



The Impact of Tiktok Shop Policy Dynamics to The Micro-Small-Medium-Sized Enterprises Sustainability

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ABSTRACT

TikTok is a social media platform that offers a variety of video content for its users to enjoy. This video content serves as the foundation for business owners to create or present advertisements that they wish to disseminate. TikTok expanded the business industry through TikTok Shop to be an online shopping platform with a live shopping feature that succeeded in capturing the hearts of many users, even tempting them to abandon their former marketplace. However, this did not last long because, in the same year, the Government of Indonesia closed TikTok Shop because it was deemed to have breached Minister of Trade Regulation No. 31 of 2023, which governs business licensing, advertising, development, and supervision of business owners in trading through electronic systems, which came into effect on September 26, 2023. This research examines the controversies surrounding government policies that affect micro, small, and medium-sized enterprises (MSMEs) in Indonesia. Data was acquired using a qualitative approach, including observation and in-depth interviews. The informants include MSMEs who sell through TikTok Shop and marketing communications specialists. The research's findings reveal that MSMEs were significantly impacted by government policy when closing

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TikTok Shop, necessitating their ability to adapt and transfer to other platforms, even if TikTok Shop eventually resumed operations in collaboration with Tokopedia. TikTok chose Tokopedia as a partner because they share the same vision and objective for supporting MSMEs and local businesses in Indonesia. This collaboration is expected to revitalize declining economic transactions and benefit MSMEs.

Keywords: TikTok Shop, MSMEs, policy, social media, e-commerce

1. INTRODUCTION

The importance of sustainability to customers and businesses has grown over time; between one-third and two-thirds of consumers say they would be willing to pay extra for sustainable products and brands. Businesses understand how important it is to lessen the environmental impact of their operations and goods, and customers look for goods and services consistent with their moral principles. Sustainability is a current problem with a strong link to social media, as seen by the conversations conducted on social networks, which are mostly concerned with environmental sustainability. It is relevant because of the cost-effectiveness gained through its social media applications.

Furthermore, social media and sustainability go hand in hand when marketing these principles, like the social media algorithm. Social media is rapidly replacing traditional marketing techniques as a potent tool for businesses to interact with customers about significant problems and tell them about their sustainability initiatives (Feria, 2023). This condition is an opportunity for further growth of the digital economy in Indonesia. The four best media for online shopping are websites, marketplaces, online forums, and social media.

Social media is a digital platform that enables its users to have two-way social interactions. Social media based on internet technology can change the pattern of information dissemination from previously one-way to two-way. Technological developments through social media can create promising business opportunities, thereby improving the seller's economy. This online medium can make it easier for people to carry out various economic activities through social networking sites. Marketing via social media is currently very much needed by companies because customers have used social media platforms for socializing, searching for information, and shopping. Social media marketing can provide many benefits for a business, including cost efficiency, interactivity, access to analytical data, and a wider reach for customers (Pinto & Yagnik, 2017).

TikTok, as one of the social media, has now become an increasingly popular application. Many people are willing to spend hours and buy a lot of internet packages just to look at their screens while accessing TikTok. Furthermore, many people are competing to become TikTok creators in order to gain profit from the platform. In the marketing mix process, businesses usually use social media, including TikTok, to promote the products or services they have (Voorveld et al., 2018). TikTok is a social media platform that offers a variety of video content for its users to enjoy. This video content serves as the foundation for business owners to create or present advertisements that they wish to disseminate. Of course, the content created must be precisely targeted at the target market you wish to reach (Li et al., 2021).

According to the We Are Social report, there were around 106.51 million TikTok users

in Indonesia in October 2023. Indonesia has the second-highest number of TikTok users in the world. The United States remains in the top position, with 143.4 million TikTok users. Brazil ranks third with 94.96 million users, followed by Mexico with 68.89 million. TikTok has 1.22 billion users globally as of October 2023, as seen in the figure below (Annur, 2023b)

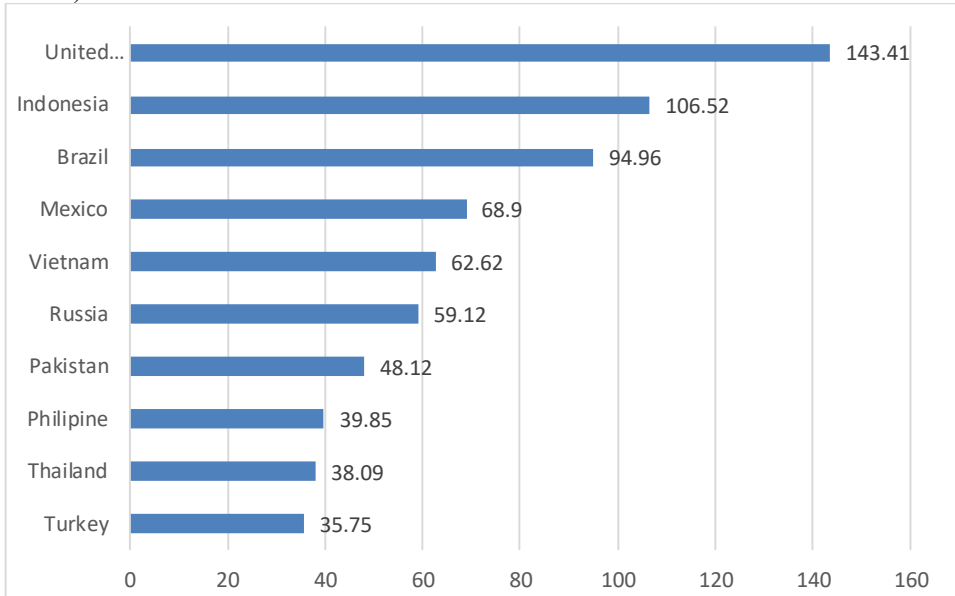


Figure 1: Ten Countries with the Largest Number of TikTok Users in the World (October 2023 – in Millions)

Source: *Indonesia Punya Pengguna TikTok Terbanyak ke-2 di Dunia*
Retrieved from

<https://databoks.katadata.co.id/datapublish/2023/11/22/indonesia-punya-pengguna-tiktok-terbanyak-ke-2-di-dunia> (March 18, 2024)

TikTok expanded the business industry through TikTok Shop to be an online shopping platform with a live shopping feature that succeeded in capturing the hearts of many users, even tempting them to abandon their former marketplace. The advantages of TikTok as a shopping platform are

1. Easy and practical shopping
Aside from watching video content, users can directly purchase the products featured in the content. Users commonly refer to it as the "yellow basket", which is one of TikTok features that may be directly linked to TikTok Shop;
2. Attractive promotions and discounts
As a new feature, TikTok Shop provides a variety of promotions and discounts that are easily accessible;
3. Cheap shipping costs
Everyone always wants to save money on shipping costs to reduce their budget, so as a new feature, TikTok Shop provides economical shipping costs for those who

want to shop on the platform;

4. Relevant reviews to consider

Before purchasing a product or item, people typically read reviews to determine whether the product is worthwhile. TikTok Shop, like other online shopping apps, allows us to read reviews from other users;

5. Live streaming feature

The last, but most interesting feature of TikTok Shop is that sellers appear to be inviting viewers to shop directly at the market through live broadcasting on the app. The purpose is obviously to sell their products, so that viewers can buy products while watching the seller live, and they can also see the quality of the products immediately (Azizah, 2023).

The positive impact of TikTok Shop can increase visibility and marketing for MSME owners, create collaboration between platforms and content creators, diversify sales channels, increase the use of creative features, increase brand awareness, and open up opportunities for innovation and creativity (Ihsan, 2023).

TikTok Shop feature has numerous benefits for its users, but it actually damages merchants who are not up to date (who have been forced to sell their products offline), resulting in many complaints about the lack of customers and many of these merchants having to close their businesses. Some of these concerns came from merchants in Tanah Abang (a popular market in Indonesia with a vast cluster of shops and stalls selling clothes, textiles, and many more), prompting trading officials to visit Tanah Abang and assess the situation there. Which then ended with the decision to close TikTok Shop feature in accordance with government regulations, Minister of Trade Regulation Number 31 of 2023. The government officially prohibits online trading practices through social media platforms (social commerce). These regulations are outlined in the revised Minister of Trade Regulation Number 50 of 2020, which was issued on Tuesday, September 26, 2023, and address provisions for business licensing, advertising, guidance, and supervision of business owners in trading through electronic systems. This policy was triggered by the weakening of conventional sellers, which are dominated by MSMEs. The rush of sales through TikTok Shop has made conventional sellers lose their customers. According to the Minister of Trade, Zulkifli Hasan, social media can only facilitate the promotion of goods and services, not direct transactions and direct payments. This is also prohibited in order to prevent the use of personal data.

Some conventional sellers may feel relieved by the closing of TikTok Shop, and there are some sellers who feel that this is actually detrimental to them. Sellers who feel disadvantaged by this policy have gained a lot of benefits through TikTok Shop, especially because they can easily attract customers without having to rent or buy an offline store. The closure of TikTok Shop feature impacted not only sellers but also customers. They lose out on the convenience of shopping. Many of them return in using other platforms that do not support interaction between sellers and customers, unlike TikTok Shop. After raising pros and cons from various parties, the government of Indonesia reopened TikTok Shop following the decision of TikTok Indonesia to be partnered with Tokopedia. Only two months after the government of Indonesia announced that TikTok Shop was closed. MSME owners, of course, have to make another adjustment to the situation.

The novelty value of this research is that there has been no research on the pros and cons of the dynamics of TikTok policy in Indonesia which causes business and digital marketing dynamics in Indonesia, so in this research, the following problem formulation is raised:

1. What is TikTok policy in Indonesia and its dynamics?
2. How do MSMEs respond to the dynamics of TikTok policy in Indonesia?
3. How are MSMEs adapting to the dynamics of TikTok policy in Indonesia?

2. LITERATURE REVIEW

2.1 Social Media

Social media is a powerful communications medium, with widespread influence over cities as well as remote areas. However, it is only part of the digital revolution that we are witnessing. Digital transformation has not only influenced businesses and made the world more accessible, but it has also changed the way we communicate (How Has Social Media Emerged as A Powerful Communication Medium?, 2022).

Social media, as a communication platform for users to spread their minds, has a lot of forms of communication. In the beginning, users can type words to share their opinion, like blogs. The function of adding photos was also added later, like Facebook or Twitter. Then, an increasing number of videos and audio appeared on social media, like TikTok or Instagram. Users can choose the platform and their preferred form to look through online news. Compared with traditional media, like newspapers, readers can only look through the content, including photos and words. Therefore, the appearance of new media offers readers a wider variety of forms of reading (Chen, 2023). According to Rheingold, as stated by Nasrullah in the book *Cyber Media Theory & Research*, the internet is defined as "a virtual place where individuals work together and interact to the point of virtual emotional engagement" (Nasrullah, 2014).

Social media is the internet-based platform most frequently accessed by individuals to interact with one another. According to (Yunus, 2019), social media is a way for each user to share information in text, image, audio, and video formats. (Hermawan et al., n.d.) define social media as a communication medium that allows users to communicate in two directions. This differs from the viewpoint of (Shaleh & Furrrie, 2020) define social media as online media that enables users to interact, to share, and create information through blogs, social networks, wikis, forums, and virtual worlds. Based on these three definitions, it is possible to conclude that social media is a platform that allows users to communicate with one another in two directions, whether through writing, audio, images, or video.

As time passes, technological advancements and the high traffic of social media users influence application developers to innovate and create a variety of social media with unique features. (Viega, 2019) differentiates social media into six types. TikTok is classified as a social networking site (SNS) because, according to the definition of SNS, it is an application that connects its users by creating a profile or registering to access it. SNS is equipped with features for inviting friends and sending short messages to each other (instant messaging).

2.2 Micro Small and Medium-Sized Enterprises

Micro, small, and medium-sized enterprises (abbreviated as MSMEs) play an essential role in the economy of any country or region, including Indonesia. MSMEs also play a critical role in the economic growth of the community. MSMEs greatly assist the state or government in producing new jobs, and through MSMEs, numerous new work units are formed that employ new workers who can supplement household income. These MSMEs require specific attention and precise information in order to establish directed business ties between MSMEs and components of business competitiveness, such as market networks (Partomo, 2015).

According to Law No. 20 of 2008 regarding MSMEs, Chapter 1, Article 1, microbusinesses are productive businesses owned by individuals and/or individual business entities that meet the criteria for microbusinesses. A small business is a productive business that operates independently and is run by an individual or business entity that is a subsidiary of a company that owns, controls, or is directly or indirectly involved in a medium or large business that fits the criteria for a small business. Medium-sized businesses are productive economic businesses that operate independently and are run by or are part, either directly or indirectly, of small businesses or large businesses with total net assets or annual sales results (Hidayat et al., 2022).

Apart from being classified according to business standards, MSMEs generally have distinguishable characteristics in their economic activities, such as:

1. The administration is still not well-organized;
2. Business players have access to non-bank financial institutions, but not banking services.
3. Typically, there is no taxpayer identification number or business authorization;
4. The business location is variable;
5. The company's products are versatile and adaptable;
6. Human resources are typically undeveloped (Pegadaian, 2024).

The following are several examples of MSMEs in Indonesia based on the industrial sector:

1. Culinary MSMEs

The many culinary MSMEs dispersed across Indonesia's various regions provide a diverse range of ready-to-eat food options. *Warmindo* (small stalls selling noodle, tea, and coffee) and *angkringan* (local street food originated from Central Java) businesses are two common types of MSMEs in the culinary sector. These two instances of MSMEs produce ready-to-eat food using low-cost raw materials that may be marketed at reasonable pricing.

2. Agribusiness MSMEs

Purchasing and selling ornamental plants is an example of an agribusiness for MSMEs with promising profit opportunities. In addition to ornamental plants, purchasing and selling fertilizer, plant seeds, and other farming tools can be an option in the MSME sector.

3. Automotive MSMEs

There are many MSMEs operating in the automotive sector, such as repair shops, motorbike or car washing, and car rental. Apart from that, other examples of

MSMEs in the automotive sector are places where vehicle spare parts are bought and sold.

4. Beauty MSMEs

In Indonesia, many MSMEs are found in the beauty industry sector. Businesses operating in this sector generally sell skin care products and beauty tools. Not only offering local products, MSMEs in the beauty sector usually also offer popular foreign products, such as facial masks and moisturizers from South Korea.

5. Fashion MSMEs

Small clothing stores are a common example of MSMEs in the fashion industry. Aside from selling directly on-site, clothing purchasing and selling transactions can also be done through e-commerce or becoming a reseller (Pegadaian, 2024).

As to Law No. 20 of 2008, MSMEs can be distinguished on the basis of their total sales turnover and asset count.

1. Micro-Enterprises

This category is for profitable businesses with less than four workers, assets up to IDR50 million, and an annual sales turnover of IDR300 million that are controlled by individual business entities.

2. Small Enterprises

MSMEs are classified as small businesses because it employs five to nineteen people, have a net worth of IDR50 million to IDR500 million, and generate an annual turnover of IDR300 million to IDR2.5 billion.

3. Medium-Sized Enterprises

Medium-sized MSMEs are becoming more widespread; employ 20 to 99 people, have assets between IDR500 million to IDR10 billion, and generate sales between IDR2.5 to 50 billion (Sandi, 2023).

2.3 TikTok

TikTok is a social media site that gives users the ability to express themselves creatively through short videos enhanced with different sounds, graphics, and other elements that can draw large audiences. This app was released in September 2016 under the name Douyin by the Chinese business ByteDance. Users can see and share short videos made by others with a variety of expressions using the TikTok app. Additionally, users of this application can make their own or follow trends, for example, by inventing new dance moves set to captivating music (Martini et al., 2022).

The history of the TikTok application begins with an application called Musical.ly, which was launched in 2014 in Shanghai. The concept of these two applications is the same as creating and distributing videos and interacting with fellow users (Techfor Id, 2020). In its time, Musical.ly was famous among young people, especially in the United States. However, in 2017, a Chinese company called ByteDance acquired Musical.ly for 1 billion US dollars and then consolidated Musical.ly and TikTok in 2018. This became a milestone in the development of TikTok around the world (Bakri, 2023).

According to a Business of Apps report, TikTok user data generated revenue of around 14.3 billion in 2023, an increase of 52% year over year, and TikTok had 1.5 billion monthly active users in 2023 and is expected to reach 1.8 billion by the end of 2024 (Iqbal, 2024).

This application has also been the most downloaded application for the last three years and set a record for the number of downloads in the first quarter of 2020. The increase in TikTok users is mainly the result of the pandemic period, where there were restrictions on social interaction, which made people feel bored and ultimately choose TikTok as a forum for creativity and interaction (Annur, 2023a). The country with the most TikTok users currently is the United States, followed by Indonesia in second place. Based on We Are Social Report data, the number of TikTok users in Indonesia was 113 million as of April 2023 (Kemp, 2023).

TikTok Shop appears as the newest feature in the TikTok application, which was launched on April 17, 2021. This feature makes it very easy for users because everything is available in just one application, from product introduction, product selection, transaction process to communication with sellers, delivery, and product assessment (PTM, 2023). This makes TikTok Shop known as social commerce (social media platforms to promote and sell products and services). With easy and practical access, TikTok Shop is experiencing rapid development.

2.4 Digital Economic Development in Indonesia

Indonesia is a country that has great potential for the development of the digital economy. Quoted from e-Conomy SEA 2018, the large number of internet users in Indonesia is one factor that contributes to the growth of the internet economy (Google & Temasek, n.d.). Several other facts that support the development of the digital economy in Indonesia include the following:

1. Online trading market in Indonesia is estimated to be 5 billion for formal trading and over 3 billion for informal trading;
2. In 2017, Indonesia had 30 million online shoppers out of a total population of around 260 million;
3. By 2025, the digital economy in Indonesia is expected to create 3.7 million new jobs;
4. Increase revenue growth up to 80% for small and medium-sized enterprises (SMEs);
5. Increase GDP growth by 2% per year by expanding broadband penetration and digital technology adoption among SMEs (McKinsey & Company, 2018).

The digital economy in Indonesia can have many good effects, but it also presents challenges for the government when developing policies. The growth of the digital economy can lead to the introduction of new business models, integration of business sectors, and changes to existing business models. The introduction of multiple digital payment applications is one example of how the financial industry has developed in this digital economic era. The public is now developing and using digital applications related to financial systems, in addition to payment systems. It comes as no surprise that financial technology is becoming one of the most often discussed subjects among digital economy players.

The culture, tourism, and creative economy sectors are among the sectors that make extensive use of digital technology in product innovation. Many things derived from the

culture and creativity of local Indonesian communities can be purchased and sold through the e-commerce platform. In addition, digital technology is being leveraged to create digital platforms for promoting Indonesian tourism. Traveloka, Pegi-Pegi, and Tiket.com are examples of innovation and development in the cultural, tourism, and creative economy sectors throughout the contemporary digital era.

The creative economy policy began chronologically with the statement of President Susilo Bambang Yudhoyono to improve the nation's craft industry and creativity, the holding of the Indonesian Cultural Products Week in 2007, which changed its name to the 2009 Indonesian Creative Products Week, the publication of Presidential Instruction Number 6 of 2009 concerning the Development of the Creative Economy, and the Presidential Decree that the culture, tourism, and creative economy.

Chronologically, creative economic policy in Indonesia began with the statement of President Susilo Bambang Yudhoyono in 2007 to improve the craft sector and creativity of the nation by holding the Cultural Products Week of Indonesia 2007, which was later renamed the Creative Products Week of Indonesia in 2009. The publishing of Presidential Instruction Number 6 of 2009 regarding Economic Development Creative and Presidential Decree Number 92 of 2011, which served as the legal foundation for the establishment of a new ministry in charge of the creative economy (Ministry of Tourism and Creative Economy) in 2012.

Regulations of the of the Minister of Tourism and Creative Economy regarding the Strategic Plan of the Ministry of Tourism and Creative Economy for 2012–2014. The strategic plan has detailed the development of the creative economy in Indonesia. The scope of the creative economy in Indonesia based on Presidential Instruction Number 6 of 2009 is different from other countries such as the United Kingdom, where the research and development sector is included as part of the creative economy (Kementerian Komunikasi dan Informatika Badan Penelitian dan Pengembangan SDM Puslitbang Aptika dan IKP, 2019).

E-commerce is part of the digital economy. E-commerce is a method of purchasing and selling that saves money and time. Because the implementation is more adaptable than in offline stores, which are limited to specific operating hours. E-commerce can help business owners increase the sales success of their items. The emergence of e-commerce enables business owners to expand their business networks, allowing product sales to reach a larger market segment without regard for location or time. E-commerce can also be utilized to connect customers and producers, providing information for future product quality improvements. Online businesses do not even require a specific location; therefore, business owners do not have to pay a high rent because business may be done anywhere. Customers benefit from e-commerce because it eliminates the need to visit offline stores, which reduces operational expenses. E-commerce allows customers to save time by purchasing online. E-commerce also allows customers to communicate with online sellers and inquire about the products being sold. However, customers could be disadvantaged by e-commerce, products that do not match the image offered, and fraud such as products not being delivered (Sudaryono et al., 2020).

On November 24, 2019, the government released Government Regulation Number 80 of 2019, which governs trading through electronic systems. According to this legislation, Trading Through Electronic Systems is trading in which transactions are conducted using a succession of electronic devices and procedures, also known as e-commerce. This regulation governs the primary aspects of e-commerce transactions both within and outside

the country, such as business owners, licenses, and payments. This regulation includes the following matters:

1. Electronic trading transactions involve three types of roles: business owners and traders, trading organizers through electronic systems, and intermediary draft facility organizers;
2. Trade transaction organizers and business owners with electronic systems must obtain a special electronic trading permit from the Minister of Trade under the Electronic Information & Transaction Law;
3. Additionally, business owners must provide digital contracts with product and payment details, including online stores or marketplaces from abroad, and are subject to tax (Agustini, 2020).

3. METHODOLOGY

This research takes a qualitative approach. According to Hennink et al, qualitative research is the approach that allows researcher(s) to identify issues from the perspective of the research participants, and understand the meanings and interpretations that they give to the behavior, events, or objects. Therefore, qualitative research is most suitable for addressing 'why' questions to explain and understand the issues or 'how' questions that describe processes or behavior (Hennink et al., 2020). To achieve the research objectives, this research used the case study method. According to Gary Thomas, the assumption in a case study is that, with a great deal of intricate study of one case, looking at the subject from many and varied angles to get closer to the 'why' and 'how'. Furthermore, Thomas states that two important things about a case study:

1. Researcher(s) drill down further;
2. Create a three-dimensional-picture or what Foucault called a 'polyhedron of intelligibility' (Thomas, 2021).

The problem in this research is included in the single-case study design related to the controversy over government policies involving TikTok Shop, which, of course, affects MSMEs in Indonesia. To obtain research data, researchers used a purposive sampling technique to select all informants based on the criteria of MSMEs in Indonesia that sell their products through TikTok Shop platform. Aside from that, the researchers selected marketing communications specialists as research informants.

4. DISCUSSION

Sustainability has become ingrained in the public consciousness, which presents an opportunity for MSMEs, who is forward-thinking, to communicate her sustainability credentials. One excellent resource for guidance on living sustainably while observing MSMEs' developing trends is TikTok. Brands may push for greater change and support sustainability initiatives by using TikTok. Campaigns emphasise an organisation's dedication to sustainability while directly addressing consumers. For MSMEs looking to inform customers about their environmental initiatives, this is wonderful news (Scranton University, 2018).

4.1 TikTok Policy in Indonesia and Its Dynamics

TikTok initially had a clear guideline about user age and forbidden content, with a minimum age of 13 years. TikTok promises to provide a safe environment for its users. Aside from that, TikTok's restriction on violent content, harassment, copyright breaches, and other illegal behaviors demonstrates the company's devotion to its users' safety and comfort. TikTok also adheres to user privacy policies. Although not stated in detail, this demonstrates TikTok's awareness of the necessity of user data security (Keenan, 2022).

As e-commerce evolves in 2023, TikTok is making a new breakthrough by introducing TikTok Shop, which can be utilized for online shopping just like any other e-commerce platform. TikTok Shop has become a global e-commerce phenomenon, including in Indonesia, since it provides engagement features that make purchasing and selling easier. However, this did not last long because, the same year, the Indonesian government closed TikTok Shop for violating Minister of Trade Regulation No. 31 of 2023, which governs business licensing, advertising, development, and supervision of business owners in trading through electronic systems and went into effect on September 26, 2023.

TikTok Shop officially started to close in Indonesia at the end of September, following the statement of President Joko Widodo on the prohibition of social commerce for social media transactions at a limited meeting on Monday, September 25, 2023, at the Presidential Palace in Jakarta. According to the announcement by Joko Widodo, sellers in TikTok Shop must immediately begin closing sales activities and moving to other marketplaces, but sellers can continue to promote goods and services using the live streaming feature on TikTok platform. According to Trade Minister Zulkifli Hasan, TikTok Shop must obtain a separate operational permit before conducting transactions (Fakta-Fakta TikTok Shop Dilarang Jualan dan Bertransaksi, 2023).

Before Indonesia banned the practice of social media-based online trading, a number of countries restricted the usage of TikTok in general, not only TikTok Shop. According to CNBC Indonesia, these countries include Afghanistan, Australia, Belgium, Canada, Denmark, India, the European Union, Austria, the Netherlands, Estonia, France, New Zealand, Norway, Somalia, Taiwan, the United Kingdom, and the United States (Susi Setiawati, 2023).

Minister of Trade Regulation No. 31 of 2023 is a policy that addresses several unhealthy behaviors in electronic trading that harm MSMEs. The government of Indonesia is committed to creating a fair, healthy, and prosperous e-commerce ecosystem. According to Minister of Trade Zulkifli Hasan, these regulations are outlined in the revised Minister of Trade Regulation Number 50 of 2020, which was issued on Tuesday, September 26, 2023, and include provisions for business licensing, advertising, guidance, and supervision of business owners trading through electronic systems. This revision is motivated by the circulation of goods on e-commerce platforms, where transactions are conducted using a variety of electronic devices and methods that continue to fail to meet standards, both the National Standards of Indonesia (SNI) and other standards. Aside from that, there is evidence of unethical trading activities by foreign business owners who allegedly sell products at extremely low prices in order to monopolize the Indonesian market (Mediana, 2023).

One of the clauses regulated is the prohibition on social media platforms from facilitating their users to conduct purchasing and selling transactions, as well as social commerce. Purchasing and selling on online platforms is only possible through e-

commerce. Aside from that, the Ministerial Regulation contains the following details:

1. Defining the business model of trade organizers through electronic systems such as marketplaces and social commerce to facilitate guidance and supervision;
2. Setting a minimum price of US\$100 per unit for finished products from overseas that are sold directly by traders to Indonesia through cross-border e-commerce platforms;
3. The positive list that is provided as a list of commodities from overseas that are allowed to cross-border "directly" into Indonesia through the electronic trade platform;
4. Specific requirements for foreign traders at domestic markets are to submit proof of business legality from their country of origin, comply with the National Standards of Indonesia and halal, include Indonesian language labels on products from abroad, and provide proof of delivery origin;
5. Market places and social commerce cannot act as producers;
6. Trading organizers through electronic systems and affiliates cannot control public data and must ensure that user data is not misused by trading organizers through electronic systems or affiliated companies.
7. Social commerce can only facilitate the promotion of goods or services and cannot offer payment transactions (Yolandha, 2023).

The closing of TikTok Shop favors other e-commerce platforms throughout the world because many TikTok Shop users and sellers have shifted to other e-commerce sites. The copyright policy of TikTok demonstrates efforts to protect each user's artistic work and originality, including rewards for those who produce original content. Likewise, the decision of the government of Indonesia to close TikTok Shop platform in 2023 will have a huge influence on e-commerce business in Indonesia. This occurs as a result of infractions of the government's electronic commerce regulations, particularly those governing business licensing, advertising, and business owner oversight. The main reason for closing TikTok Shop was that it was found to have violated these regulations and lacked the necessary operating permissions. This reflects the competitive dynamics of the e-commerce market, as well as how government laws can influence business and customer behavior (Soebroto et al., 2023).

This rule further regulates cross-border trade practices, which were initially restricted to cross-border commerce for imported items already in Indonesia. This intends to protect local business owners, particularly MSMEs, and ensure that goods supplied through e-commerce platforms fulfill the government's criteria. As a result, the regulation specifies that TikTok Shop was closed because it was classified as a marketplace and a social commerce platform, both of which served as producers. Even though the closure of TikTok Shop restricts cross-border commerce practices, TikTok platform is still permitted to offer discounts that have the potential for predatory pricing, particularly when it comes to the direct selling of imported items by traders from overseas. This demonstrates that the government must continue to monitor and regulate business practices in the e-commerce market to provide fairness and protection for all business owners.

TikTok Shop policy from the government of Indonesia highlights the complexities of controlling social media and e-commerce platforms in terms of consumer protection, data security, business rivalry, and trade policies. After raising pros and cons from various parties, the government of Indonesia reactivated TikTok Shop on December 12, 2023, only

two months after the government of Indonesia announced that TikTok Shop was closed. It returned after TikTok officially partnered with PT. GoTo Gojek Tokopedia Tbk. on December 11, 2023. GoTo announced that Tokopedia and TikTok Indonesia will form PT. GoTo Gojek Tokopedia Tbk. Here's a quick overview of the strategic agreement:

1. TikTok will have control over Tokopedia and own 75.1% of the shares.
2. The purchase agreement was signed for US\$340 million, or around IDR5.338 trillion.
3. Tokopedia will operate and manage the shopping feature on TikTok Indonesia.
4. TikTok will invest more than US\$1.5 billion, or around IDR23 trillion, to support the operations of Tokopedia.

Stephanie Susilo, the E-commerce Executive Director of TikTok Indonesia, explained why they chose to cooperate with Tokopedia. TikTok and Tokopedia, she claims, are working toward the same end. "Because we share the same goal and mission: to support local MSMEs and Indonesian enterprises. TikTok Indonesia is now in a trial phase. Throughout the trial term, TikTok Indonesia will continue to work with Tokopedia and the Ministry of Trade to evaluate the service (Seno, 2023).

4.2 The Responses of MSMEs to the Dynamics of TikTok Policy in Indonesia

Minister of Trade Regulation No. 31 of 2023, which has the effect of closing TikTok Shop in Indonesia, has elicited conflicting reactions among MSME owners who sell their products on TikTok Shop. For example, Putri Nabila, the owner of the skincare company Dear Glow, reported that her revenue plummeted as a result of this policy. Aside from that, reducing the frequency of live broadcasting from three to one will undoubtedly diminish turnover (Interview with Putri Nabila, January 5, 2024).

MSME owners in the thrifting and preloved sectors responded similarly to Dear Glow. This rule has a significant impact on sales and the sales graph before and after the shutdown of TikTok Shop since it impacts customers who wish to buy products in real time but have some trouble with payment methods. Aside from that, it has a significant impact on promotional content because it cannot incorporate links or yellow baskets to assist customers (Interview with Mustika, January 16, 2024).

There are also MSME owners who respond differently from the preceding two MSME owners since they offer on various e-commerce platforms than TikTok Shop. Ardhi, who owns the fashion company Teraceswear, answered that he was startled, but it wasn't very influential because his company uses other platforms, so he wasn't too concerned. Teraceswear was not greatly damaged by the policy of closing TikTok Shop because the company already has its own website and only recently joined TikTok platform (Interview with Ardhi, January 11, 2024).

Syauqi, an MSME owner who owns a leather shoe business and had recently started using TikTok Shop platform, had a terrible reaction. Syauqi said that he was sad since his products were initially available just on TikTok and not on other platforms. Furthermore, he attempted to increase engagement and track the reach of his sales content. TikTok Shop was closed when it started to be successful, which naturally had an impact on sales. However, Syauqi, like Teraceswear, saw no significant influence; he mourned the closure of TikTok Shop because it reminded him of his struggles in growing his business (Interview with Syauqi, January 13, 2024).

The varied impacts demonstrate that TikTok Shop plays an important role in helping MSME sales. Even Minister of Trade Regulation No. 31 of 2023 has an impact on not only sales turnover but also the frequency of live streaming, shareable content, and payment options available to customers. Limitations in showing links or shopping baskets directly in live shopping content impede the purchasing process for customers, which affects sales (Priyono & Sari, 2023).

The response of MSME owners to the policy of closing TikTok Shop platform is also determined by how reliant they are on it. MSMEs that sell on several other platforms see comparatively little impact because they have other options for selling their products. However, for MSMEs that launched their businesses through TikTok Shop, the closure was disappointing and had a direct impact on their marketing and sales efforts. Aside from that, the influence is determined by how much work they "invested" in establishing their business and increasing sales through TikTok Shop. This demonstrates that MSMEs must have diversified and adaptable business strategies in order to survive in the dynamic e-commerce environment shaped by government rules.

4.3 Adaptation Efforts of MSMEs to the Dynamics of TikTok Policy in Indonesia

One of the challenges at hand is traditional MSMEs against TikTok Shop. Many parties believe that the existence of TikTok Shop is killing traditional MSMEs, as many traditional MSMEs have gone bankrupt as a result of many Indonesians using TikTok. Ignatius Untung, a digital economics expert, stated that the emergence of TikTok Shop cannot be automatically blamed. According to him, everything boils down to the seller's ability to react to the economic transition that is now entering the digital arena (RRY, 2023).

In line with this statement, a marketing communications expert noted that "TikTok Shop can be said to be one of the factors triggering the situational development of the weakening existence of MSME businesses in Indonesia. However, there are other significant factors that contribute to the problem, such as the wrong mindset in doing business, a business mentality that has not been well developed, and rudimentary technical managerial abilities for business operations" (Interview with Rakhman, January 2, 2024).

Since the beginning of the existence of TikTok Shop in Indonesia, MSMEs have demanded adaptations to change their marketing communication strategies. In the development process, there are (1) MSMEs that have succeeded in adapting by following the behavioral demands of customers who use TikTok when shopping; (2) MSMEs that have used TikTok Shop media to market their products from the beginning; (3) and the last one is MSMEs that have yet to adapt to digital marketing (traditional MSMEs).

With the existence of these three kinds of MSMEs, MSMEs will engage in a variety of adaptation processes as TikTok policies change. MSMEs that have effectively adapted from the start, as well as those that have used TikTok media from the outset, will be unaffected by the dynamics of this policy, while some aspects of their marketing communication plans will need to be altered. What is concerning is that traditional MSMEs have been unable or unwilling to adapt from the start, and they will continue to struggle to promote their products since, according to the most recent observations regarding TikTok Shop policy, online marketing is still carried out in various formats and approaches.

Each MSME product category must be adapted to its own unique business model and

industry. This includes differences in the level of business competition. All of this will undoubtedly influence the requirements for designing business strategies, marketing strategies, and marketing communications strategies. When it comes to customer demand, MSMEs in the culinary and fashion sectors have more potential than other categories of MSMEs. "The most important challenge is retaining customers who have become customers or new customers; therefore, we use the strategy of including other e-commerce links to make it easier for them to buy our products, particularly in terms of payment and shipping costs" (Interview with Mustika, January 16, 2024).

Closing TikTok Shop feature has the ability to raise the price of goods. TikTok Shop feature can provide discounts and shopping vouchers to customers by the sellers, increasing their purchasing delight. The elimination of TikTok Shop feature also results in a loss of competition on TikTok, which has the potential to raise the price of products. With the removal of this feature, customers have few options for comparing the pricing of products from one store to another. As a result, some sellers attempt to capitalize on the situation by raising their product prices in order to profit. This can be harmful to customers who pay excessive prices for the same products (Amanda, 2023).

The shutdown of TikTok Shop had a huge impact on influencers who collaborated with the platform. The loss of income sources that were previously obtained through collaboration with TikTok Shop is a serious problem for many influencers. This partnership is not just about business; it is also an important financial connection for them, so this closure could result in uncertainty about their financial stability.

Aside from lost revenue, another impact that needs to be considered is changes in the social influence that influencers have. TikTok Shop gives influencers the opportunity to not only promote products but also interact directly with their followers. With these shutdowns, influencers may have to look for new ways to maintain and expand their personal influence in the ever-evolving digital ecosystem. Thus, this event not only poses a financial risk but also creates new challenges in maintaining relevance and follower engagement (Ramli et al., 2020).

In the most recent development, TikTok Shop has relaunched by cooperating with Tokopedia in order to help MSMEs. Because, in addition to facilitating millions of digital sellers' access to a larger market, this collaboration is supposed to provide customers with more options to suit their demands (Safitri & Sukmana, 2023). The shopping service feature on TikTok Indonesia will officially be operated and managed by Tokopedia. Tokopedia emphasized that all purchasing and selling operations and transactions will proceed as usual for its merchant partners. Sellers are likely to benefit from this agreement by broadening their customer base. The potential reach of customers grows, thereby enhancing sales and market visibility for all Tokopedia seller partners.

Link UMKM (a platform organized to support the development of MSMEs) conducted research involving 595 respondents with the aim of understanding the response of MSME owners to the return of TikTok shopping service, which is now known as Shop Tokopedia. The survey results show that the collaboration between Shop Tokopedia has had a positive impact on increasing the income of MSMEs and business people who believe that the credibility of the Shop Tokopedia platform as a place for online shopping will increase because the e-commerce service is operated by Tokopedia. Of the 520 respondents, 90% acknowledged a significant increase in their sales. The details involve 3% of MSME owners who experienced an increase in turnover of more than 100%; 5% reported a 76–100% rise in turnover; and 17% recorded a gain of 51–75%. The majority, or 41% of MSME

owners involved in the survey recorded an increase in gross income of 26–50% (UMKM, 2024).

Marketing communications expert Rakhman stated that the adaptation of marketing communications strategies that must be conducted is:

1. Understand the target market profile in depth to be able to find out the problems they face as customers.
2. Develop appropriate business and marketing development policies and strategies in accordance with understanding consumer problems;
3. Design Integrated Marketing Communication (IMC) policies and strategies in accordance with the business or marketing policies and strategies;
4. Develop a creative strategy based on developing the brand-soul concept of the product to be promoted;
5. Develop a message strategy based on the derivative application of the what-to-say concept that has been determined for a product to be promoted (Interview with Rakhman, January 2, 2024).

The adaptation conducted by MSMEs, as explained by the owner of Dear Glow, was by making a strategic plan before TikTok Shop was closed. Dear Glow prepared as much content as possible so that it could be uploaded every day both on Instagram and TikTok. Setting a target market to make it easier for creators to create marketing content, utilizing other social media, and also using an implementation system for themselves, so they not only market the product to the customers but also use Dear Glow by themselves, the owner, and employees (Interview with Putri Nabila, January 5, 2024).

Technically, on December 11, 2023, at 09.00 (Indonesian time zone), sellers can access and manage products in the seller center. TikTok Indonesia explained that sellers can prepare to reopen by turning off holiday mode in their stores. Because, during the inactive period, TikTok activates holiday mode automatically. The seller center also allows sellers to review and update their inventory and product offerings. Sellers then link their products to short videos and live sessions.

The relaunch of TikTok Shop through Tokopedia must be accompanied by adaptations to improve the quality of local MSME products. In this approach, customers will be more likely to prefer domestic products over imports. Affiliates who currently do not have products but are involved in selling MSME products are considered to have an easier time finding customers and increasing their transactions. MSMEs adapt to improve by prioritizing the quality and uniqueness of their products. In this method, every MSME product will have better value or benefits, even if the price tends to be higher than imported products.

"The collaboration between the two has the potential to benefit both parties (GoTo and TikTok). However, it is not certain that it will bring immediate benefits and profits for MSME owners in Indonesia. Basically, MSME owners require clarity on strategic roles, particularly in terms of their position ("where") within the span of the business ecosystem of the two companies" (Interview with Rakhman, January 2, 2024).

5. CONCLUSION AND RECOMMENDATION

TikTok policy in Indonesia, which affected by the amendments to electronic commerce regulation released by the government of Indonesia in 2023, is experiencing substantial

changes and has caused controversy along with the pros and cons not only among MSME owners but the society of Indonesia in general. Especially after the government of Indonesia reopened TikTok Shop following the decision of TikTok Indonesia to partner with Tokopedia. The policy dynamics surrounding TikTok Shop have a considerable impact on e-commerce businesses and MSMEs in Indonesia, particularly regarding marketing and sales operations. The degree to which MSMEs rely on TikTok Shop platform influences their response to this policy.

MSMEs aren't making good use of social media platforms because they don't see the possible advantages of sustainable marketing through social media. The majority of social media efforts either downplay or handle sustainability in a very basic and sterile way, which gives people the impression that firms don't take their sustainable policies seriously.

Regardless of the dynamics of electronic commerce policy, the government must implement strict entry requirements for imported goods, particularly those involving e-commerce transactions, and continue to monitor its operations in order to avoid harming traditional MSMEs. Tokopedia maintains its commitment not to open cross-border trade, as other e-commerce platforms have. The most important thing that must be implemented by MSME owners when dealing with the dynamics of government policy and the development of e-commerce in general is to continue to increase their adaptability to changes in policy and market trends by developing diverse and consumer-oriented marketing strategies. MSMEs must also continue to improve the quality of their products and services in order to remain competitive in today's market.

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