



THE IMPACT OF PREDATORY PRICING ON E-COMMERCE COMPETITION AND REGULATORY CONTROL IN INDONESIA

Farchanza Haykanna Pireno^a, Shafira El Zahra^b, Aurel Meidina Zammara^c, Pina Arohmah^d

Universitas Pembangunan Nasional "Veteran" Jakarta

e-mail: 2310611113@mahasiswa.upnvi.ac.id

Keywords: *Abstract*

Predatory pricing; e-commerce; The increasing use of digital in society has encouraged digital business competition. transactions on many e-commerce platforms. This opens up great opportunities for digital entrepreneurs, but on the other hand, the increase in online shopping can also pose a serious threat to local entrepreneurs. Predatory pricing practices, which are often implemented by large companies with the aim of dominating the market, are one of the most obvious threats. This study aims to analyze the impact of predatory pricing practices on competition in the e-commerce market in Indonesia and to examine existing regulations in overcoming these practices. The method used in this study is normative juridical with a literature study approach, which examines laws and regulations, related policies, and relevant literature. The results of the study indicate that predatory pricing practices can disrupt market competition by harming consumers in the long term even though they can provide lower prices initially. Although regulations such as Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition already exist, the implementation of supervision of predatory pricing practices in the e-commerce sector is still limited and requires adjustments to technological developments.

Submit : 2025-04-14

Review : 2025-05-13

Received : 2025-05-31



A. Introduction

The development of the era in this world is increasingly rapid, the internet is now one thing that is very easy to access by the wider community, from teenagers, adults to the elderly. Many sophisticated sites and applications are found when using the internet, one of which is that they can do e-commerce or online shopping. Digital transformation also occurs in the digital-based commercial activity system through the provision of e-commerce platform services that have grown since the emergence of the Covid-19 pandemic. Occurring in early 2020, the outbreak of Covid-19 cases in Indonesia, one of

How to cite

Pireno, F.,H., et al, The Effect of Predatory Pricing on E-Commerce Market Competition and The Role of Regulation in Controlling its Practices in Indonesia. Volume 01 , Issue 05 September 2024

Published by

Zhata Institut

which was affected by Covid-19, led to the emergence of large-scale social restrictions in order to accelerate the handling of Coronavirus Disease 2019 (Aprilia et al., 2021).

With the availability of online shopping or e-commerce platforms, the general public prefers to shop online rather than shop directly at shops, markets or shopping centers. In Indonesia, e-commerce platforms are experiencing rapid growth, widely accessed and used as a place to buy and sell goods that are widely used to meet the needs of the wider community. The services provided digitally provide convenience. According to Iprice Insights, the presence of Shopee and Tokopedia shows evidence of increasing visitors to the level of popularity on e-commerce platforms, this data was last analyzed in February 2025.

Bank Indonesia noted that digital economic and financial transactions in terms of e-commerce are still experiencing significant and increasingly high growth. It is recorded that the value of e-commerce transactions in 2023 will reach IDR 454 trillion, reflecting the enormous potential of this sector in the digital economy. E-commerce not only provides social innovation through online services, but also opens up great opportunities for small and medium enterprises (SMEs) to access wider markets, accelerate digital transformation in various business sectors, and encourage more equitable economic inclusion in Indonesia (Irawati, 2024).

According to Prof. Kasali, a professor at the Faculty of Economics, University of Indonesia, he emphasized that e-commerce in Indonesia is growing rapidly due to major changes in people's consumption patterns. He said that Indonesia, as a country with a large young population and digitally connected, is a very potential market for e-commerce. According to him, the tendency of consumers to seek convenience and more competitive prices encourages more people to shop online, which in turn accelerates the transformation of the digital economy in Indonesia. On the other hand, there is a potential problem related to the practice of selling at a loss or what is known as predatory pricing in the e-commerce system (Nisa, 2017).

Predatory Pricing can be interpreted as an action taken by a company to eliminate competitors of other companies by setting prices below production costs. In the concept of economics, loss-making refers to a situation where business entities set selling prices in terms of goods or services produced lower than the general market price or average total cost (Average Total Cost). Judging from Article 20 of Law No. 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition, predatory pricing practices are prohibited because they can damage business competition and benefit dominant business actors in the long term, which in turn harms consumers and the market as a whole (Rahmatia, 2024).

INDEF researcher, Nailul Huda, stated that the Indonesian domestic market has great potential for business actors to market their products through e-commerce (Darmawan et al., 2022). However, the practice of selling imported goods through e-commerce at prices much cheaper than domestic products can certainly cause losses for local MSMEs. In a short period of time, the practice of predatory pricing or selling at

a loss can provide benefits to consumers. However, by eliminating competitors from the market and preventing the entry of new business competitors, dominant business entities hope to increase target prices drastically. Pricing aimed at covering loss-making results often functions as a monopoly price, which ultimately harms consumers. This much cheaper pricing approach is called a limit pricing strategy, used by dominant business entities to maintain their position by drastically lowering prices (Wijaksana, 2023).

Predatory pricing practices that aim to eliminate or hinder competitors' efforts in the market, in business competition, this action is carried out by business entities that have market dominance by setting prices that economically cause losses over a fairly long period of time. This action causes competitors to be eliminated from the market and prevents other business entities from entering the market. Predatory pricing is prohibited not because of the very low price setting on the products sold, but because in the future business actors tend to reduce the supply of goods and increase prices (Sheyam, 1998). This practice can also create market injustice, where large business actors use short-term losses to destroy business competitors, which ultimately reduces product diversity and innovation that arises from healthy competition.

Starting from the existing background, the author formulates 2 (two) problem formulations, namely how can predatory pricing practices affect competition in the e-commerce market in Indonesia? And how are the regulatory arrangements in Indonesia in supervising and controlling predatory pricing practices in the e-commerce sector? With these problem formulations, it aims to provide readers with a deep understanding of the influence of predatory pricing practices on business competition in the Indonesian e-commerce sector, as well as to critically examine the extent to which regulatory arrangements in Indonesia can supervise and control predatory pricing practices in the e-commerce sector.

B. Method

In this study, the approach used is normative juridical, namely an approach that emphasizes the study of applicable laws and legal doctrines. This approach is applied to study and analyze regulations related to business competition and consumer protection within the scope of predatory pricing practices in Indonesia. This study uses a literature study data collection technique. This means that data is collected by reviewing various sources such as laws and regulations, legal literature, academic journals, and relevant previous research results. Furthermore, the data is analyzed to determine how existing regulations regulate predatory pricing practices and their impact on business competition and consumer protection effectively.

C. Result & Discussion

1. The Influence of Predatory Pricing in E-commerce Market Competition in Indonesia

Predatory pricing or loss-making practices are strategies in which a company sets prices below the general market target, often below the average cost of production,

with the aim of harming competitors and dominating the market. Basically, predatory pricing is used to destroy small or new competitors by offering prices that cannot be matched in the short term. After competitors leave the market or are forced to lower product quality, companies that practice this strategy will then increase prices again after their market position is stable (Nazhari et al., 2023).

Viewed from the perspective of business competition law, predatory pricing practices are regulated in Article 20 of Law No. 5/1999, stating that "Business actors are prohibited from supplying goods and/or services by selling at a loss or setting very low prices with the aim of eliminating or harming competitors in the market, which can lead to monopolies and/or unfair business competition". Predatory pricing occurs when business actors who dominate the market maintain prices below the average target and cause losses to commercial activities in a certain period of time, with the aim of preventing other economic actors from entering the market. Although it can be profitable in the short term for the companies that implement it, predatory pricing often causes long-term losses for the industry as a whole (Puruhito, 2023).

For consumers, predatory pricing can provide benefits in the form of lower prices initially, but often at a hidden cost, such as a decrease in the quality of service or products. Companies that use this strategy may sacrifice quality to keep costs low, which ultimately impacts consumer satisfaction. Additionally, once competitors exit the market, prices can increase drastically, and consumers no longer have many options. Therefore, although predatory pricing offers temporary low prices, its impact on consumers in the long run tends to be negative (Naben, 2023).

Predatory pricing practices implemented by large platforms in the e-commerce industry often have a significant impact on the overall business ecosystem. Flash sale practices often show signs of predatory pricing. Massive discounts of up to 80% of market prices can indicate unhealthy business competition. Many e-commerce companies implement this strategy to attract consumers, but this can cause losses to small businesses that are unable to compete with suppressed prices. According to e-commerce observer Ignatius Untung, small players are forced to follow the footsteps of large players in pricing, which leads to an unhealthy "price war" (Bestari 2021).

This dependence on large platforms also reduces the flexibility of MSMEs in determining their pricing and marketing strategies. For example, platforms such as Tokopedia or Shopee often charge high commission fees for each transaction, further reducing already thin profit margins. In some cases, large platforms can even change policies or algorithms that affect the visibility of MSME products without consultation, thus exacerbating their business uncertainty. The inability to compete with the prices offered by large platforms often leads to a decline in the quality of products or services, which ultimately harms the reputation of the MSME itself. In the long term, this practice can force many small business actors to exit the market or even go out of business, which ultimately reduces product diversity and choices for consumers (Fajar et al., 2022).

Furthermore, predatory pricing can be detrimental to innovation and long-term business sustainability, as this strategy focuses more on lowering costs and destroying

competitors than on improving product or service quality. Companies that continue to apply low prices will focus on maintaining price dominance, rather than investing in research and development. As a result, innovation is hampered, and surviving companies may not have the incentive to grow. Business sustainability is also threatened because the business model is based on unrealistic and long-term detrimental prices (Alamsah, et al., 2024).

Overall, the influence of predatory pricing in the e-commerce market competition in Indonesia shows that although there are short-term benefits for consumers, the long-term impact can be detrimental to the market as a whole. Therefore, collaboration between the government, business actors, and consumers is very important to create a healthy and sustainable market.

2. Regulatory Arrangements in Indonesia in Supervising and Controlling Predatory Pricing Practices in the E-commerce Sector

Law plays an important role in regulating the trading system, with the creation of regulations that regulate the course of the trading process and business competition, it will give birth to fair and healthy economic development. The government should create effective, efficient, and appropriate regulations in every process of drafting laws and regulations (Sugianto, 2014). In its creation, regulations must be considered carefully so as not to create instability in the target market and avoid the emergence of monopolistic practices that impact unhealthy interactions in trade (Pratama et al., 2024).

Regulations related to business competition in Indonesia itself are stated in Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition (Law No. 5 of 1999) and amended by Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation (Perppu No. 2 of 2022), (Nazhari et al., 2023). One form of unfair business competition is the alleged practice of selling at a loss or what is known as predatory pricing, which is a commercial activity by selling a product below the general market price in order to eliminate other competitors (Alwi et al., 2024).

In its development, the practice of predatory pricing has actually become more widespread in digital-based trade, or what is known as e-commerce. This is because there are no specific regulations in digital-based businesses (Wiya, 2021). However, regulatory references related to the regulation of e-commerce itself have been stated in several regulatory regulations, namely Law Number 11 of 2008 concerning Information and Electronic Transactions, which has been amended through Law Number 19 of 2016 concerning the Revision of Law Number 11 of 2008 concerning Information and Electronic Transactions, Regulation of the Minister of Trade Number 31 of 2023, Law Number 7 of 2014 concerning Trade, and Law Number 8 of 1999 concerning Consumer Protection.

The impact that arises due to predatory pricing itself is to monopolize the market which of course results in killing other business actors. This is actually contrary to the principles of business actors in Article 3 of Government Regulation Number 80 of 2019

concerning Trading Through Electronic Systems (PMSE), where business entities must have principles in carrying out trading activities, which in this case is the principle of good faith (Sanovan, 2024).

In Indonesia, there is a special institution that oversees the course of commercial activities in the digital sector. The Business Competition Supervisory Commission (hereinafter referred to as KPPU) is an independent institution in the business realm that has the authority to supervise and handle problems in the aspect of competition in business. In addition, KPPU also has the authority in the executive, judicial, legislative, and consultative aspects (Jonathan, 2023).

Based on Article 17 to Article 24 of Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition, the KPPU institution is tasked with assessing commercial activities and/or actions taken by entrepreneurs that have the potential to trigger monopolistic practices or unfair business competition. Therefore, the KPPU has an important role in supervising the actions of business entities in carrying out commercial activities.

The various regulations that have been reviewed should be able to serve as a reference for business entities to continue implementing business activities fairly and healthily. In addition, these regulations also have a role in ensuring that the market continues to run competitively but does not set aside existing principles and is not dominated by actions that have the potential to harm customers or other business entities, including predatory pricing tactics intended to eliminate other business competitors by selling products below the general market price.

D. Conclusion

Predatory pricing practices in Indonesia's e-commerce ecosystem create unhealthy market dynamics. Large companies that set prices below the target market average to eliminate competitors have the potential to create monopolies. While consumers may enjoy low prices in the short term, this strategy can reduce product choices, lower service quality, and harm MSMEs in the long term. The focus on price wars also stifles innovation, as companies divert resources from improving product and service quality. To control these practices, stricter regulations and more intensive supervision are needed. Law Number 5 of 1999 and other related regulations must be strengthened to address the unique challenges of the rapidly growing e-commerce sector. The KPPU plays an important role in enforcing the rules and ensuring fair competition. With effective regulation and careful supervision, Indonesia can create a sustainable, competitive e-commerce business environment that benefits all market players and consumers.

E. Recommendation

In order to creating a healthy business competition in the e-commerce sector in Indonesia, it is necessary to strengthen regulations and oversight concerning predatory pricing practices. The government should revise and clarify the provisions of Law No. 5 of 1999 as a response to new challenges in the digital economy era. In addition, specific guidelines are needed to distinguish between reasonable promotional strategy and

predatory pricing practices, especially in the e-commerce sector. The role of KPPU as a supervisory institution needs to be strengthened, both in terms of human resources, digital monitoring of technology, and authority to take actions against violations. Collaboration between the government and large e-commerce platforms such as Shopee and Tokopedia are also important to form an internal system that can be prevent unhealthy price competitio

F. Acknowledgments

The authors express their sincere gratitude to God Almighty, who has always been by our side throughout this journey. We would also like to extend our deepest thanks to all parties who have contributed to the completion of this journal. Special appreciation is given to our lecturers at Universitas Pembangunan Nasional “Veteran” Jakarta for their guidance and support. Lastly, we would like to thank our families and peers for their continuous support during the writing process of this journal.

Bibliography

- Alamsah, D., & Takaya, R. (2024). Studi Kasus Praktik Predatory Pricing pada TikTok Shop dan Dampaknya terhadap Pemanfaatan Media Sosial oleh UMKM di Indonesia. *ULIL ALBAB: Jurnal Ilmiah Multidisiplin*, 4(1), 278-284.
- Aprilia, N. D. (2021). Perkembangan ekonomi digital Indonesia. *Ekonomi Pertahanan*, 7(2), 245-259.
- Bestari, N. P. (2021, March 5). Pengamat Ungkap Pelaku Predatory Pricing di e-Commerce. Cnbcindonesia.Com. <https://www.cnbciindonesia.com/tech/20210305135740-37-228130/pengamat-ungkap-pelaku-predatory-pricing-di-e-commerce>
- Fajar, D. A., Fauziah, F. N., & Mutrofin, K. (2022). Predatory Pricing Melumpuhkan UMKM Indonesia: Studi Kasus Tiktok Shop. *El-Mahasaba*, 2(1).
- Hansen, K. (2002). Undang-undang larangan praktek monopoli dan persaingan usaha tidak sehat= Law concerning prohibition of monopolistic practices and unfair business competition. (*No Title*).
- Irawati. (2024, January 18). Top! Transaksi E-commerce Sepanjang 2023 Tembus Rp453,75 Triliun. Infobanknews. <https://infobanknews.com/top-transaksi-e-commerce-sepanjang-2023-tembus-rp45375-triliun/>
- Jonathan, J. (2023). Peranan Komisi Pengawas Persaingan Usaha dalam Kegiatan yang Dilarang dalam Wujud Predatory Pricing Sektor E-Commerce. *Jurist-Diction*, 6(2).
- Naben, M. N. (2023, November). Analisis "Predatory pricing" TikTok Shop di Tengah Pemanfaatan Media Sosial Bagi UMKM Indonesia. In *Prosiding Seminar Nasional Ilmu Ilmu Sosial (SNIIS)* (Vol. 2, pp. 1022-1030).
- Nazhari, A. F., & Irkham, N. (2023). Analisis Dugaan Praktik Predatory Pricing dan Penyalahgunaan Posisi Dominan dalam Industri E-Commerce. *Jurnal Persaingan Usaha*, 3(1), 19-31.
- Nisa, C. (2017, July 28). Rhenald Kasali: E-commerce pesat tak pacu ekonomi. Kontan. https://nasional.kontan.co.id/news/rhenald-kasali-e-commerce-pesat-tak-pacu-ekonomi?utm_source
- Pratama, F. P., & Hanifah Febriani, S. H. (2024). *Praktik Jual Rugi (Predatory Pricing) Menurut UU No 5 Tahun 1999 Dan Hukum Islam* (Doctoral dissertation, Universitas Muhammadiyah Surakarta).
- Puruhito, M. A. S. (2023). Dampak Negatif Praktik Predatory Pricing terhadap Persaingan Usaha (Studi Putusan KPPU No. 03/KPPU-L/2020) (Doctoral dissertation, Universitas Islam Indonesia).
- Rahmatia, R. (2024). *Predatory Pricing Dalam E-Commerce Menurut Perspektif Hukum* Volume 01 Issue 05 September 2024

Ramdhani, N. A., & Musthofa, I. (2023). Analisis Respons Umkm Dan Konten Kreator Terhadap Kebijakan Social Commerce Lewat Peraturan Menteri Perdagangan Nomor 31 Tahun 2023. *Jurnal Ekonomi & Bisnis*, 11(3), 433-443.

Sanovan, B. F. Y. (2024). Pengaturan Predatory Pricing Dalam Social Commerce Tiktok Shop (Studi Komparasi Peraturan Persaingan Usaha Indonesia Dan Jepang) (Doctoral dissertation, Universitas Islam Indonesia).

Sugianto, F. S. (2014). Efisiensi Ekonomi Sebagai Remedy Hukum. *Refleksi Hukum: Jurnal Ilmu Hukum*, 8(1), 61-72.

Wijaksana, F. (2023). Implikasi Yuridis Strategi Flash Sale oleh Pelaku Usaha E-Commerce.(The Juridical of a Flash Sale Strategy by Businessman E-Commerce) (Doctoral dissertation, Universitas 17 Agustus 1945 Surabaya).

Wiya, R. A. (2021). Umkm Analisis Tantangan E-Commerce Dalam Mengimplementasikan Hukum Persaingan Usaha Di Indonesia: Analisis Tantangan E-Commerce Dalam Mengimplementasikan Hukum Persaingan Usaha Di Indonesia. *Ilmu Hukum Prima (IHP)*, 4(3).

Laws and Regulations

Undang-Undang No. 5 Tahun 1999 tentang Larangan Praktek Monopoli dan Persaingan Usaha Tidak Sehat

Undang-Undang Nomor 11 Tahun 2008 tentang Informasi dan Transaksi Elektronik

Undang-Undang Nomor 8 Tahun 1999 tentang Perlindungan Konsumen

Undang-Undang Nomor 7 Tahun 2014 tentang Perdagangan

Peraturan Pemerintah Nomor 80 Tahun 2019 tentang Perdagangan Melalui Sistem Elektronik

Peraturan Menteri Perdagangan Nomor 31 Tahun 2023 tentang Perizinan Berusaha, Periklanan, Pembinaan, dan Pengawasan Pelaku Usaha dalam Perdagangan melalui Sistem Elektronik