

Factors Affecting the Use of Social-Media *TikTok* to Improve SME Performance

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ABSTRACT

The current growth of internet use has consequently contributed to the growth of Social-Media. A Social-Media platform that is trending in Indonesia at the moment is the *TikTok*. Many SMEs, especially young entrepreneurs, use the *TikTok* platform to improve their business performance in order to achieve organizational goals related to profitability, sales growth and market share. Therefore, this study aims to determine the effect of Interactivity, Cost Effectiveness, and Compatibility on the performance of SMEs with the use of *TikTok* Social-Media as a mediating variable. The sample of this study was 100 SME in Jakarta that use *TikTok*. The sampling technique in this study was purposive sampling based on certain criteria in order to provide the appropriate information needed by the researcher. The results showed that Interactivity, Cost Effectiveness, and Compatibility have a positive and significant effect on the use of *TikTok*. The use of *TikTok* has a positive and significant effect on business performance. The results of the study also stated that *TikTok* successfully served as a mediating variable.

Keywords: *Interactivity, Cost-effectiveness, Compatibility, Social-Media TikTok Usage, Business Performance*

1. INTRODUCTION

Today, the internet has become a primary need. Based on data, the number of internet users in 2021 in Indonesia has reached 201.6 million. Compared with the current population of Indonesia of 279.9 million people, it can be concluded that 73.7% of the total population in Indonesia using internet [1]. The growth of internet use has certainly contributed to the development of Social-Media. Social-Media is a user-driven platform that delivers engaging content, dialogue creation, and communication to a wider audience. Social-Media is a digital space that provides a place for interaction and networking at various levels such as business, personal, professional, marketing, political, and social needs [2]. One of the Social-Media that is currently trending in Indonesia is the *TikTok* application. Based on data from 2020, Indonesia is the second largest *TikTok* user in the world [3]. The *TikTok* application is widely used by SMEs in promoting their products because this application provides a device that can be used to make videos, send messages, making it easier to interact with consumers. In supporting SMEs, *TikTok* launched a program called self-serve *TikTok* where SMEs can market their products creatively using Video Creation Kits, Smart Video Soundtracks, and also *TikTok* Ads with flexible costs according to the capabilities of the SMEs. *TikTok* also provides business accounts that can be used to measure and analyze SME business engagement and performance [4]. There are several factors that need to be considered by

SMEs in adopting Social-Media in an effort to improve the performance of their business. These factors include interactivity, cost effectiveness and compatibility [5]. Interactivity is a virtual presence shown by communicating synchronously and engaging in real time with consumers, as well as obtaining effective results and the impact from said interaction [6]. Interactivity is a major consideration in utilizing Social-Media because it can bridge the difference in time and geographical location [7].

In addition to, cost effectiveness is also a determining factor for Social-Media adoption. Cost effectiveness is the effectiveness of the cost plan with the actual solutions in an effort to improve performance within the organization by having low and reasonable costs [8]. Expenditures to convey messages are often calculated with a certain nominal amount of money and are generally seen as heavy expenses [9]. Social-Media offers a variety of free or low-cost solutions to be used effectively by SMEs [5]. At present, many SMEs choose to use Social-Media because it allows SMEs to make significant cost cut. Cost effectiveness is the most important choice for most SMEs especially for marketing cost [10].

Compatibility is also a variable to be considered in the selection of Social-Media. Compatibility is a measurement of the extent to which an innovation is considered consistent with the needs or existing practices of potential adopters. High compatibility is a reference for SMEs to adopt innovations [11]. The appropriate compatibility between technological innovation values and corporate culture is an

important determinant of the use of innovation for SMEs [12]. Using Social-Media to improve the performance of SMEs in business will be the most suitable concept. Social-Media helps SMEs with marketing effectively so that they can receive direct responses from consumers through product content offered to the right target customers [13].

2. LITERATURE REVIEW AND HYPOTHESES

2.1. The Influence of Interactivity on the Use of Social-Media

The virtual presence of Social-Media is a fulfillment of the need to communicate synchronously and engage with consumers in real time, as well as obtain effective and reciprocal interactions [6].

H₁: Interactivity has a positive and significant effect on the use of Social-Media.

2.2. The Influence of Cost Effectiveness on the Use of Social-Media

Social-Media provides many ways that can effectively be used as marketing solution because of its convenience such as free or low cost budget. Most Social-Media sites do not require a fee to register and the costs incurred are usually only for creating content and responding to customer comments [5].

H₂: Cost-effectiveness has a positive and significant effect on the use of Social-Media.

2.3. The Effect of Compatibility on the Use of Social-Media

Social-Media platforms offer features to meet consumer preferences and market needs that may not previously exist in traditional marketing media. The companies can adjust their target customers effectively, efficiently, and rapidly through the content of their products/services by using Social-Media [13].

H₃: Compatibility has a positive and significant effect on the use of Social-Media.

2.4. The Effect of Social-Media Use on Business Performance

The benefits associated with using Social-Media are broad and varied. The results of the use of Social-Media are generally aimed at improving organizational performance, both financial and non-financial [12].

H₄: The use of Social-Media has a positive and significant effect on business performance.

2.5. The Influence of Interactivity on Business Performance through the Use of Social-Media

Interactivity has been recognized as an important activity in the use of Social-Media for business management purposes [18]. Commonly, interactivity refers to the relationship among parties that mutually beneficial [19]. These reciprocal actions can ultimately contribute to the quality of the relationship between the two parties which has an impact on business performance [20].

H₅: Using Social-Media can positively mediate the effect of interactivity on business performance.

2.6. The Influence of Cost Effectiveness on Business Performance through the Use of Social-Media

Many studies highlight the importance of cost in technology utilization [12]. Social-Media is a technology with a relatively low cost that enables direct communication with customers [21]. The use of Social-Media allows strategic communication by reaching their customers effectively without requiring investment or high costs so as to improve the performance of the company [15].

H₆: Using Social-Media can positively mediate the effect of cost effectiveness on business performance.

2.7. The Effect of Compatibility on Business Performance through the Use of Social-Media

Compatibility with Social-Media is a major factor in today's business processes, especially in relationships with suppliers and customers. Compatibility between technological innovations and corporate values is an important determinant of innovation [16]. Poor compatibility can hinder innovation, which will certainly have an impact on performance [17].

H₇: Using Social-Media can positively mediate the effect of compatibility on business performance.



Figure 1 Social-Media (TikTok) Usage Model for Business Performance

3. RESEARCH METHOD

This is a descriptive study with a cross sectional design method. The research population is SME actors. Based on the Constitution No. 28 of 2008, the criteria for SMEs is to have a maximum revenue of Rp.300.000.000 per year or Rp.25.000.000 per month. The sample of the study is SMEs in Jakarta that use *TikTok* Social-Media in conducting their business. The study takes samples using non-probability sampling, meaning that the members of the population do not have the same opportunity to be selected as samples or respondents of the study. The sample selection technique in this study is purposive sampling, which is a sampling technique based on certain criteria in order to provide appropriate information needed by researchers. The sample used in the study numbered 100 SMEs. In order to test the hypotheses, the research used Partial Least Square (PLS) using SmartPLS.

4. RESULTS & DISCUSSIONS

The majority of the respondents were of male gender (67%), 25-30 years old (60%), has been running the business for 1-2 years (85%) with most of them engaging in culinary business (30%).

Data processing in this study uses Smart PLS 3.3.0 software with outer model measurement stages to check the validity and reliability, followed by conducting inner model measurement to analyze the relationship between variables in the study and test the hypotheses that have been formulated in the study [22].

The results of the Convergent Validity analysis on the variables of Interactivity, Cost Effectiveness, Compatibility, Use of Social-Media, and Business Performance met the requirements because the Average Variance Extracted (AVE) value is higher than 0.50 [22]. Likewise, the results of the Discriminant Validity analysis met the requirements because the cross loadings value of the indicator is greater than the loadings indicator value of other variables [23]. Similarly, based on the results of Discriminant Validity (Fornell-Larcker analysis) all indicators have met the Fornell-Larcker criteria, with the AVE value of each construct greater than the correlation value between constructs [23]. The results of the reliability test showed that all variables are considered reliable because the Cronbach's Alpha and Composite Reliability are greater than 0.7.

The next step is to conduct inner model measurement. Based on table 1, the structural model has achieved good R2 values 0.675 (67.5%) for Social-Media *TikTok* usage and 0.567 (56.7%) for SME performance. Furthermore, the results showed that the measurement of Q-Square (Q²) obtained values of 0.368 and 0.322 (Q² > 0) which means that it can predict the variables well. The result of the Goodness of Fit test obtained from the calculation is 0.563, meaning that the level of confidence in this research model is large.

Furthermore, it can be seen in table 2 that the results of the Path coefficients show that each variable has a positive effect. The biggest influence in using *TikTok* Social-Media is cost effectiveness with a value of 0.373, followed by the compatibility variable with a value of 0.332 and lastly is the interactivity variable with a value of 0.215. This research also examined using *TikTok* Social-Media can affect SMEs' performance by 0.753.

Table 1 Data Analysis Results

Variable	Indicator	Loading Factor	AVE	Cronbach's Alpha	Composite Reliability	R ²	Q ²
Interactivity	I1	0,680	0,546	0,723	0,827		
	I2	0,675					
	I3	0,806					
	I4	0,786					
Cost Effectiveness	CE1	0,755	0,545	0,791	0,857		
	CE2	0,721					
	CE3	0,704					
	CE4	0,718					
	CE5	0,79					
Compatibility	C1	0,633	0,551	0,837	0,880		
	C2	0,523					
	C3	0,517					
	C4	0,539					
	C5	0,449					
	C6	0,627					
Social-Media Usage	SMU1	0,796	0,564	0,889	0,912	0,675	0,368
	SMU2	0,687					
	SMU3	0,73					
	SMU4	0,745					
	SMU5	0,744					
	SMU6	0,848					
	SMU7	0,731					
	SMU8	0,719					
Business Performance	BP1	0,611	0,591	0,885	0,910	0,567	0,322
	BP2	0,678					
	BP3	0,638					
	BP4	0,577					
	BP5	0,528					
	BP6	0,471					
	BP7	0,461					

Table 2 Path Analysis and Hypothesis Results

Hypothesis	Path Coefficient	t-statistics	p-Values	Result
Interactivity -> <i>TikTok</i> Usage	0,215	2,024	0,043	Significant
Cost Effectiveness -> <i>TikTok</i> Usage	0,373	3,774	0,000	Significant
Compatibility -> <i>TikTok</i> Usage	0,332	2,446	0,015	Significant
<i>TikTok</i> Usage -> Business Performance	0,753	15,203	0,000	Significant
Cost Effectiveness -> <i>TikTok</i> Usage-> Business Performance	0,281	3,659	0,000	Significant
Interactivity -> <i>TikTok</i> Usage -> Business Performance	0,162	1,988	0,047	Significant
Compatibility -> <i>TikTok</i> Usage -> Business Performance	0,25	2,315	0,021	Significant

All paths coefficients are statistically significant and in the expected direction (H1, H2, H3, H4). This study also found that Social-Media can positively mediate the effect of interactivity (H5), cost effectiveness (H6) and compatibility (H7) on business performance. The results of this study are in line with previous studies by Odoom [5], Ainin [12] and Nilasari [25].

5. CONCLUSIONS AND IMPLICATIONS

Based on the results of data processing and analysis, several conclusions were found. First, interactivity has a positive and significant effect on the use of *TikTok* Social-Media. *TikTok* userbase in Indonesia is massive and is suitable for the youth market segment. SMEs are greatly helped by using *TikTok* Social-Media because communication with customers becomes more interactive and creative. Another conclusion is that cost effectiveness has a positive and

significant impact on the use of *TikTok* Social-Media. This is very helpful for SMEs, which generally have limited marketing funding. In addition, the study also found that compatibility has a positive and significant effect on the use of *TikTok*. *TikTok* has features that are easy to understand and integrate within businesses. *TikTok*'s features are also in line with their target customers who are generally of the millennial generation, leading to well-received product content delivery. The results of the study stated that the use of *TikTok* has a positive and significant influence on the performance of SMEs. This is because *TikTok* Social-Media is an infrastructure for SMEs to promote their products online in a cost-effective manner, exposing them to new potential customers. In addition, active engagement in *TikTok* Social-Media can foster good relationships with consumers and allows feedback from customers and business partners, strengthening the brand which will ultimately have an impact on the performance of SMEs. This explains the results of research which states that the use of *TikTok* Social-Media can positively mediate the effect of interactivity, cost effectiveness and compatibility on business performance.

6. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

This study has several limitations, such as the limited number of samples because some SMEs who were contacted directly through *TikTok* were not responsive. In addition, this research was only conducted on SME in Jakarta, opening up the possibility of getting different results if the geographic data is expanded. For further research, it is recommended to explore other variables that can serve as the reason for the use of Social-Media in running a business and its impact on the performance of SMEs while expanding the range of the sample. In addition, it is possible to conduct a comparison between other Social-Media such as Facebook and Instagram to further examine the influence of each of these Social-Media on the performance of SMEs.

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