

BUSINESS CASE COMPETITION



PRELIMINARY ROUND

**STRATEGIC RESILIENCE:
THRIVING AMIDST TECH DOWNTURN
IN THE DIGITAL ERA**

BUSINESS CASE

Guiding Platform Business Growth: A Case Study of Tiktok

1. OPENING

In September 2016, Tiktok began to appear in the digital world as a social media platform that offers short videos. In Indonesia, TikTok became known to the public in 2018 and its existence began to skyrocket during the Covid-19 pandemic where the government implemented a stay-at-home policy so that its use began to become massive. Even in January 2023, according to Databoks, Indonesia is ranked 2nd as the country with the highest number of TikTok users in the world, namely 109.9 million users (figure 1.0).

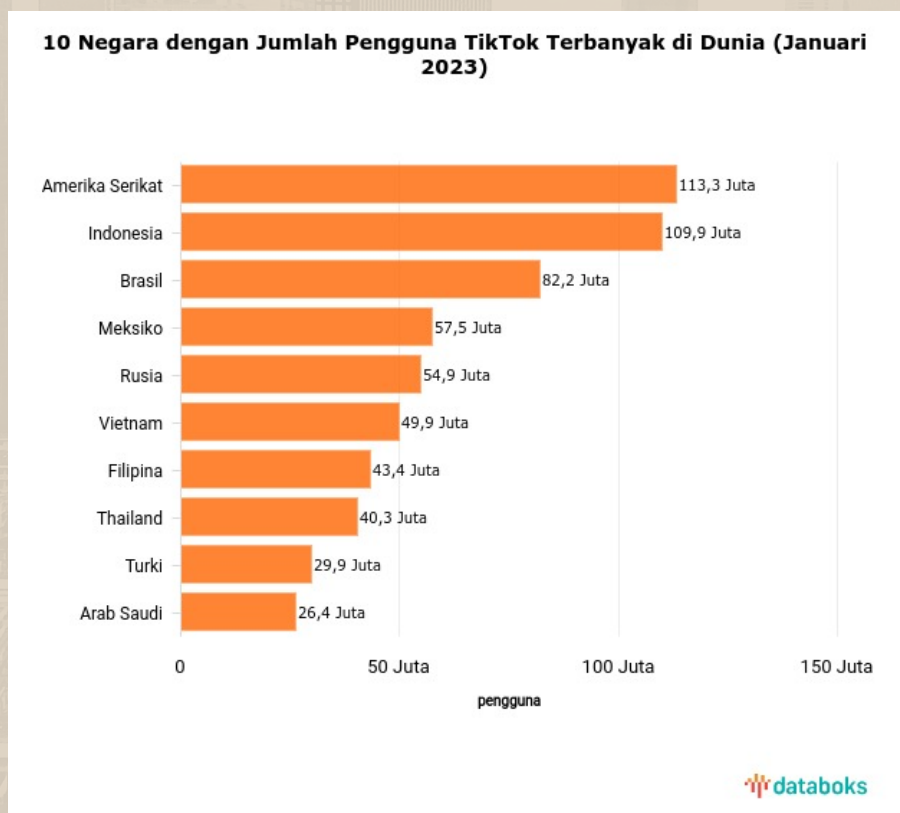


Figure 1.0 Data on 10 Countries with the Largest Number of TikTok Users in the World (January 2023) from Databoks



At the beginning of its appearance, TikTok had not yet demonstrated its role in the business world as it is today. There was a sentiment that TikTok was just social media and would not be a disruptive tool to make it a channel or platform for business growth. In September 2021, TikTok launched a feature that makes it easier for users to shop from their favorite stores or brands through an application called TikTok Shop or what we usually call the "Keranjang Kuning".

The use of TikTok increases every year, this is also directly proportional to their income. As of June 2022, TikTok's total revenue has reached US\$ 5.5 billion (source: Swa.co.id). This is because TikTok combines the functions of social media and e-commerce into one, so that consumers or customers can easily "check out". Sellers and buyers are also given the opportunity to interact through live streaming services. TikTok will help promote entrepreneurs' content at a certain rate. The goal is for the content to go viral (known as FYP or For Your Page) and attract a larger audience. In fact, Indonesia is one of the largest markets in the world for TikTok Shop (by Jakarta Post).

2. COMPANY BACKGROUND

PT Paradise Is a beauty company which includes Make up, Face care, Skin care, and Personal care. The Company is one of the market leader in beauty industry. The Company already have 6 well-known brands in the market and to achieve a sustainable growth the company had been selling its products through various channels which grouped based on market type as follow:

1. Modern Trade > Hypermarket, Supermarket, and Department Store
2. Traditional Cosmetics Store > Small and Medium Cosmetics stores
3. Health and Beauty Store > Watson Guardian
4. Minimarket > Indomaret and Alfamart
5. Digital Market > Marketplace and E-Commerce

In early 2022, PT Paradise began to enter the TikTok market through the brand D which was just launched in 2021 and made it the initial Brand D sales channel. After that, several cosmetics brands also started to enter the TikTok market, such as Impala and Originetal. Followed by the entry of other brands such as Somewhere, Skinguru, Maybenote at the end of the year. The growth of TikTok is an opportunity for PT Paradise to develop its



business and one by one the PT Paradise brands are starting to penetrate the TikTok market.

As a market leader PT Paradise would like to hold their leading position in the market, including the new emerging channel (TikTok). The PT Paradise E-Commerce Team, as the front guard in this matter, continues to iterate and improve performance on the TikTok channel, one of which is by adding live streaming and affiliate pillars.

TikTok can be said to be a disruptive platform, as they capture changes in consumer behavior and create different values through their TikTok Shop by combining social media and e-commerce functions into one. In fact, many studies say that TikTok is a pioneer in changing the consumer journey model from what we know as the Marketing Funnel (figure 2.1) to the Infinity Loop model (figure 2.2). So, the pattern that occurs does not start with awareness and ends with sales, but instead sees the purchase path as an infinite loop:



Figure 2.1 Marketing Funnel



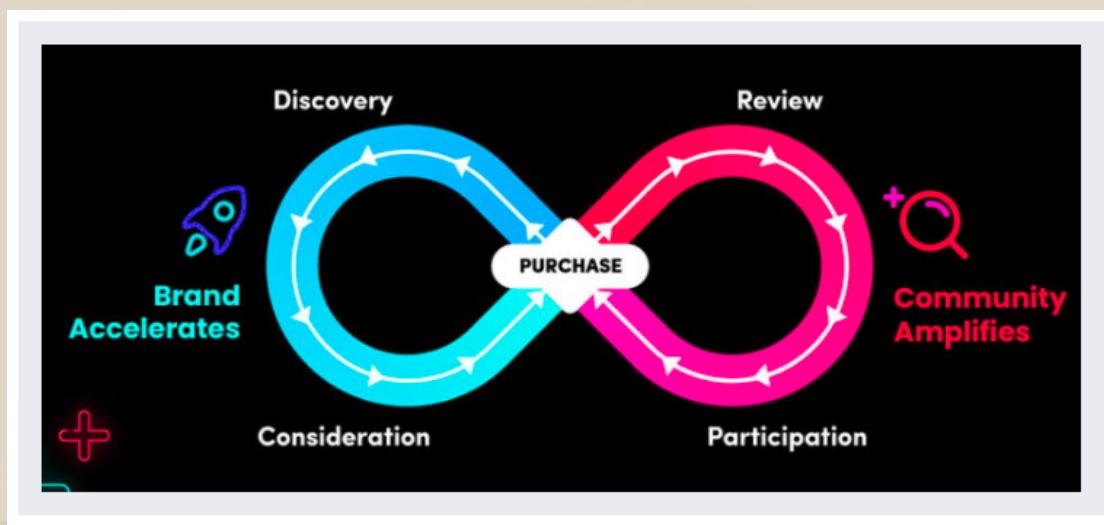


Figure 2.2 Infinite Loop TikTok Retail Path To Purchase

3. CASE STUDY

The revenue growth of PT Paradise has increased since entering the Tiktok channel.

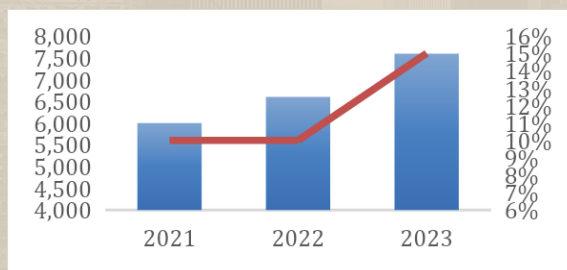


Figure 3.0. Revenue growth 2021-2023 PT Paradise in million USD

Even though the sales contribution still tends to be small compared to other channels, it turns out that entering the Tiktok channel not only adds new revenue stream but also stimulates growth from other channels.



Cost by Channel 2023	Modern Trade	Traditional Cosmetics Stores	Health and Beauty	Minimarket	Digital Market	Tiktok
Margin Discount	23.0%	21.0%	25.0%	18.0%	27.0%	27.0%
Selling Cost						
Consumer Promo	3.5%	7.0%	6.0%	12.0%	2.5%	3.5%
Listing Fee	0.5%	0.0%	0.1%	0.5%	0.0%	0.0%
Visibility	1.0%	0.0%	2.5%	2.5%	1.0%	1.0%
SPG	8.0%	7.0%	8.0%	0.0%	0.0%	0.0%
Platform Fee	0.0%	0.0%	0.0%	0.0%	6.0%	8.0%
Total Selling Cost	13.0%	14.0%	16.6%	15.0%	9.5%	12.5%
Total Margin Discount + Selling Cost	36.0%	35.0%	41.6%	33.0%	36.5%	39.5%
Sales Contribution	5.0%	50.0%	10.0%	20.0%	12.5%	2.5%
Sales Growth 2022-2023	15%	9%	20%	12%	31%	60%

Figure 3.1. Cost by channel and sales contribution PT Paradise 2023

Despite offering high revenue growth, tiktok as sales channel actually cost more compared to other channel, at the same time this new emerging channel possess a threat to the existing channel where PT Paradise has established their dominance, i.e to traditional cosmetics stores.

To grow its business in tiktok channel, PT Paradise need to heavily engage with influencer, Key Opinion Leader (KOL) and content creator to spread the awareness and also paid partnership with affiliate and Key Opinion Seller (KOS) for every product they sold, of course the products itself embedded with special price or bundling strategy which had an impact on increasing marketing costs and sales costs. This has created a burden to PT Paradise marketing channel mix whereby the contribution of investment in Tiktok is getting higher and higher. This also impacting to declining investment in other conventional communication channel i.e television, offline activation, and billboard (big chunk of PT Paradise consumer is still watching television).

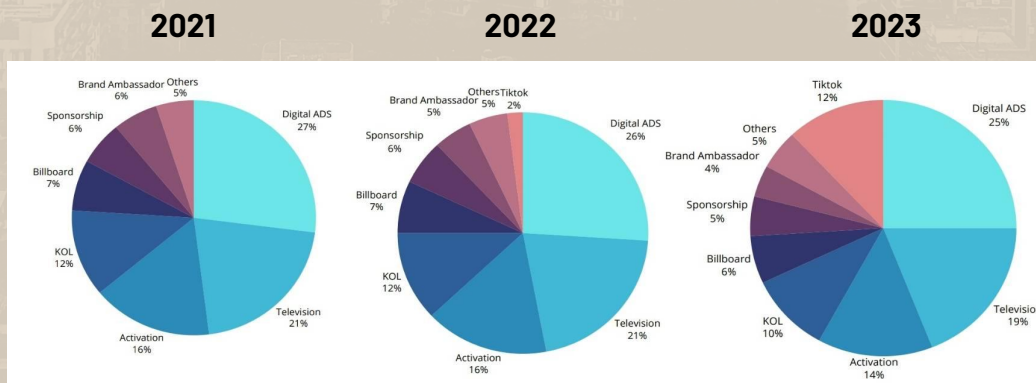


Figure 3.3. Marketing Structure 2021-2023 PT Paradise



According to SensorTower, TikTok users spent around \$2.5 billion on the platform in 2021, more than any other app. These numbers highlight the fact that TikTok users are engaging with social shopping activities, even though it is not a dedicated e-commerce platform. About 67% of users said they were inspired to shop on TikTok even though they didn't plan to do so. Research into TikTok user behavior shows that 37% of users discover a product and immediately want to buy it. Nearly a third tried to buy something only to find it was sold out. It even has its own viral hashtag: #TikTokMadeMeBuyIt with various products.

As general conclusion challenge on Tiktok Channel for PT Paradise consist of:

1. TikTok has easy barrier to entry characteristics for business.
2. TikTok is still dominated by other brands, especially brands that succeed in dominating TikTok have a positive viral stigma which then makes it easier for the brand to be accepted into other channels, not only online but also offline.
3. TikTok is still a relatively new channel for PT Paradise, so it requires the right way of playing or working.
4. To win the competition requires a relatively large budget in terms of marketing and selling costs compared to other channels.

4. POINT TO BE DISCUSSED

If you are the management of PT Paradise, please describe following points, (Please use your own assumption if necessary).

- Describe PT Paradise ideal strategy to adapt to the latest situation of Tiktok rapid development.
- Based on point 1, develop the projection of the company profit and loss figure in the next 3 years.
- Describe the financial analysis that you will consider as management to ensure your strategy in point 1 will increase shareholder value.
- Describe other factors that you will develop for PT Paradise to be able to quickly adapt to rapid digital development (other than Tiktok).



5. Appendix

Statement of Profit and loss PT Paradise 2021-2023 in million USD

PROFIT AND LOSS	2021	2022	2023
REVENUE	6000	6600	7590
GROSS SALES	5455	5946	6838
DISCOUNT	1189	1296	1491
NET SALES	4266	4650	5347
COGS	2090	2278	2620
GROSS MARGIN	2176	2372	2727
MARKETING	427	465	588
SELLING	576	628	738
OPERATING EXPENSES	1066	1162	1337
OPERATING PROFIT	107	117	64
TAX	23	26	14
NET MARGIN	84	91	50



Sources:

TikTok For Business (2023). *Infinite Loop TikTok Retail Path To Purchase*. Accessed 26 October 2023, from <https://www.tiktok.com/business/en-US/blog/infinite-loop-tiktok-retail-path-to-purchase?redirected=1>

Hancock, Gareth. (2022). *Tiktok Marketing: How to Attract New Customers and Drive More Sales*. Accessed 26 October 2023, from <https://cxl.com/blog/tiktok-ecommerce/>

Sari, Intan Nirmala. (2023). *Sejarah TikTok dari Aplikasi Negeri Panda hingga Mendunia*. Accessed 26 October 2023, from <https://katadata.co.id/intannirmala/ekonopedia/6404f5c3ce775/sejarah-tiktok-dari-aplikasi-negeri-panda-hingga-mendunia>



Paper Guideline

1. Must be in English, PDF format, and only the first paper sent will be accepted
2. The submitted paper should not exceed 15 pages

- These 15 pages exclude:
 - Cover;
 - Table of Content;
 - References; and
 - Appendix.
- The paper should be written based on scientific paper format which includes but not limited to:
 - Introduction (i.e. Company Profile, Problem and Situation Analysis, etc);
 - Theoretical Framework;
 - Content;
 - Conclusion; and
 - Solutions (Implementation and Feasibility of the Solutions Offered).

3. Case Format

- Page size : A4
- Margin : left: 4 cm, right: 3 cm, bottom: 3 cm, top: 3 cm.
- Font type : Times New Roman
- Font size : 12
- Line spacing : 1.5
- File type : PDF
- Maximum page : 15 pages for content, 30 maximum pages total
- Academic writing style : American Psychological Association (APA) 7th Edition

4. Submission Technicalities

- Submission platform : Google Forms
- File name : Team's Name_Leader's Name_Preliminary Paper
- Example : Champion Team_John Doe_Preliminary Paper



5. Scoring Criteria

Judging Criteria		Percentage	Scored by
Responses' Gist		35%	Judges
Arguments and Analysis	Comprehensiveness and Depth	20%	Judges
	Relevance	15%	
Organization	Elaboration of Answers	10%	Judges
	Structure	10%	
Sentence and Word Development	Grammar, Wording, Punctuation, Paragraph	5%	Committee
Format	Conformity to Format	2,5%	Committee
	Appendix, Citations, Reference	2,5%	
TOTAL		100%	

6. Penalty

- Late submission penalty : (-2) for each minute, maximum 15 minutes tolerance, if exceeded the team will be disqualified
- Maximum page penalty : (-1) for each page exceeded



