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Legal Analysis of Predator Pricing Practices in Business Competition in the Digital Economy Era

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Abstract: The rapid development of information and communication technology has changed the mechanism of business competition in the era of the digital economy, where digital companies use aggressive pricing strategies such as predatory pricing to eliminate competitors. Predator pricing, which is the setting of prices very low below production costs with the aim of weeding out competitors, is often disguised as a promotion or market acquisition strategy by large startups and digital platforms. This poses a major challenge in competition law enforcement in Indonesia because it is difficult to prove predatory intent and set very low price limits in the context of complex digital business models and limited cost transparency. Article 20 of Law No. 5 of 1999 normatively prohibits this practice, but its application is less adaptive to the characteristics of the digital economy. This study uses a normative juridical method with a study of regulations, ICC decisions, and international literature to examine the adequacy of legal norms related to predator pricing in Indonesia. The results of the study show the need to update regulations and increase the capacity of ICC in order to overcome market distortions due to predatory pricing strategies, especially those that have an impact on the sustainability of MSMEs. A multidisciplinary approach that integrates legal analysis, the digital economy, and data is ess.

Keywords: Digital Economy; Business Competition; Predator Pricing

INTRODUCTION

The rapid development of information and communication technology has given birth to the era of the digital economy that fundamentally changes the pattern of economic interaction, including in the mechanism of business competition. Digitalization has opened up opportunities for businesses to reach a wider market with lower transaction costs, while driving innovation in business models and services. However, this transformation also presents a significant disruption to the conventional market structure. Traditional business actors often have difficulty competing with digital companies that have technology-based advantages and large funding, such as startups with venture capital support. This triggers the creation





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of a competitive arena that does not always run on an equal *footing (level playing field)*, especially when aggressive pricing strategies are used to eliminate competitors.¹

In this context, the dynamics of business competition in the digital era demand more adaptive and progressive supervision in terms of competition law. When large digital platforms such as Amazon, Grab, or Tokopedia use the power of technology and data to monopolize the market, there are concerns about the birth of market dominance that is difficult for new competitors or small businesses to fight. In the digital economy, market power is not only determined by price, but also by access to user data and the ability to create dependency of the digital ecosystem.² Therefore, business competition can no longer be seen through a classical lens alone, but must consider a digital context that is dynamic, complex, and full of information asymmetry. The state, through regulation and enforcement of competition laws, is required to be not only reactive, but also anticipatory to the potential abuse of market power in the digital landscape.

The *predatory pricing* strategy is a crucial issue in business competition in the digital era because it is often disguised as a form of promotion or market acquisition strategy. In practice, digital companies backed by large capital, such as unicorns or decacorns, often sell products or services well below market prices or even below production costs, with the aim of weeding out competitors who do not have similar financial resilience. This strategy not only creates inequality in competition, but also threatens the survival of micro, small, and medium enterprises (MSMEs) which are the backbone of the economy. Many digital platforms use this tactic to aggressively build a user base, then raise prices or change the terms of service once market dominance is achieved a pattern that clearly undermines the principle of healthy competition.³

This phenomenon shows a gap in competition law enforcement in Indonesia, where enforcement of predatory pricing practices is still relatively weak and less adaptive to the characteristics of the digital economy. Although Law No. 5 of 1999 has regulated the prohibition of abuse of dominant positions and monopoly practices, it has not explicitly accommodated forms of price distortion in the context of digital platforms. In addition, the Business Competition Supervisory Commission (ICC) often faces difficulties in proving predatory elements, especially related to the determination of "price below cost" and the intention to eliminate competitors, because the cost structure of digital companies is often not transparent. Law enforcement must update its analytical instruments in order to evaluate predatory pricing strategies in a digital context, where the logic of short-term losses is often compensated by the expectation of long-term dominance based on networks and data.⁴

¹ Nazhari, A. F., & Irkham, N. (2023). Analysis of Alleged Predatory Pricing Practices and Abuse of Dominant Position in the E-Commerce Industry. *Journal of Business Competition*, 3(1), 19-31.

²² Prasetyo, H. L., Ahmad, S., & Lutfi, A. (2024). Pengawasan KPPU Pada Pelaku Usaha Mikro, Kecil dan Menengah Dalam Persaingan Usaha Tidak Sehat di Era Digital. *Binamulia Hukum*, *13*(1), 225-237.

³ Ferrary, A. A. I., Fajri, I., Mustika, D. A., Apriadi, M. A., & Darojat, E. (2023). Transformasi Regulasi: Strategi Hukum Dalam Menangani Praktik Monopoli Dan Persaingan Usaha Tidak Sehat Di Era E-Commerce. *YUSTISI*, 10(1), 344-352.

⁴ Kennedy, A. (2024). Analisis Hukum Persaingan Usaha Platform Marketplace Online Pada Era Ekonomi Digital. *Ethics and Law Journal: Business and Notary*, 2(4).



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Predatory pricing *strategies* raise serious concerns in the context of business competition because although it appears to benefit consumers in the short term, it has damaging effects in the long run. When large business actors set prices far below the cost of production with the aim of eliminating competitors, the market structure becomes uneven. Small competitors are unable to survive in the face of economically irrational price pressures. After competitors are eliminated, the dominant actor tends to raise prices or change the terms of service unilaterally, so that consumers end up being disadvantaged. This phenomenon is in accordance with the concerns regulated in Article 20 of Law No. 5 of 1999, which explicitly prohibits business actors from supplying goods and/or services at very low prices with the aim of eliminating or shutting down the business of their competitors in the market concerned, because it can lead to monopoly practices that threaten a healthy and efficient market order.

Unfortunately, the application of Article 20 in law enforcement practice in Indonesia still faces a number of challenges. One of the biggest obstacles is the proof of predatory intent and the determination of the "very low price" limit referred to in the article. In the context of the digital economy, companies often argue that low prices are part of a marketing strategy or market penetration, not a competitor elimination effort. This is complicated by digital business models that often do not rely on short-term profits, but instead focus on user acquisition and ecosystem dominance. Even traditional approaches to predatory pricing are inadequate to analyze the behavior of digital platforms that rely on large funding and *network effects*. Therefore, competition law enforcers such as ICC need to develop more contextual methods of digital economy analysis and strengthen the mechanism of proof against anti-competitive intentions, so that Article 20 can function effectively as an instrument to prevent market dominance that is detrimental to long-term competition.

The transformation of the digital economy demands a business competition legal system that is not only responsive, but also progressive in assessing new dynamics such as *predatory pricing practices*. The provisions in Article 20 of Law No. 5 of 1999 which prohibit the supply of goods/services at very low prices with the aim of eliminating competitors, are normatively relevant. However, the challenge lies in such legal capacity in dealing with the complexities of digital business models, such as pricing strategies under production costs subsidized by investors with the aim of dominating the market through network effects. In cases like Gojek or Grab that offer systemically low fares, it is difficult to prove whether the main goal is market promotion or the annihilation of competitors. Without a sharp legal analysis based on the contemporary digital economy, this article risks becoming a barren norm amid the ever-changing market reality

Furthermore, Article 20 enforcement efforts require a multidisciplinary approach that combines legal, economic, and digital data analysis. The *OECD report (2021)* underlines that in digital markets, the measure of dominance is not only seen from market share, but also from data strength, network scale, and ecosystem

⁵ Al-Mahya, Y. A. Q. E., Sari, R. E. Z. A., & Kalam, N. A. A. (2024). Analisis Praktek Predatory Pricing dalam E-Commerce (Studi Kasus Platform Lazada). *Indonesian Journal of Social Sciences and Humanities*, 4(2), 88-

⁶ Sengge, A., & Umar, W. (2024). PENGAWASAN DAN PENEGAKAN HUKUM E-COMMERCE OLEH KPPU DALAM MENGATASI PERSAINGAN USAHA TIDAK SEHAT. *Jurnal Hukum Lex Generalis*, *5*(4).



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dependence. Thus, *predatory pricing practices* must be analyzed not only from the price aspect, but also from their long-term strategic context. ICC and other legal institutions need to establish evaluation methodologies that are able to distinguish between legitimate business strategies and exploitative behaviors that undermine market structures. Without reforms of the relevant legal understanding and approach to digital challenges, Article 20 will simply be a normative text that has no power of intervention in the midst of increasingly complex and decentralized economic practices.

METHOD

This research uses a normative juridical method, which is an approach that focuses on the study of written legal norms as the basis for analysis of the legal problems being studied. This approach aims to examine the consistency and adequacy of the legal norms that govern the prohibition of *predator pricing* in the context of business competition, especially as stipulated in Law Number 5 of 1999 concerning the Prohibition of Monopoly Practices and Unfair Business Competition, especially Article 20.

In this study, data was obtained through literature studies that include laws and regulations, decisions of the Business Competition Supervisory Commission (ICC), the doctrine of legal experts, as well as scientific articles and reports from international institutions such as the OECD that are relevant to the issue of business competition in the digital era. This study also uses a conceptual approach to understand the meaning and application of *predator pricing* in the context of Indonesia's positive law, as well as a comparative approach to compare regulation and law enforcement against similar practices in other jurisdictions. Through this approach, it is hoped that normative weaknesses and weaknesses in law enforcement can be found which then become the basis for recommendations for improving regulations and business competition policies in Indonesia

RESULTS AND DISCUSSION

The Concept and Implications of Predator Pricing in the Digital Economy

1. Juridical Analysis of Article 20 of Law No. 5 of 1999 and Its Relevance in the Digital Economy

Article 20 of Law No. 5 of 1999 which prohibits the practice of setting very low prices with the aim of eliminating competitors is an important instrument in protecting fair business competition in Indonesia. Scientifically, the concept of predatory pricing set forth in this article is based on the theory of imperfect competition economics, in which businesses with considerable market power can set prices below production costs to eliminate competitors and then increase prices after competitors exit the market (predatory pricing theory). Pricing below variable costs on a sustainable basis is a key indicator of predatory pricing that can undermine long-term competition. However, proving the element of intent is a major problem in competition law because intent is a subjective factor and difficult to prove directly, so judges or regulators must use indirect evidence in the form of price patterns and market impact (circumstantial evidence). This is in line with a view that emphasizes the need for in-depth economic analysis in identifying

⁷ Al Fahd, H. W., & Prasetyo, H. (2020, November). TINJAUAN YURIDIS TERHADAP PERBUATAN MENIMBUN MASKER DI MASA PANDEMI COVID-19 DITINJAU DARI UNDANG-UNDANG NO. 7 TAHUN 2014 TENTANG PERDAGANGAN. In *National Conference on Law Studies (NCOLS)* (Vol. 2, No. 1, pp. 107-125).



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predatory pricing practices to distinguish between legitimate competitive pricing strategies and anticompetitive practices.⁸

In the context of the digital economy, the classic theory of predator pricing faces significant challenges as digital business models adopt different cost structures and investment strategies than traditional industries. Digital platforms often use subsidized pricing strategies supported by large capital and network economies of scale (network effects), which do not always have a direct analogue in the concept of conventional variable costs. Digital platforms that are multi-sided markets can set low or even zero prices on one side of the market to attract users and create value for the vast ecosystem. This makes it difficult to apply price criteria below production costs as evidence of predatory pricing. In addition, algorithmic pricing algorithms add to the complexity of surveillance as prices can change dynamically according to real-time market data, so predatory pricing practices in the digital economy require more sophisticated analytical approaches, including technology monitoring and data analytics to understand their intent and impact on competition.

Empirical studies related to predator pricing supervision in the digital economy also confirm the need for adaptive regulation. For example, the OECD report (2020) suggests that regulators face difficulties in identifying and proving predatory pricing practices supported by large subsidies and aggressive growth strategies in the digital sector, resulting in the need for more comprehensive impact evaluation methods, including analysis of consumer behavior and long-term impacts on market structures. The cases in the United States and the European Union against companies such as Amazon and Google show how traditional approaches are not always adequate to handle the dynamics of the digital economy, leading to a discourse on the need for regulation that integrates algorithmic analysis, platform ecosystems, and venture capital funding. Thus, scientifically and practically, Article 20 of Law No. 5 of 1999 must be supported by normative reforms and increased supervisory capacity in order to effectively regulate business competition in the increasingly complex and dynamic digital era.

2. Challenges of Law Enforcement by ICC and Lessons from the International Legal System

The challenges of law enforcement by the Business Competition Supervisory Commission (ICC) in dealing with predatory pricing practices in the digital era are indeed very complex, and this is supported by various scientific studies that highlight the difficulty of proving predatory intent and the unique characteristics of the digital market. One of the main difficulties in identifying predatory pricing is distinguishing whether low prices are a short-term strategy to weed out competitors or simply a rational competitive response in a dynamic market. Empirical evidence suggests that companies adopting predatory pricing strategies must have a significant long-term profit expectation of the resulting monopoly market position, which is difficult

⁸ Ghifari, N., Murwaji, T., & Harrieti, N. (2025). LEGAL CONSTRUCTION OF RULE OF REASON APPROACH TO PREDATORY PRICING IN DIGITAL BUSINESS. *Awang Long Law Review*, 7(2), 256-267.

⁹ Parluhutan, D. (2021). Analisis Hukum Kompetisi Terhadap 'Big Data'Dan Doktrin 'Essential Facility'Dalam Transaksi Merger Di Indonesia. *Jurnal Persaingan Usaha*, 1(1), 83-96.

¹⁰ Makkira, M., Amrullah, A., Muhtar, M., & Parenden, A. (2024). Analisis Strategi Pricing dalam Konteks Bisnis E-commerce. *Economics and Digital Business Review*, *5*(2), 543-549.

¹¹ Marwah, M. (2022). The Predatory Pricing Practice: The Challenges of Business Competition Law on Ride-Hailing Tariff' s War. *Jurnal Akta*, 9(4), 425-437.



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to verify directly by regulators.¹² In the digital sector, the cost structure consisting of high fixed costs and near-zero marginal costs, demands a revision of the traditional methodology that assesses predatory pricing by comparing marginal prices and costs.¹³ In a digital business model, very low prices can be a legitimate market penetration strategy because of the network effects that drive user growth and overall ecosystem value. This complicates ICC's assessment because it is not enough to simply see low prices as a direct indicator of predatory intent, but also to consider the broader economic and technical context.

In terms of learning from the international legal system, much of the literature confirms that an approach based on economic analysis with a focus on long-term effects on markets and consumers is much more effective for addressing competition issues in the digital age. For example, the EU's approach to abuse of dominant position cases expands the definition of dominance to include factors such as data control and the ability to inhibit competitor innovation, which are key elements in the digital market. On the other hand, the United States' approach that emphasizes the theory of efficiency and anti-consumer impact in competition law enforcement is reflected in the work of economics, which emphasizes the importance of a balance between regulatory intervention and innovative market dynamics. The concept of killer acquisitions, which is increasingly popular in the literature on the economics of digital competition, also shows the need for strict supervision of acquisition strategies that have the potential to eliminate innovation and competition

The case study of Google Shopping judged by the European Commission is a concrete example of the application of these theories in the practice of competition law enforcement in the digital market. Analysis conducted by the EU shows that Google's dominance is not only measured by conventional market share, but also by its ability to control data access and integrate ecosystems that pose high barriers to entry for competitors. This is in accordance with the concept of the platform economy, that data control and network digital ecosystems are a strategic source of market power and are difficult to overcome by traditional supervision. Therefore, strengthening ICC's institutional capacity, such as improving digital economy expertise and data analytics as well as regulatory updates that are adaptive to the characteristics of the digital market, is an important step supported by relevant literature.¹⁴ Through an approach based on long-term economic analysis and international collaboration, ICC can increase the effectiveness of competition law enforcement and adjust to the dynamics of digital business models that are increasingly complex and non-linear.

Juridical Review of the Regulation and Enforcement of Predator Pricing Laws in Indonesia

¹² Ghifari, N., Murwaji, T., & Harrieti, N. (2025). LEGAL CONSTRUCTION OF RULE OF REASON APPROACH TO PREDATORY PRICING IN DIGITAL BUSINESS. *Awang Long Law Review*, 7(2), 256-267.

¹³ Ganesh, A. (2025). Predatory pricing in platform markets: a modified test for firms within the scope of Article 3 of the DMA and super-dominant platform firms under Article 102 TFEU. *European Competition Journal*, 1-36.

¹⁴ Kholis, N., Kurniawan, A. S., Setyani, W., & Arisandi, A. D. (2024). Urgensi Penegakan Hukum Dan Penguatan Peran Pengawasan KPPU Di Era Industri Digital. *Cendekia Niaga: Journal of Trade Development and Studies*, 8(1), 40-56.



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1. The Complexity of Digital Business Models and Barriers to Proving Predatory Pricing Practices

From a competitive law perspective, the analysis of predatory pricing practices in the digital business realm requires a deep understanding of the specific characteristics of the business model that distinguish it from traditional businesses. Economically, predator pricing is traditionally defined as setting prices below marginal costs with the aim of getting rid of competitors and controlling the market to then raise prices monopolistically. However, in the context of multi-line digital platforms that rely on cross-subsidization between services, this conventional approach becomes inappropriate. A number of economic studies, such as those that confirm that low prices in multi-sided platforms are more often part of a long-term strategy to build user ecosystems and createan efek jaringan, sehingga tidak serta merta dapat dikualifikasikan sebagai tindakan predatoris.¹⁵ This phenomenon is reinforced by empirical research that emphasizes the complexity of dynamic pricing algorithms applied in digital businesses, where seemingly low prices are not an indication of monopoly intentions but a rational response to market dynamics.¹⁶

In the realm of competition law enforcement, the inability of regulators to access essential internal data is one of the main obstacles in proving the element of predatory pricing in digital companies. The lack of transparency of information and the long-term funding structure inherent in digital business models makes conventional methods based on price-cost comparisons inadequate and often misleading in the context of the digital market.¹⁷ Therefore, the development of a new methodology that integrates consumer behavior analysis, internal transaction data, and understanding of the digital ecosystem is imperative for the effectiveness of regulation. The need for law enforcement to adopt a multidisciplinary approach that combines the digital economy and information technology to anticipate potential market lock-ins and long-term distortions of competition.

As an empirical illustration, several cases of large digital businesses such as Amazon and Uber provide a real picture of the challenges of proving predatory pricing that regulators face. Uber's low-price strategy is supported by the goal of market penetration and long-term investment, not simply to weed out competitors in an anticompetitive manner. Similarly, it is explained that the use of cross-subsidies and economies of scale in pricing is an economically legitimate competitive strategy and not a form of predatory price discrimination. Based on the scientific study, it can be concluded that the legal and economic approach to predatory pricing in digital business must be holistic and contextual, taking into account the unique

¹⁵ FARHAN, M. R. (2024). *TINJAUAN YURIDIS BAGI PELAKU USAHA YANG MELAKUKAN JUAL RUGI YANG MENGAKIBATKAN PERSAINGAN USAHA TIDAK SEHAT (Studi Putusan Nomor 3/KPPU-L/2020)* (Doctoral dissertation, FAKULTAS HUKUM, UNIVERSITAS ISLAM SUMATERA UTARA).

¹⁶ Fikri, M., Andayani, L., & Amanita, A. (2024). TINJAUAN YURIDIS PERMENDAG NO 31 TAHUN 2023 SEBAGAI UPAYA UNTUK MENCIPTAKAN PERSAINGAN USAHA SEHAT. *Jurnal Rechtswetenschap: Jurnal Mahasiswa Hukum, 1*(1).

¹⁷ Raharjo, N. P., & Rahmawan, D. (2024). KAJIAN YURIDIS TERHADAP PRAKTEK JUAL RUGI DALAM PERSAINGAN USAHA DI INDONESIA DAN DI MASYARAKAT UNI EROPA: Juridical Review Of Selling Practice at A Loss in Business Competition in Indonesia and in The European Union Community. *Reformasi Hukum Trisakti*, 6(2), 839-849.



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characteristics of digital markets, funding structures, and technological innovations that fundamentally influence pricing and competition behavior patterns.¹⁸

2. The Threat of Market Structure Distortion and Long-Term Exclusion of Local Competitors

From a competitive law perspective, predatory pricing practices by large digital companies need to be a major concern because they have the potential to result in distortions of market structures that are detrimental to consumers and other business actors. Economically, predatory pricing violates the principles of fair competition set forth in anti-monopoly laws by utilizing large capital forces to squeeze prices below the cost of production, thereby weing out smaller competitors. The economic theory put forward by Scherer & Ross (1990) explains that this condition shifts the market from perfect competition to oligopoly or monopoly, where dominant players can control the price and quantity of goods exclusively. Empirical research also shows that this strategy is carried out by companies with strong resources, such as digital giants that have the ability to bear losses in the short term in order to dominate the market in the long term. Thus, this violation of the principle of competition has direct implications for reduced market efficiency and consumer welfare.

In the context of protecting small and medium business actors, the competition law recognizes the importance of maintaining the sustainability of MSMEs as a pillar of the national economy that contributes greatly to economic growth and equity. There are indications that predatory pricing practices that exclude MSMEs lead to a decrease in innovation incentives and market efficiency, which is contrary to the objectives of the competition law to create a dynamic and inclusive market. In addition, studies show that MSMEs absorb most of the workforce and play an important role in economic equity. Therefore, legal protection for MSMEs from this predatory practice not only protects the interests of small businesses, but also maintains overall socio-economic stability.²⁰

Regulatively, various international institutions such as the OECD have underlined the urgency of implementing antitrust policies and strict supervision of predatory pricing practices in the digital economy. Within the framework of business competition law, state intervention is needed to prevent market distortions resulting from large-scale economies and network effects that strengthen the dominant position of digital companies (OECD, 2020). The theory of industrial organization described by Carlton & Perloff (2015) asserts that without effective regulation, concentrated market forces will inhibit the entry of new business actors and pose a long-term monopoly risk. Therefore, the principle of competition law that

¹⁸ Alena, S., & Edvardas, J. (2020). Price algorithms as a threat to competition under the conditions of digital economy: Approaches to antimonopoly legislation of BRICS countries. *BRICS Law Journal*, 7(2), 94-117.

¹⁹ Tunggati, M. T. (2024). Projection of Predatory Pricing Dispute Resolution in The Context of Business Competition Between UMKM in The Digital Economy Era Based on Win-Win Solution. *JILPR Journal Indonesia Law and Policy Review*, 5(2), 336-348.

²⁰ Sinaga, P. H. W., Widhiyanti, H. N., & Widyanti, Y. E. (2025). Predatory Pricing Competition Through E-commerce Platforms: Eliminating or Destroying?(A Review Based on the Theory of Harm). *International Journal of Islamic Education, Research and Multiculturalism (IJIERM)*, 7(1), 113-129.



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demands the creation of a fair and open market must be strictly applied so that digital business models can develop healthily without oppressing MSMEs and harming consumers in the long term.

CONCLUSIONS

Predator pricing is regulated in Article 20 of Law No. 5 of 1999 to protect business competition by prohibiting very low pricing to get rid of competitors. However, in the digital economy, this concept becomes complex because digital business models use near-zero marginal costs, cross-subsidies, and dynamic pricing algorithms. This makes it difficult to apply conventional methods in proving predatory intentions. ICC faces challenges in accessing digital companies' internal data and distinguishing between competitive and predatory pricing strategies. International studies emphasize the need for regulations that consider the long-term effects and power of data control on digital platforms. Predatory pricing can cause market distortions and threaten the survival of MSMEs, which play an important role in the national economy. Therefore, legal protection and strict supervision are needed to keep competition healthy and inclusive. Regulatory reform and institutional capacity building of ICC are the keys to the success of law enforcement. A multidisciplinary approach that combines the digital economy and information technology is also important to understand this practice. With this step, the digital market can develop fairly without harming small businesses and consumers.

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