



Tracking Consumption: AI and Social E-Commerce



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Abstract

The public marketplace is a space that has been around since the use of the barter and trade system. As the world has transitioned into an internet-based society, so have our shopping habits. One of the most recent transformations has been the marketplace known as Social E-Commerce.

In the past 2 years, public use of Artificial Intelligence has been more widespread than before thanks to the popularity of generative AI platforms like ChatGPT. Creating prompts and art is not when AI's capabilities end. Commonly known as the 'algorithm' AI has been used to help social media companies to keep track of trends, habits, and user's personal data while one interacts with the app. With the establishment of Social E-Commerce platforms such as TikTok Shop, Facebook Marketplace, etc., social media companies have gained the possibility to not only keep track of user's entertainment preferences but their shopping habits as well.

As the use of Artificial Intelligence becomes widely available to the public and to major companies, it is in the best interest of governmental bodies to understand the risks and benefits that arise with the use of Artificial Intelligence programs on Social E-Commerce platforms.



Background

Social E-Commerce is a terms referring to the integration of shopping onto social media platforms. The first interpretation of social e-commerce came from Yahoo!'s launch of Shoposphere. The platform included a 'Picks List' which used forecasted trends to scale consumer's demands. The modern presence of Social E-Commerce is thanks to its growing feature on many prominent social media sites such as Instagram and TikTok, forming a \$36 billion market in the US. A major part of social e-commerce's success is its ability to allow consumers to discover and shop products all from the same medium, merging marketing and retail channels into one.

Methods

The application of Artificial Intelligence on Social E-Commerce platforms is constantly evolving as the demand of consumers and the capabilities of the technology change.

A literary review of the Privacy Policies and Terms of Service of social media companies including TikTok, Facebook, and Instagram was conducted to understand what these companies have been communicating to the public about their data collection practices and their treatment of user data.

Further, a case study was conducted on the actions taken by governmental bodies when regulating the use of Social E-Commerce sites. In October of 2023, Indonesia (known for its strict internet laws) passed a bill which banned the use of TikTok Shop within the country. The concerns highlighted within this bill were used to guide the understanding of general concerns that lawmakers have when it comes to the use of Social E-Commerce platforms, both online and offline.



Case Study: Indonesia's Permen Dag 31 Tahun

Published as an enhancement of Permen Dag 50 2022, Permen Dag 31 2023 serves to establish fair trading grounds for consumers with the rapid growth of 'digital trading platforms'. It aims to place standards onto online shopping platforms similar to those placed on physical stores, while protecting the tech involved.

The policy established certain challenges that digital trading is facing such as lack of regulation, unfair pricing, and protection of consumer data.

To address these challenges new regulations were in place with the aim of protecting small businesses, consumers, licensing agreements, and personal data. One of these new regulations targeted the rules for buying and selling on social e-commerce sites.

This regulation now defined TikTok Shop as being in violation as the app failed to protect licensing agreements, failed to set a price floor for per units of finished goods, and made it easier of goods from abroad to cross the border. TikTok Shop closed a week following the passing of the regulation.

Case Study: Privacy Policy Review

To understand the role of Artificial Intelligence on social e-commerce sites, it is vital to understand how the host platforms are communicating to their users the ways that their information is being collected and managed.

The review centered around the privacy policies of TikTok, Instagram, and Facebook. Instagram is currently owned by Facebook, but prior to this acquisition had its own policies. In breaking down each policy, it was found that these largely shared similar terms in regards to data collection, usage of information, data sharing, and privacy controls. An on going theme with these sections came with the specific information that users were asked to share initially to gain access the platform, including personal names, email, age, and other contact information. This data would then be shared with varying third parties for and various purposes. Third parties include 'business partners' and advertisers primarily for marketing purposes as reflected through personalized ads on the respective platforms.

Results

For policy makers to address the advancing application of Artificial Intelligence on Social E-Commerce platforms it is recommended that they consider the implications that limitations of AI advancement can have on the economic state of local and business, understanding that an complete restrictions can leave many individuals out of income resources.

They also understand that for AI to continue being applied, regulations must protecting individual's personal data from being accessed and sold without their prior consent. This will also serve to protect licensing agreements that are currently being violated through the sale of certain products on social e-commerce sites.



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References