

Analysis of Digital Marketing Transformation Path in the Service Industry: A Case Study of Tiktok E-commerce Platform

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Abstract. The rapid development of the internet and the new life form after the coronavirus outbreak accelerated digital marketing transformation in the service industry. In China's highly-matured online shopping market, the young Tiktok e-commerce platform has the advantage of encouraging interest and purchases through soft content creation. This paper deeply analyzed the mall entrance and broadcasting room entrance for companies' applications and evaluated their strong points and weaknesses. This study concludes that the Tiktok e-commerce platform indeed creates an innovative path to help companies in the service industry finish the digital marketing process and gain a certain increment in GMV and other evaluating data through online stores and broadcasting rooms. Nevertheless, it still has some problems with algorithm recommendation and page display.

Keywords: Digital Marketing; Service Industry; Transformation Path; Tiktok; E-commerce.

1. Introduction

Entering the information era, the traditional service industry faces the critical problem of digital marketing transformation. In the study of Gao et al. [1], their team confirmed the necessity for companies in the service industry to accelerate this data-driven transformation in that a new marketing trend is emerging with the integrated development of big data technology and the gradual establishment of the digital society. Suppose enterprises do not want to be "abandoned" by the market. In that case, they must break through the shackles of traditional marketing concepts and embrace digital marketing to improve their core competitiveness effectively.

Moreover, digital marketing transformation has been more critical by the market since the outbreak of covid-19. The implementation by authorities of social and physical distancing and self-quarantine as public policy has changed where and how people buy goods [2], eventually facilitating a structural change from offline to online. Breaking all the limitations offline, digital marketing gives a new opportunity for enterprises in the service industry that once barely relied on physical store sales to survive [3].

E-commerce platforms, at the same time, have become the main path to accomplish the above goal. In the empirical research conducted by Yasmin et al., they concluded that the e-commerce platforms create an anytime-anyplace distribution and an integrated supply chain which all assisted the business firms in the service industry in achieving the goal of digital marketing transformation [4].

2. Case description

Born in 2003 with the advent of SARS, the Taobao platform shaped the initial competition pattern in the Chinese market and boomed digital marketing development. It became the leading enterprise through its rapid growth of the Internet, suitable geographical environment, and the accuracy of extensive data analysis [5]. In 2022, the Chinese market has entered a mature stage of online selling.

However, does that mean the service industry companies now have no further market volume to gain success through digital marketing? In research, the emergence of the Tiktok e-commerce platform in 2020 gave an innovative reforming path and increased potential space for companies in the tertiary sector.

Built in 2016, Tiktok is a social media with more than 600 million daily active users. Popular with short video content, Tiktok has a built-in advantage in creating content to attract consumers to buy

the relative products through soft video advertisement, which in calculation directly impacts sales and increases the shops' dynamic scores, including quality of service and customer satisfaction [6].

At the 2021 Tiktok Ecology Conference, Tiktok E-commerce defined "interest e-commerce" for the first time, which means "an e-commerce model based on people's yearning for a better life, satisfying users' potential shopping interests and improving consumers' quality of life." With a core focus on content creation, Tiktok sells products with various recommendation forms, including videos, images, and broadcasting, instead of directly forcing customers to buy something. This interest content orientation is ideally suited to the service industry's selling logic and has gained success in the past two years. In the study by Goldman et al., e-retailers benefit from adopting an explicit market orientation [7]. And data further proved this conclusion in that the total volume of Tiktok Live tape sales in 2021 ranged from 72.1 billion to 97.46 billion, with more than 10 billion items sold.

The remarkable sales result has aroused the attention and research of scholars in marketing. Since the Tiktok e-commerce platform has just operated for nearly three years, marketing research on this platform is still limited. This paper attempts to summarize the innovation path of digital marketing in the service industry and conduct a preliminary analysis of advantages and disadvantages by taking the Tiktok e-commerce platform as the main analysis object.

3. Case Analysis

Taking Tiktok as the focus platform in analysis, there are two main ways businesses can achieve digital transformation. Firstly, use Tiktok Mall as the main entrance. After applying for online shops, the firms can promote commodities and brands through short videos to facilitate transactions and improve GMV. Secondly, the online broadcast room in Tiktok is the other main entrance. The firms can introduce products through online live streaming and open product links for direct sales to promote transactions and improve GMV. Merchants in the service industry can choose both two entrances to recommend goods at the same time. Still, the operation mode of online stores and broadcasting rooms is generally slightly different. In the process of digital transformation, merchants need to find a focus between the two approaches. The following cases will be used to analyze these two approaches.

3.1 Online Mall Entrance

The most direct way of digital transformation from traditional offline sales is to choose e-commerce platforms and open an online store. Through e-commerce platforms and other digital means, the shops can directly communicate with consumers, complete transactions online, and ensure effective follow-up of logistics and after-sales services.

The retail branch in the service industry has the inherent advantages of online store operation due to the attributes of selling physical goods. Considering the background of the rapid development of network technology, online sales trends are irreversible, and a series of e-commerce platforms, such as Taobao and Jingdong, have emerged and developed rapidly. Tiktok Mall, on the other hand, has a different growth path. As the world's largest short video platform, creating content is always the key to Tiktok's success. Therefore, since establishing Tiktok's e-commerce division in 2020, it has established its position as an interest-oriented e-commerce platform and successfully achieved 500 billion GMV (total e-commerce transaction volume).

For merchants willing to join the Tiktok e-commerce platform, they should focus on its "new, strange and special" orientation and the platform's unified open shopping festival promotion opportunities.

3.1.1 Following the orientation of new and strange

In the recommendation logic of Tiktok Mall, conforming to a new and strange orientation and effectively promoting through short video content creation is the key to the merchants' success. Take the example of the Tiktok Mall pop-up product "DuDu Meow", which is priced around 30 RMB and has been popular among customers from July to September 2022. In July 2022, the manufacturer of

“DuDu Meow” released the first introduction video, which only attracted a small range of attention. In the 15s video, with the background music of a lovely pettish voice, the manufacturer showed users the “Du Du Meow” toy with cute expressions and shouted to consumers to invite your friends to buy it. In August, however, the products soon gained massive success with digital promoting methods with the help of the market department of Tiktok Mall. The merchants carried out a series of hot publicity to build the toys into the most desirable products of the month in Tiktok Mall. Figure 1 shows the whole process of digital marketing.

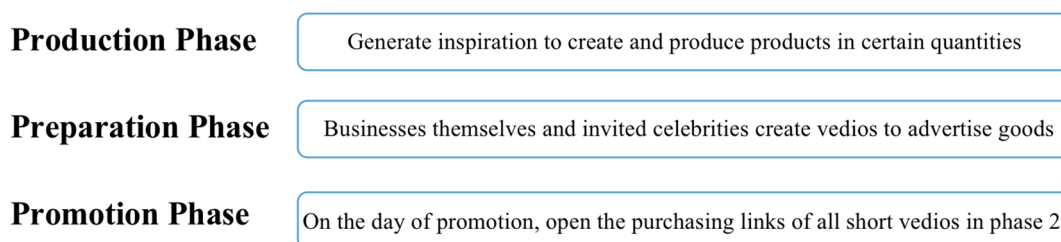


Fig. 1 The whole process of the digital marketing

Under the series of digital marketing, “DuDu Meow” has achieved awe-inspiring trading results. On the overall Tiktok hot list, recommending “DuDu Meow” to the World ranked 14th on August 17 (Note: the entry rules of the general Tiktok hot list exclude entries with strong advertising properties, and therefore ranking 14th belongs to the highly desirable level), ranking first on the Tiktok challenge list. The total number of online views reached 45 million, spilling over to other digital platforms such as Xiaohongshu and Weibo. As of 9 PM that day, the merchants achieved GMV at about 2.17 million (breakthrough peak), month-on-month average GMV growth of 1570%. On the same day, the short video was watched by over 10,000 people. The following month, the “DuDu Meow” series of products continued to get high exposure and transaction volume within the Tiktok platform.

3.1.2 Participating in platform shopping festival promotions

Shopping festival promotions have always been an essential means of retail marketing for online and offline platforms. In 2022, in addition to the famous Chinese Singles’ Day shopping festival, Tiktok e-commerce held its shopping festival on September 21st, which sounds similar to love you in Chinese.

According to Tiktok e-commerce platform official disclosure data, during the Tiktok 921 Good Things Festival (from September 9th to September 21st), there were 3,950 live streaming rooms with a transaction volume of more than one million, 72.1 billion short videos of hanging shopping carts, and the brand co-promotion covered more than 500 cities. The brand co-promotion brought exposure to 13.4 billion. The search volume of Tiktok e-commerce exceeded one million, the sales volume of 660 merchants’ shop Windows exploded by 97.53%, and UV visits of shop Windows exploded by 73.2%.

According to the analysis of the revenue data of the mall, the total amount of product exposure of Tiktok Mall was over 150 billion, 84 brands had transaction volume of over ten million, and 397 single products had transaction volume of over one million. According to the analysis of the B-terminal business contact data, 130,000 businesses transitioned during the activity period, the number of shops with dynamic sales in the mall increased by 21%, and the total broadcast volume of the origin business cards in China exceeded 729 million.

This was the first 921 Good Things Festival of Tiktok E-commerce, and they indubitably gained positive feedback data. The reason for holding a considerable promotion activity at this node was to meet the shopping needs of consumers in the new season and to help merchants achieve recent outbreaks in the new season.

So, the advantage of attending such promotional shopping festivals is obvious; merchants in the service industry can take advantage of the high visibility and discussion stage of platform marketing to gain high exposure and increase the transaction volume of the commodities they sell.

However, this promotion opportunity may not be suitable for all businesses in the service industry. On the one hand, it is hard to tell whether this GMV increment is additional or just gathering customers' demands over several months. Especially for 921, the Tiktok platform used the transformation of seasons to attract customers' interests is not a consistent promotion method. On the other hand, analyzing the top transaction volume businesses during festivals, we can find that it was all taken by well-known enterprises. Therefore, for small and medium-sized enterprises, the actual benefits of participating in shopping festival promotion still need further experiment and calculation since, in consensus, they have fewer resources available to execute digital marketing tactics [8-10].

In conclusion, constructing online sales channels is the basis of digital transformation in the service industry. Because China's e-commerce market has already entered a relatively stable stage, the emergence of the Tiktok e-commerce platform brings new opportunities to merchants in the tertiary industry. In terms of content, the service industry businesses (especially retail enterprises) can track the orientation of new and strange in Tiktok mall to open an online store, forming a differentiation competition pattern with other traditional enterprises. In terms of digital marketing, with content as the core, enterprises can create videos and images to attract customers' attention to specific commodities, catering to the preferences of young Tiktok users.

More specifically, in the promotion means of the online shopping festivals, Tiktok's high user traffic has led to massive views and merchandise turnover for companies attending it. The service industry enterprises can generally obtain a short time income increment. But there are two more aspects to be analyzed before deciding to attend. One is that whether the goods meet the theme of the shopping festival can be used as one of the criteria to judge whether to participate in the promotion of the shopping festival. For example, the Tiktok 921 Good Things Festival focuses on consumer demand for clothing, food, and other categories during the seasonal change, so the revenue scale of a company selling swimsuits utterly unrelated to the seasonal change may be minimal. Secondly, according to the sales data, large enterprises make more profits by participating in the shopping festival. In contrast, the income scale of small and medium-sized enterprises still needs further data disclosure and analysis.

3.2 Broadcasting Room Entrance

Live streaming refers to the live streaming entertainment industry bringing goods simultaneously. The reason for live streaming is the rise of e-commerce, which causes some people in the entertainment industry to follow up and evolve. The emergence of top anchors such as Li Jiaqi and Weiya on the Taobao platform and the massive increase of GMV products sold have proved that live streaming is one of the essential means of digital transformation.

In building a marketing position with content as the core, the Tiktok e-commerce platform brings the main body of the tertiary industry more opportunities in line with the characteristics of the industry and the integration of online and offline development.

3.2.1 Diversing content broadens the scope of digital transformation

Unlike Taobao, JingDong, and other e-commerce platforms, Tiktok Live is not created primarily to sell products. As a result, the live streaming content of businesses in the service industry covers a broader range in the embryonic stage, among which fitness coach Will Liu and New Oriental Education company are the most representative cases. They directly show the scenes of them working in the service industry offline in an online broadcast room and attract many fans.

Will Liu is a superstar who initially worked as a fitness coach. He joined Tiktok as early as 2018, but at that time, his videos were mainly clipping of daily life, making him a bit of a mediocre presence among bloggers. From March to July 2021, Will Liu created live broadcasting on TaoBao's live streaming platform. However, from the perspective of broadcast data, it was not ideal, with the highest viewing amount of a single room being only about 200,000.

The first change happened in December 2021 when Will Liu signed a contract with an MCN company. During this period, Will Liu and his wife have done a total of 9 live streamings with a sales volume of 7.236 million, which is lower than the data of Jia Nailing and other stars, and the number of fans is also hovering at 1.35 million.

The second turn came in February when Will Liu tried to combine the related content of the fitness industry with the service industry in his live streaming. In the live online broadcast, he led the audience to do aerobics exercises, introduced some healthy food and fitness equipment at intervals, and opened sales links, which achieved sales success.

From April 17th to April 20th, Will Liu have gained 11 million followers on Tiktok in three days, setting a record for the fastest fan growth in Tiktok. In the following ten days, Will Liu's live broadcast income have skyrocketed from 26,000 yuan to 240,000 yuan, nearly a 10-fold increase. During a one-hour and 50 minutes live broadcast, the total number of viewers reached 4.474 million, with a peak of 155,000, and the total GMV exceeded 6.1 million.

New Oriental Education Group is another company that initially offered courses to students that have similarly achieved digital transformation in its service industry. Due to policy restrictions, the extracurricular tutoring industry stopped developing in 2021, and New Oriental, the leading enterprise, also suffered many negative impacts. In 2022, the New Oriental Group creatively invited English teachers into the broadcasting rooms to teach viewers interesting English knowledge while selling products. The corporate popularity of New Oriental and the attractive English teacher's explanation contributed to their success in selling products.

According to the financial statement, as of May 31, 2022, New Oriental Live's e-commerce business has achieved a revenue of 24.6 million yuan, a cost of 15.3 million yuan, and a gross profit of 9.3-million-yuan margin of 37.8%. On September 24th, Oriental Selection opened the "Taste of Northwest, Cloud Tour Silk Road" Northwest Good things special activity. After more than 16 hours of live broadcasting, the total sales exceeded 80 million yuan.

3.2.2 Combine online and offline channels to broaden the scope of digital transformation

In the ecology of Taobao, many merchants complete the whole transaction process online, without offline physical sales shops. However, the relative freedom of Tiktok in creating content encourages the integration of online and offline sales channels in the tertiary industry to complete the digital transformation.

The catering industry has mainly used this method. Counterintuitively, catering companies have also actively opened live broadcast rooms in Tiktok, although consumers cannot taste food through online channels. Businesses usually invite anchors to try their food or drinks in the live broadcast room and give a delicious comment. In turn, merchants sell coupons for group purchases and promotions which can be used in their offline stores. In this way, the companies gain a wholesale increase through advertising on digital platforms.

Overall, Tiktok's content orientation gives its broadcasting rooms more opportunities to combine new things into the traditional selling patterns, increasing the transaction volume and helping the digital marketing of the service industry.

4. Conclusion

4.1 Conclusions and recommendations

In conclusion, the Tiktok e-commerce platform indeed creates an innovative path to help companies in the service industry finish the digital marketing process and gain a certain increment in GMV and other evaluating data through online stores and broadcasting rooms.

At the mall entrance, the enterprises should emphasize tracking the orientation of new and strange and selling relevant products to fulfill the unique demands of young users. Furthermore, for sales promotion methods such as shopping festivals, enterprises need to deeply analyze whether to

participate based on their conditions. According to the existing data, large enterprises reap more benefits from this marketing method than small and medium-sized enterprises.

At the broadcasting room entrance, the enterprises can actively combine the natural working scenes in the service industry into live streamings and excavate their potential to attract customers and make transactions. Even catering companies, which people subconsciously think have no chance of developing online, can encourage offline sales by selling group coupons in broadcasting rooms.

However, there are disadvantages to using the Tiktok e-commerce platform as well. Opened in 2020, compared with Taobao and other mature e-commerce platforms, the Tiktok e-commerce platform is at a relative disadvantage regarding algorithm recommendation and page display. More importantly, when people have unfulfilled demands, most won't choose Tiktok to buy the things they need. Therefore, regarding the construction of online malls and brand image, Tiktok's e-commerce platform still has significant room for improvement.

4.2 Limitations and further direction

Due to the relatively short establishment, the Tiktok e-commerce platform still has significant limitations in disclosing analyzable data on the public network. Therefore, this paper lacks a systematic data analysis to define and position what companies fit most for Tiktok's digital marketing pattern.

In the next stage, this research will continue tracking the representative cases and relevant data to give more precise conclusions.

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