Data

The presence of TikTok Shop has changed consumer behavior significantly. From visual content preferences, active participation in trends, to impulse buying decisions, the platform has created a dynamic and engaged online shopping ecosystem. Behind the TikTok Shop algorithm which has a positive influence on increasing MSME sales, of course there is a negative impact that MSMEs and consumers are not aware of. This impact is related to the privacy and security of user data because TikTok Shop also provides consumers with access to various local and international MSME products. Consumers tend to be more open to exploration and pursue products that reflect their personalities and interests, shifting purchasing patterns to more personalized and curated experiences. This change in consumer behavior also raises several ethical questions, especially related to data privacy and security. With consumers increasingly connected and sharing their personal information via these platforms, it is important to ensure that data security and user privacy are strictly maintained (Asshidqi & Yuliana, 2023). Each social media platform has its own unique algorithm and general principles that are used, just like TikTok Shop. TikTok Shop in 2024 will have several algorithm groupings, including:

(1) *Stay Model*

This algorithm model can also be called interaction to make people watch the content until the end. In this model, the audience has an interest in the content which motivates them to watch until the end and provide positive responses, such as like, comment, share and save. These interactions will provide the following valuable data:

(a) *Engagements & Views Engagements*

Reflects audience interest, and views are supported by various factors such as likes, comments, shares, saves, and average watch time. The more interesting and relevant the content, the number of likes, comments, shares and saves also increases.

(b) *Search*

This data reflects how often audiences search for business actors' TikTok. Search improvements can be made by setting the username, profile photo, and other elements so that the account is easy for the audience to remember.

(c) *Average Watch Time*

The average content viewing time should be no more than 8 seconds. If it is higher, it indicates your content is interesting and of interest to your audience

(d) *Viewer Demographics*

This data allows business people to see the gender and age range of their audience or followers. With this information, content can be tailored to be relevant to audience characteristics, which can increase views and engagement.

(2) *Deal Models*

This algorithm model aims to get people to buy immediately. The Deal Model on TikTok involves an audience that is not only interested in the content, but is also motivated to make a purchase after seeing promotions in the content. The following is information regarding some of the data provided by the ads manager on TikTok, so that it can be accessed and analyzed.

(a) *Click Through Rate (CTR) & Page Views CTR* becomes an important parameter to assess the extent to which advertising can attract attention and encourage people to continue to the next stage. Suitable content to achieve this includes testimonials, product demonstrations, success stories, personal experiences, and education.

(b) *Product Details Page & Add To Cart* Business actors who provide attractive product descriptions, attractive product images, positive reviews, number of products sold, and promos or special offers can support this achievement. Complete Payment, even though consumer payment times vary, business people can create urgency by providing discounts or promos with a certain time limit. Apart from that, sellers can also encourage consumers to make payments immediately, especially when live on the TikTok Shop.

Comprehensive Analysis

Analysis of the results of this research shows that the reason for rejecting the TikTok Shop on October 4 2023 is indeed due to business rationale regarding the decline in their income when selling online. Because judging from the comparison of revenue and profits, TikTok Shop is superior to Shopee. After the closure, the number of TikTok Shop users and the number of Shopee users had a correlation (only corresponded) at certain times through the price variable and the income received.

The case of closing the TikTok Shop on October 4 2023 does not mean that it is free from irrational business problems (economic behavior). This is because behind the profits received by MSMEs in the TikTok Shop buying and selling area as I have explained in figure 2.2 of the conceptual framework, of course this also provides benefits for the TikTok Shop and even certain parties who take advantage of profit opportunities from the motive. behavior. When TikTok Shop is able to control the market through the number of TikTok Shop users, it means that information related to goods and data is already held by market controllers. In this case, TikTok Shop could have a planned goal of becoming a monopoly market in Indonesia which could threaten the country's economy. Similar products can be made to be bought and sold in their country and they can also sell them back to Indonesia through imported goods which are very quickly liked by Indonesian people. The distribution of products is of course very quickly absorbed by the Indonesian people because Indonesia has a large population which can be seen in Figure 1.1 and internet users in Figure 1.2 which are increasing every year. This is where TikTok Shop's ability to read opportunities lies. In fact, those in Indonesia do not meet the operational requirements for e-commerce but still use social media accounts.

The online shopping trend has continued to soar since the pandemic broke out. The use of online media is a solution to the limited mobilization imposed to break the chain of transmission. On the other hand, this is also a solution or alternative for some people who have been laid off or lost their jobs due to the outbreak of the pandemic. It is true that if you look at it in general, MSMEs are flocking to enter the business world because they see the many profits obtained by business people who sell through the TikTok Shop. The closure of this application has certainly caused some Tulungagung MSMEs to feel shocked and receive negative impacts from the closure. Even though their turnover has experienced a significant decline, they have not changed platforms permanently and are still happy to continue their sales mission. MSMEs are one of the backbones of the Indonesian economy, especially in the Tulungagung Regency area. They often have limited resources and rely on local product sales to survive. TikTok Shop, with its large financial resources and global reach, can offer products at much lower prices than local MSMEs and other applications such as Shopee.

There are many advantages offered by TikTok Shop, starting from ease of use, ease of transactions, wide access range for buyers/viewers, variety of application service features, subsidized service costs, low product costs, TikTok Shop's unique algorithm. The TikTok Shop algorithm has a positive influence on digital marketing communications in Indonesia, such as the recommendation algorithm. Recommendation algorithms are technologies used to display digital content according to user interests and preferences.

Recommendation algorithms have a wide range of applications and impacts in various digital contexts, such as social media, streaming services, and news websites.

The TikTok algorithm has great potential to help MSMEs achieve marketing goals more effectively with creative, interactive and audience-relevant marketing communications which are the key to success in achieving marketing goals on the TikTok Shop. The success of TikTok Shop in attracting the attention of users/MSMEs is not only based on the unique and interesting short video concept, but also on the power of a sophisticated algorithm. However, without users (MSMEs) realizing that actually in the TikTok Shop algorithm there is a phishing design that is detrimental to users. TikTok Shop gives consumers wide access to various local and international MSME products. Consumers tend to be more open to exploration and pursue products that reflect the user's personality and interests, shifting buying and selling patterns to a more personalized and curated experience.

Through "Project S" which in Indonesia is better known as the TikTok Shop feature. This feature allows TikTok to sell its own products, which creates a potential threat to merchants who previously sold on the TikTok Shop platform. It's natural that local MSMEs and even the government are worried about this because it not only kills local MSMEs but also triggers market monopoly through the invisible hand of phishing designs in the TikTok Shop algorithm. The threat posed by Project S TikTok Shop is unhealthy competition because Tiktok as a producer and seller has control over its own products. Whoever holds the data will control the market. How come ? because the server from TiTok Shop is not in Indonesia, they can even use data from Indonesian users or MSMEs to make their profits with individuals who can harm MSMEs and the country's economy. TikTok Shop has the advantage of manipulating popular content and knowing what products are in demand by the market in a country, which can influence consumer preferences. The For You Page (FYP) algorithm can read the habits of its users with the aim of preventing users from leaving the TikTok Shop platform. Some explanations of the threats to the TikTok Shop application include:

1. The first problem is that TikTok Shop only has a social media operational license. Even though the operational permits for social media and e-commerce are also different. Social media permits are issued by the Ministry of Communication and Information, while e-commerce permits are issued by the Ministry of Trade. This merger benefits its users. Users can use this to do business and their promotions (discounts, monetization) are financed by TikTok, benefiting MSMEs. However, this is also done for products outside of MSMEs, say products from China. They imitate domestic products but produce them in China and sell them at very cheap prices. Can kill MSMEs. Tiktok's strategy is called predatory pricing. In fact, from my analysis, this behavior can be said to be copying the concept of the Indonesian market.
2. Second problem. Influencers or content creators can sell products that are not their own. By combining content and e-commerce. An Influencer or content creator has the potential to do "false advertising", namely creating advertisements that are formed from a collection of incorrect information and instructions. This false advertising can be dangerous for customers, however, it can be more fatal for the company's business. Generally, this happens because the market and competition are getting tighter, while the products or services offered are unable to compete.

3. Weak consumer protection for purchased products. So this will of course also be detrimental to MSMEs because they bear the losses themselves

Due to these problems, of course regulations and legal protection for MSMEs from the Indonesian government are needed, not only covering them but the government must also provide education to local MSMEs in marketing local Indonesian MSME products. The current economic progress of Indonesia, especially in the digital era, relies on the progress of MSMEs. The aim is to ensure that local products are no less competitive with imported products. The case of closing the TikTok Shop shows that several policies previously implemented by the government have not been implemented optimally, because in the case of the related TikTok Shop it has not yet obtained a permit as an e-commerce account. In Indonesia. Even though this application has been running for more than a year by combining social media and e-commerce accounts.

CONCLUSION

The refusal to close TikTok Shop on October 4 2023 is due to business rationale which can be seen from the superior acceptance of TikTok Shop compared to Shopee. After the closure resulted in a correlation relationship (only matching) at certain times between the number of TikTok Shop users and the number of Shopee users through the price variable and the monthly income received. The TikTok algorithm has a significant impact on digital marketing communications. The TikTok algorithm has great potential to help marketers achieve marketing goals more effectively with marketing communications that are creative, interactive and relevant to the audience being the key to success in achieving marketing goals on TikTok.

TikTok's success in attracting users' attention is not only based on its unique short video concept, but also on the power of its sophisticated algorithm. TikTok has 2 strong pillars, namely e-commerce and media-advertising. In fact, TikTok Shop is a business innovation that benefits MSMEs and all parties who use the platform for business. However, the separation of social media and e-commerce will hinder innovation and harm Indonesian traders and consumers. The sophistication of the TikTok Shop algorithm is also able to design the flow of phishing behavior which can be a boomerang for MSMEs and the country's economy. That's where the balance of phishing plays its role, which is exploited by certain parties for personal interests which endanger the country's economy.

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