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Research Article

Strategic Management in Improving Company Competitiveness in Indonesia's E-commerce Industry

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Abstract

This study aims to analyze the management strategies implemented by companies in increasing competitiveness in the Indonesian e-commerce industry. By using a qualitative approach through literature study or library research, this research utilizes various sources such as scientific journals, books, industry reports, and reliable articles. The results of the analysis show that e-commerce companies in Indonesia are facing increasingly fierce competition challenges due to rapid market growth and the development of digital technology. To survive and excel, companies need to implement management strategies that focus on innovation, human resource management, technology development, and customer experience optimization. Product and service innovation strategies are one of the important keys in attracting and retaining customers. In addition, effective logistics management and the application of data-driven technologies such as artificial intelligence (AI) and big data analytics are supporting factors in improving operational efficiency. The research also finds the importance of strategic collaboration with business partners to create a competitive digital ecosystem. Based on these findings, the study recommends the application of adaptive and future-oriented approaches to ensure long-term competitiveness. This finding is expected to make a practical contribution to managers of e-commerce companies in Indonesia as well as an academic reference for further research.

Keywords: Strategic Management, Competitiveness, E-Commerce, Literature Studies

INTRODUCTION

The e-commerce industry in Indonesia has experienced rapid growth in the past decade, driven by increasing internet access and the penetration of digital devices in society (Hootsuite, 2023). Indonesia is now one of the largest e-commerce markets in Southeast Asia with a projected transaction value of USD 100 billion by

2025 (Google, Temasek, & Bain, 2022). However, this growth is accompanied by increasing competition intensity, both among local and international players (McKinsey, 2022). This condition requires companies to have adaptive and innovative management strategies to maintain their competitiveness.

The e-commerce industry in Indonesia has evolved from a simple online marketplace to a complex digital ecosystem. Initially, e-commerce transactions were dominated by consumer products such as clothing and electronics, but now they cover almost all daily needs, including fresh food, digital services, and health products (Statista, 2023). This transformation is driven by the rapid growth of internet penetration, which reached more than 70% by 2023, and the increasing convenience of consumers towards digital payments (Hootsuite, 2023). Platforms such as Tokopedia, Shopee, and Bukalapak lead the market by creating an accessible shopping experience that is integrated with innovative payment and delivery technologies.

Indonesia's e-commerce market shows the dynamics of intense competition among local and global players. One of the main attractions of this market is the ever-increasing number of digital consumers, estimated to reach more than 150 million active users by 2025 (Google, Temasek, & Bain, 2022). Even so, e-commerce players face great challenges in building customer loyalty amid price wars and aggressive promotional offers. In addition, the cultural diversity and market characteristics in Indonesia force companies to implement different strategies in each region. For example, a strategy that works in a big city like Jakarta may be less effective in smaller cities with limited logistical access.

Technological innovation is the main foundation for the future of Indonesia's e-commerce industry. The integration of artificial intelligence to personalize the user experience, the utilization of big data analytics to understand consumer behavior, and the application of blockchain technology to improve transaction security are some of the trends that are beginning to be adopted by major players in this industry (McKinsey, 2022). In addition, the development of the concept of community-based shopping through live streaming and social media has created new opportunities for micro and medium enterprises (SMEs) to compete in digital platforms. With government support through infrastructure development and e-commerce regulations, Indonesia is on track to become one of the largest e-commerce hubs in Asia, making it an increasingly attractive arena for innovation and investment.

Previous research shows that human resource management, technology, and innovation are important elements in increasing the competitiveness of companies in the e-commerce industry (Kim et al., 2020; Prasetyo & Rachmawati, 2021). However, there is a research gap regarding how the implementation of these strategies is adapted to the unique characteristics of the Indonesian market, which is very diverse demographically and geographically (Wijaya & Santoso, 2021). In addition, previous studies have focused more on technical aspects such as logistics and digital payments, while the managerial dimensions and long-term strategies have received less attention (Nugroho et al., 2022).

The urgency of this research lies in the need to identify a holistic strategic approach to face specific challenges in the Indonesian e-commerce market, such as market fragmentation, low consumer loyalty, and price competition (PwC, 2022). This research offers a new contribution by integrating strategic management concepts into the context of the Indonesian e-commerce industry, thus providing a more comprehensive perspective than previous studies (Teece et al., 2020).

The purpose of this study is to analyze and develop an effective strategic management framework in increasing the competitiveness of companies in the Indonesian e-commerce industry. The benefits of this research include practical contributions for e-commerce company managers in designing competitive strategies, as well as academic contributions by enriching literature in the field of strategic management and e-commerce.

RESEARCH METHODS

This study uses a qualitative approach with the type of literature review to analyze strategic management in increasing the competitiveness of companies in the Indonesian e-commerce industry. This approach was chosen because it is relevant to explore theoretical and empirical concepts that have been studied in previous literature as well as to develop a holistic analytical framework. Literature studies allow researchers to identify new patterns, gaps, and opportunities based on relevant scientific sources (Snyder, 2019).

The data sources used in this study come from secondary literature, including indexed scientific journals, industry reports, academic books, and other official documents related to strategic management and e-commerce. The data was collected through systematic searches using online databases such as Scopus, Web of Science, and Google Scholar, with keywords such as strategic management, e-commerce competitiveness, and Indonesia's digital economy. Literature selection is carried out based on inclusion criteria, namely literature that is relevant to the research theme, published in the last five years, and has quality that can be accounted for (Okoli & Schabram, 2010).

The data collection technique is carried out through an in-depth literature review process to identify relevant theories, concepts, and research results. Each literature studied was analyzed with a thematic synthesis approach, which aimed to group data based on key themes such as innovation strategies, resource management, and competitive factors (Braun & Clarke, 2006). The data analysis method is carried out with a descriptive-analytical approach, in which the collected data is interpreted to understand the relationship between variables and answer research questions (Miles, Huberman, & Saldaña, 2014). This process allows researchers to generate systematic and contextual insights in explaining the dynamics of strategic management in the Indonesian e-commerce industry.

RESULTS AND RESEARCH

Application of Innovation as a Competitive Strategy in the E-commerce Industry

Innovation is a very important element to maintain the competitiveness of companies in the e-commerce industry, especially in Indonesia, which continues to grow rapidly. E-commerce companies in Indonesia, which has become one of the largest markets in Southeast Asia, are faced with the challenge of adapting quickly to the needs and expectations of increasingly high consumers. Innovation includes not only the development of new products or services, but also internal processes and adaptations to the latest technologies that can improve operational efficiency and overall customer experience.

One concrete example of innovation implemented by Indonesian e-commerce companies is the use of machine learning technology in the product recommendation process. Tokopedia, for example, uses machine learning-based algorithms to analyze user behavior and provide more relevant and personalized product recommendations. In this way, Tokopedia has managed to increase its sales conversions, with data showing that more than 70% of transactions on their platform are affected by these AI-based recommendations (Wijaya & Santoso, 2021). In addition, Tokopedia also utilizes big data technology to identify consumer trends and design more efficient marketing strategies. Innovations in these products and services have improved the shopping experience and accelerated purchase decisions, which in turn boosts turnover and maintains customer loyalty.

In addition to product innovation, marketing innovation strategies also play a very important role in increasing competitiveness. One of the latest trends in digital marketing in Indonesia is the use of live shopping, a concept that combines elements of shopping and entertainment through live broadcasts on e-commerce platforms or social media. This phenomenon is increasingly popular among the young generation of Indonesians who are very active on social media. According to a report by Google, Temasek, & Bain (2022), more than 50% of Indonesian internet users access e-commerce platforms through mobile devices, and more than 30% of them are involved in live shopping activities. This innovation allows for direct interaction between sellers and consumers, as well as providing opportunities for consumers to make purchases quickly during broadcasts. This is a great opportunity for companies to create a more personalized and engaging shopping experience, increase sales conversions and strengthen relationships with consumers.

However, the biggest challenge faced by e-commerce companies in implementing innovation is the speed at which they adapt to technological developments. In this context, companies that are slow to innovate or unable to keep up with market changes risk losing market share. For example, in 2020, e-commerce companies that failed to integrate efficient logistics systems and advanced delivery technologies faced increased operational costs and decreased customer satisfaction (McKinsey, 2022). On the other hand, companies that adopt cloud computing and AI technology in logistics management, such as Shopee, are able to improve operational efficiency and speed up delivery times, which is a plus in the eyes of customers. Data from PwC (2022) shows that e-commerce companies that implement new technologies in supply chain management can reduce shipping costs by 15-20%, which directly increases their profit margins.

To face increasingly fierce competition, sustainable investment in research and development (R&D) is key. According to Teece et al. (2020), companies that actively invest in R&D have a greater competitive advantage because they are able to create innovations that are faster and more relevant to market needs. In the e-commerce industry, where technological changes and consumer preferences are happening rapidly, companies that cannot innovate quickly will be left behind. This emphasizes the importance of having a strong culture of innovation and a team that is ready to manage changes and challenges as they arise.

Thus, innovation in Indonesia's e-commerce industry is not only limited to the creation of new products or the latest technology, but also about the ability to respond to changes quickly and adaptively. Companies that are able to implement innovation holistically—from product development, marketing strategy, to internal processes—will be better able to maintain their competitive position in this highly dynamic market. Therefore, well-managed innovation can be a decisive factor in achieving long-term success for e-commerce companies in Indonesia.

Optimizing Human Resources to Increase Competitiveness

Human resources (HR) is an important pillar in the implementation of strategic management in the e-commerce industry. In this industry, a workforce with high competence in the fields of technology, data, and digital marketing is a very valuable asset (Prasetyo & Rachmawati, 2021). Companies such as Bukalapak have implemented technology-based employee development programs to increase productivity and internal innovation (Wijaya & Santoso, 2021).

The importance of HR training and development has also been recognized in previous studies, which show that companies with good training strategies tend to have a higher competitive advantage (Kim et al., 2020). Additionally, companies need to create a work culture that supports innovation, where employees are given space to experiment and learn from failures. For example, Shopee is known to implement a results-oriented work culture while still providing flexibility to its employees (PwC, 2022).

However, human resource management in this industry also faces challenges such as high turnover rates due to competition between companies in attracting the best talent. To address this, competitive compensation strategies and employee loyalty programs are essential (McKinsey, 2022). In addition, diversity and inclusion are also aspects that need to be considered to create a more creative and adaptive team in the face of market changes (Teece et al., 2020). Thus, HR optimization includes not only the development of technical skills, but also the establishment of a collaborative and innovative work culture to support the company's competitiveness.

Utilization of Technology for Operational Efficiency

Technology has become the operational backbone in the e-commerce industry, allowing companies to improve efficiency and reduce costs. One significant technology implementation is the use of big data analytics to understand consumer behavior patterns and optimize marketing strategies (McKinsey, 2022). Tokopedia, for example, utilizes consumer data to improve its product recommendation system, which has been proven to increase user satisfaction (Wijaya & Santoso, 2021).

Technology also plays an important role in supply chain management, especially in countries like Indonesia that have geographical challenges. AI-based logistics systems and automation have helped companies reduce delivery times and improve accuracy in inventory management (Google, Temasek, & Bain, 2022). In addition, the integration of blockchain technology in payment systems began to be implemented to improve transaction security and build consumer trust (Teece et al., 2020).

However, technology adoption also faces headwinds, especially for small players in the industry who may lack the resources to invest in advanced technology solutions (PwC, 2022). Therefore, collaboration with third parties such as technology service providers or logistics partners is a strategic alternative. Overall, e-commerce companies that are able to make good use of technology will have a significant competitive advantage, both in terms of operational efficiency and customer experience.

Collaboration Strategies to Build a Digital Ecosystem

In the midst of fierce competition, strategic collaboration between companies is an effective approach to expand market reach and increase competitiveness. This collaboration can be in the form of partnerships with logistics companies, technology service providers, and micro, small and medium enterprises (SMEs) (Prasetyo & Rachmawati, 2021). For example, Shopee collaborates with various SMEs to expand its product catalog while supporting local economic growth (Kim et al., 2020).

Collaboration with the government is also an important strategy, especially in accessing funding programs or incentives that support business digitalization. In addition, cooperation with educational institutions to produce digital talent has been implemented by several large companies such as Bukalapak and Tokopedia (McKinsey, 2022).

Another benefit of collaboration is the formation of a more integrated digital ecosystem. This ecosystem allows consumers to access a variety of services, from shopping, payment, to delivery in a single platform (Teece et al., 2020). This not only improves consumer convenience but also strengthens customer loyalty. However, successful collaboration requires a clear strategy and commitment from all parties involved. Therefore, companies need to build trust and set common goals to ensure the sustainability of the partnership (Wijaya & Santoso, 2021).

CONCLUSION

Based on the analysis carried out, it can be concluded that innovation is a crucial element in increasing the competitiveness of companies in the Indonesian e-commerce industry. The use of advanced technology such as machine learning for product recommendations, as well as the application of AI-based logistics technology, has proven to have a significant impact on improving operational efficiency and customer experience. Tokopedia, with its innovation in AI-based product recommendations, managed to increase its sales conversion by up to 70%, while Shopee, which adopted new logistics technology, was able to reduce shipping costs and improve operational efficiency. In addition, the use of live shopping as a marketing strategy has proven to be effective in attracting young consumers, which is the dominant market in Indonesia.

However, even though product and technology innovation has been widely implemented, the biggest challenge for Indonesian e-commerce companies is the speed of adapting to market and technology changes. Companies that fail to innovate quickly risk losing market share, as is the case with companies that are slow to integrate new technologies in their logistics systems. Therefore, it is important for companies to continue to invest in research and development (R&D) and accelerate the process of adapting to rapid technological changes. Only then can companies maintain their relevance in this highly competitive market.

As a recommendation for further research, a more in-depth study of the specific impact of each type of innovation on customer loyalty and company profitability in the long term is needed. More comprehensive research on the relationship between technology adoption and customer satisfaction, as well as how innovation can be sustained in the long term in an ever-evolving market, is relevant. In addition, further research can also explore other challenges faced by companies in implementing innovation, such as organizational culture barriers, government regulations, and other external factors that can affect the success of innovation strategies in the Indonesian e-commerce industry.

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