Chapter 16
The Landscape of Social Commerce in Indonesia

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ABSTRACT

Social commerce is a growing research field. However, there is still limited discussion on how social commerce companies can thrive in the emerging market such as Indonesia given some differences in terms of customer and other supporting infrastructure characteristics. The chapter covers the growth of social commerce, Indonesian social commerce landscape, and different elements of social commerce including customer engagement, customer interaction, and digital influencers. It is expected that this chapter can provide better insights into social commerce in Indonesia.

INTRODUCTION

Companies start to feel the pressure to stay relevant and engage in the area where most of their customers interact (Baird and Parasnis, 2011). This would imply that a platform is crucial to stay relevant and be engaged with customers. Furthermore, social media has shown significantly fast growth in only 4 to 5 years since their early establishment (Dong-Hun, 2010) and therefore play crucial roles in companies' interaction with customers.

The rapid social media development would possibly change the way people interact and create new opportunities. As explained by Tsimonis and Dimitriadis (2014), due to the rapid penetration of social media into society, many firms are now using it as part of their marketing and brand-building program, since using social media provides the opportunity to connect with customers using richer media and provide greater result in reach (Tsimonis and Dimitriadis, 2014).

The research on social media has attracted a lot of attention (Lu et al., 2016). A new concept called social commerce recently emerged as a social media platform that facilitates and assists the customer to

purchase online or even allows the users to sell products and services. These platforms increase communication with massive numbers of consumers, where it becomes easier for both parties, the buyer and seller, to find and attract each other (Akman and Mishra, 2017). It represents a new type of electronic commerce resulting from the interaction between consumers through (social media) technology. In social commerce, consumers can influence other consumers' buying intentions and purchasing decisions via social interactions (Shen, 2012).

E-commerce has been known to provide benefits for the buyers since it allows them to access the market globally from different locations worldwide to find the other sellers that hold larger product availability at different price offerings. (Grandon and Pearson, 2004). However, social commerce provides a new nuance to e-commerce through the addition of social aspects. The addition of the social aspect of shopping to e-commerce enables people to have a more social presence in the online environment (Lu, Fan, and Zhou, 2016). This social presence can be in the form of interaction with other customers and with the company.

Besides social commerce, within the growth of e-commerce itself, emerged the new trend of m-commerce, which is known as an online trading model where mobile devices functioned as the media to perform the basic functions of trade, such as information searching, contact between the customer and the seller. (Fransisco, Fransisco, and Jesus, 2018). As a result, mobile devices have become a vital tool nowadays for any personal or professional activity, and also, it has a very high level of acceptance by consumers, increasing the trend of companies utilizing m-commerce to keep the relevance with the current trend of the customer. (Masamila, Mtenzi, Said, and Tinabo, 2010)

Social commerce in Indonesia is slightly different from the ones in other Asian countries, China. Even though social commerce itself is not exactly a new trend (as Indonesians utilize Facebook and Whatsapp to sell products), the social commerce model found in this country has traditionally relied on a reseller model (techwireasia.com, 2020). Direct e-commerce platforms have struggled to survive in this country, as there are many barriers to business. For example, these businesses are geographically separated from potential buyers by huge distances. Moreover, the lack of reliable internet connections and a dearth of online delivery services that reach many rural areas also add to the problems. The disconnect with rural buyers brought disadvantages to services provided by e-commerce companies, limiting their distribution coverage to most big cities such as Jakarta, Surabaya, Bandung, Semarang, and Medan.

In one of its reports, Goldman Sachs noted that e-commerce platforms only have a 7% penetration rate in Indonesia. This implies that the dedicated social commerce platforms would have to eventually utilize the hybrid system, which combines both online and offline systems. Therefore, the platforms engaged reseller agents as their product ambassadors, enabling them to target consumers via social platforms and making it possible to complete the transactions face-to-face.

Due to Indonesian market conditions, some technological features of social commerce may not be applicable in rural areas. For example, compared to China, the usage of Q.R. code is not widely used to conduct web-based transactions. They are not accustomed to going through several steps to make a purchase, nor are they accustomed to reaching out to customer service if something goes wrong. Then when it comes to logistics, the sector remains fragmented, with manufacturers having difficulty penetrating the last-mile segment in rural Indonesia. This may cause the shipping costs to be astronomical and prevent people from doing shopping through social commerce.

This chapter aims to highlight the roles of social commerce and its roles in Indonesia's e-commerce landscape. More specifically, the chapter will also examine the relationship between perceived characteristics of social commerce and their influence on user's trust, and analyze the influence of trust towards

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