

Navigating Platform Dependence: Strategic Decision-Making Process Behind PT Local's D2C Business Model Shift

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Abstract

PT Local faces challenges as its heavy reliance on marketplaces begins to limit the company's ability to manage profit margins, access customer data, and build long-term relationships with its own consumers. This situation creates a need to re-evaluate its growth strategy and consider a shift towards a Direct-to-Consumer (D2C) model as an effort to strengthen business autonomy and sustainability. This study aims to explore this transition process by examining the company's internal dynamics and customer responses to the change in sales channels. A qualitative approach was employed through interviews with the internal team, customer surveys, and financial data analysis, supported by the use of the SWOT, TOWS, Porter's Five Forces, and Resource-Based View (RBV) frameworks to comprehensively understand the company's strategic position. The findings identify five key steps: maintaining marketplaces as an acquisition channel while migrating repeat customers to D2C platforms; enhancing the quality of the D2C experience through more intuitive interface design, faster payment processing, responsive customer service, and reliable delivery; leveraging customer data to build a cross-brand loyalty ecosystem; refining operational and financial system integration; and establishing a cross-functional committee to ensure consistent strategy execution. This study concludes that the transition to D2C is not intended to abandon marketplaces entirely, but rather to reduce dependency by strengthening customer relationships and improving long-term profit stability.

Keywords: Digital Business, Direct-to-Customer, Platform, Strategic Decision-Making, Strategic Shift.

1. Introduction

The rapid growth of the e-commerce ecosystem in Indonesia has significantly transformed how consumer brands operate, primarily as marketplaces have become the main channel for gaining visibility and sales. However, rising commission fees, advertising costs, and logistics costs controlled by the platforms are increasingly eroding the profit margins of many brands (Wicaksana, 2022). Competition within the platforms is also intensifying, as marketplace algorithms prioritize paid exposure and high-volume sellers, thereby creating a saturated environment and limiting opportunities for differentiation (Maisaroh et al., 2024). Concurrently, the Indonesian e-commerce market continues to expand rapidly and is projected to exceed USD 90 billion by 2025, further intensifying competitive pressures for businesses. These conditions are prompting many brands to begin exploring the Direct-to-Consumer (D2C) model, as indicated by several studies which posit that the D2C channel offers greater control over customer data, brand experience, and profitability (McKee et al., 2023; Mu & Yi, 2024)

This research is positioned right at that turning point. We will be analyzing the properties of PT Local from platform dependency point of view. Also we will evaluate the



effects of moving away from marketplaces. This study is structured around four key research questions that inquire how rising platform fees impact, what are the opportunities and threats of building new channels, what are the challenges of that, and what kind of strategic model best fits the next stage of growth of PT Local.

Several contemporary studies highlight the risks of dependence on digital platforms for businesses. Yu & Sekiguchi (2024) found that while platforms lower entry barriers, entrepreneurs who rely heavily on them face power asymmetries and strategic uncertainty. From a Resource-Based View (RBV) perspective Elia et al. (2021) assert that digital capabilities, such as e-commerce technology and data management, are crucial strategic resources for competing in cross-border e-commerce. Giustiziero et al. (2023) further reinforce this line of thinking by demonstrating that combinations of internal resources (resource bundles) can influence the scale and specialization of platform-based firms. On the other hand, Transaction Cost Economics (TCE) theory is also highly relevant in the context of the modern platform economy; a study by Akbar & Tracogna (2022) highlights how transaction costs (such as those related to information, opportunism, and switching) hinder the growth of sharing platforms. Furthermore, Yao et al. (2022) utilize TCE and power-dependency theory to explain how trust structures are built and maintained within organizations that depend on platforms. Research by Christanti & Jatiputra (2023) on MSMEs also indicates that leveraging e-commerce during a crisis must consider not only technological potential but also the dimension of dependence on external resources such as platforms.

This study aims to evaluate PT Local's transition strategy by diagnosing the business reasons behind the company's increasing reliance on marketplace platforms, identifying the various emerging pain points, and analyzing whether a Direct-to-Consumer (D2C) approach can support the formation of a more resilient and profitable business model. The research also seeks to understand how rising platform costs and external market changes affect PT Local's business performance and strategic position, while also examining how industry competition dynamics and the marketplace ecosystem impact the company's ability to maintain profitability and differentiation.

Further, this study investigates the internal resources and organizational capabilities that determine the level of PT Local's readiness to shift towards D2C channels. An assessment is also conducted on the strategic directions that could potentially help the company reduce its dependence on marketplace platforms and achieve more balanced and sustainable channel growth.

Overall, this research aims to provide a deeper understanding of the strategic issues faced by PT Local amidst rising operational costs and the constraints imposed by digital platforms. The research focus is directed towards identifying viable alternatives to the company's current online channel strategy, as well as formulating recommendations that can strengthen the long-term sustainability and autonomy of the business.

This endeavor encompasses an analysis of the impact of rising platform costs on profitability and scalability, the identification of opportunities and risks in developing D2C channels, an evaluation of the internal capabilities and external factors affecting the company's readiness to transform, and the development of a strategic business framework that provides practical guidance for achieving sustainable growth through more diversified and balanced channel management.

2. Literature Review

According to Yu & Sekiguchi (2024) observed that owing to the discrepancies in visibility, rules and access to data caused by the platforms, entrepreneurs become dependent and find it difficult to develop autonomous business capabilities. PT Local, a partnership, is experiencing the same problem, as platforms capture a larger share of the value than their sellers. This problem depicts double marginalization. Both the seller and platform benefit from the transaction. The brand, therefore, is the only which has thin margins that is profit. This poses a structural challenge for firms like PT Local. When outside partners make their own rules, a single enterprise is not sustainable.

This observation is consistent with Kalayci et al. (2024), who noted that customers choose between D2C and multi-brand platforms based on perceived trust, convenience, and value factors that can change quickly in response to rising platform costs or declining service quality. Gaining customer data is necessary to grow loyalty and increase engagement with the consumer. According to Grant (2018), they are typically intangible, like brand reputation, organizational culture, or knowledge systems, which permits the firm to maintain its position in the presence of competition.

When we look at PT Lokal, there are some strengths that fit. Its portfolio of local brands is a key resource. Every brand has its own authenticity that can connect with Indonesia's online consumers in a way generic sellers cannot. This emotional bond and cultural fit with customers is beyond the reach of competitors. PT Local's centralized operating model is another critical resource. Weber & Cilliers (2024) stated that the resource that allows the firm to translate their operational capabilities into sustainable omni-channel advantage through a strong investment capacity and cross-functional integration logistics finance marketing and technology which act as a single backbone. This system allows smaller brands to scale in a much quicker and efficient manner than doing things alone. Besides that, PT Local's possession of deep expertise in brand building and marketing capabilities allows the portfolio to stand out in competing categories.

The business problems are the starting point. PT Local relies on online marketplace and their commission keeps rising and thus further reducing margins. These problems are not unique. Hänninen et al. (2018) refer to this situation as power asymmetry, where the platform receives a lot more value than the relying sellers. According to PT Local, these dynamics highlight the vulnerability of the present model over control. However, it's not as easy as just building a website. Yet, although the D2C model offers higher margin and freedom, it demands tighter coordination and a reliable system while also primarily offer the same convenience that market places have already mastered (Kalayci et al., 2024).

Afterward, the most unpredictable segment arrives: the customers. Mu & Yi (2024) reveal a surprising fact: what drives D2C success is not only price, but also a feeling of trust, warmth and intimacy. Brands that are relatable are one that gets targeted customers. For PT Local, going D2C is not just a channel change but also a mindset change from transaction to relationship. Together they give conclusive logic to the conceptual framework. Dependence arises from the architecture of platforms.

This is how PT Local moves from renting visibility to owning the future step by step. The idea of 'sell on, sell to, or sell through' platform strategies was introduced by Wang & Chen (2024) to explain how brands can balance channel control and profitability. Likewise, Li & Yuan (2025) showed how, when facing platform encroachment which threatens margin structure, manufacturers must optimize their pricing and channel decisions, as is PT Local's current state.

3. Methods

To obtain a conclusive and honest view of what is happening in PT Local, not only theories or assumptions are used. The researcher uses a combination of internal company sources, actual customers, and additional supporting documents. Having more than one source is important to ensure the findings are not biased and one-sided.

3.1. Primary Data

3.1.1. Interviews

Much of the insight in the research has come from conversations with people who are in business. The researcher conducted semi-structured interviews with several internal stakeholders including brand managers finance teams and people who handle operations and D2C projects. Since they face the actual issue on a daily basis, their feedback speaks about what's actually going on behind the company's D2C shift.

The interviews were not done in a rigid or formal way. The conversation was guided but not controlled, allowing for open flow. This approach allows for the capturing of information that is not revealed in the formal reports. Such information includes internal problems, operational roadblocks, and the team's sentiments on relying on e-commerce platforms too much.

3.1.2. Customer Questionnaire

This research not only hears from the internal team but it also hears from customers. An online questionnaire was distributed to those who purchased from PT Local via marketplaces such as Shopee or PT Local's own website. The aim was to learn about their routines and what influences their choice of purchasing and where.

Instead of doing intensive analysis of the responses to the questionnaire, the author uses it to sift through responses for patterns. Are people more comfortable buying through marketplaces? What makes them hesitate to purchase directly through a brand site? What can convince them to use D2C more often? The answers help to check if the company's strategy meets customer expectations.

3.2. Secondary Data

3.2.1. Company Records and Industry Sources

The researcher makes use of secondary data in support of interview and survey findings. This refers to PT Local's internal financial reports, in particular data on transaction fees from the marketplace in the last few years. This financial information indicates why marketplace dependency has become a real problem, for the more it sells there, the more fees it has to pay. Besides that, there is also the use of industry reports, article and marketplace policy updates. These documents shows that PT Local's situation is not an isolated issue that only it is facing but a problem that is faced by many other similar brands across Indonesia.

The secondary data mostly comes from PT Local's financial information and documents about marketplace fees. Here, the analysis is straightforward: compare the cost of selling on marketplaces over time. Once the transaction fees are lined up year by year, the impact becomes obvious without needing any complicated formula. This data is used to validate what employees mentioned during interviews that rising fees are a real problem and not just a perception. By combining the three interview insights, customer responses, and financial evidence the analysis builds a complete view of why PT Local is considering a D2C shift and what must be prepared internally before doing it.

4. Results and Discussion

4.1. Research Results

The result from internal stakeholders informed that PT Local has several internal strengths that support its strategy shift to direct-to-consumer (D2C) model. The PMO Finance D2C Project indicates strong management support and a clear financial direction for D2C development. The company pays for the platform infrastructure set-up costs to allow brand teams to focus on execution and not setup costs. Furthermore, according to the Product Manager, PT Local has a tech in-house capability which allows the company flexibility and scalable development of D2C websites. Combining WooCommerce with Jubelio and DurianPay makes for a low-cost system architecture that can be implemented quickly for different brands. In the view of the Brand Manager, PT Local has already developed a strong brand equity across its portfolio, especially in beauty and lifestyle categories. This brand strength can help generate organic traffic and retain customers in D2C. Furthermore, comparisons from the PMO D2C Project show that D2C has better margin potential than marketplace channels, as brands have greater control over pricing and marketing costs.

In spite of these strengths, the results also reveal several weaknesses that must be dealt with. Marketplace channels have a strong influence on the internal decision making of PT Local. The PMO D2C Project revealed that the majority of the revenue still comes from Shopee and TikTok Shop, hence the brand teams are reluctant to shift their focus to D2C. Another internal weakness comes from the operational side. As per PMO Finance D2C Project D2C financial reconciliation is more complex than Marketplaces financial reconciliation. This is primarily due to involvement of multiple systems includes payment gateway, bank and warehouse provider. Some reconciliation is still done manually at this stage as it increases the likelihood of getting delayed or mismatched data. Some survey participants noted that the overall D2C website experience, from the customer perspective, is still not as complete as what they get in marketplaces. Some customers hesitate to switch channel partners due to limitations in payment methods, loading speed, and return policies. Moreover, the growth of D2C traffic remains slow since PT Local has not allocated a consistent marketing budget for D2C and still relies heavily on organic traffic.

On the outside, there are strong opportunities that fuel the acceleration of D2C. According to customer surveys, users are happy to shop on brand websites if and only if they receive unambiguous benefits such as an exemption from shipping charges, special discounts or redeemable points. Hence, it is indeed possible to drive customer movement from marketplace to D2C, with the right incentivization. PT Local also has a chance to create a cross-brand ecosystem. As per the Brand Manager of PT Local, the company will be creating a loyalty system that connects all its managed brands in such a way that one customer can shop and earn points across brands. This method has the potential for increasing repeat purchase and lowering marketing costs. Another opportunity is price control. D2C allows PT Local to set healthier margins and gives value-added offers to consumers, unlike marketplaces where brands have to enter into price wars. Making D2C the centre of your business also allows for long term marketing efficiency through owned channels like email marketing, WhatsApp automation, retargeting etc.

Despite the D2C direction being a promising one, PT Local faces various external threats. Marketplace fees being on the rise is a major threat. The PMO Finance D2C Project has indicated that marketplace costs can amount to 15–25% of total GMV when commissions, promotion fees and advertising are considered. These costs create constant pressure on profitability. There are also changes in marketplace algorithms. The visibility of marketplace

sales is dependent on the algorithm, according to PMO D2C Project. It further stated that if the brand’s performance is not supplemented with paid ads, it would become unstable. Another significant threat is customer behaviour. According to the survey feedback, customers are still shopping on marketplaces as these are seen to be more trustworthy. Further, the shopping journey is familiar there, along with Pay Later and returns being easy. The final threat is strategic risk during migration. If PT Local reduces too much of their marketplace exposure, it may suffer an overnight drop in sales. PMO D2C even shared a real example where a brand outside of PT Local pulled stock off the marketplaces too quickly, causing a loss of sales momentum and a cash flow issue. This means the transition must be carefully managed.

4.1.1. SWOT/TOWS Matrix

The SWOT analysis findings lead to a TOWS Matrix formulation of strategy direction as per PT Local’s current condition that is a relevant solution to manage transition from marketplace dependency to Direct-to-Consumer (D2C) development. An example of a table is shown in Table 1.

Table 1. TOWS Matrix Diagram

Internal Factor	Strengths (S)	Weaknesses (W)
External Factor	1. In-house tech capability for D2C	1. High marketplace dependency
	2. Management support for D2C	2. Low D2C traffic and conversion
	3. Strong brand equity	3. Limited payment & delivery features
	4. Centralized operations	4. Manual financial reconciliation
	5. Higher margin potential in D2C	5. Low retention focus
Opportunities (O)		
1. Customers open to D2C if benefits exist	SO1: Use D2C margin to create exclusive offers.	WO1: Improve D2C checkout, payment, and tracking.
2. Can build customer database	SO2: Build loyalty program to increase repeat orders.	WO2: Allocate budget for D2C marketing.
3. Loyalty program potential		
4. Lower long-term marketing cost		
5. Growing adoption of brand websites		
Threats (T)		
1. Rising marketplace fees	ST1: Use D2C as a repeat-order channel while keeping marketplace for first-time buyers.	WT1: Apply gradual migration strategy.
2. Algorithm controls visibility	ST2: Keep marketplace for acquisition only.	WT2: Strengthen D2C SOPs (refund, finance, service).
3. Price wars and promo pressure		
4. Risk of sales drop during migration		
5. Strong marketplace habits		

Source: processed data, 2025

The SO strategies focus on internal strengths to take advantage of external opportunities. Due to a more robust margin control on D2C as compared to marketplaces, PT Local can leverage this to develop stronger value for customers on the website in the form of website exclusive bundles, limited edition product drops and free shipping thresholds. This is similar to the customer feedback from the questionnaire, where respondents said they would be willing to shop on the site if it offered real incentives. PT Local has a variety of brands across several categories. This gives us the opportunity to create a cross-brand loyalty program.

According to feedback from the interviews, customers will continue to return for repeat purchases as long as there's an ecosystem to support them, as opposed to merely one-time transactions.

WO strategies involve taking advantage of opportunities so the internal weaknesses become less harmful. A key weakness identified is that, on payment options, tracking visibility and delivery speed, the D2C experience is still not as complete and convenient as the marketplace experience. In the questionnaire, customers have highlighted these gaps stating they need Pay Later, better tracking which are on the wish list, and live chat. On the other hand, you could rectify these weaknesses and transform them into optimization that builds faith and escalates conversion. Another weakness is the D2C traffic which is low due to less marketing investment. To tackle this issue, PT Local needs to assign a performance marketing budget dedicated to D2C so that traffic is not reliant only on organic. According to the interviews, D2C wouldn't grow and conversion will not happen if traffic generation is not consistent.

ST strategies for PT Local can optimize operational strengths to anticipate threats from marketplace dependency. It is more realistic to see D2C as a repeat-purchase channel. The marketplace can then just be used as acquisition channels. That is better than a complete switch. Maintains a consistent presence of your brand while gradually increasing your website traffic. There is still massive reliance on marketplace promotion mechanisms and hence a balanced transition is recommended. PT Local could help maintain healthy unit economics for PT Nippon by centralizing warehouse, fulfillments and system integration, which would shield them from price cuts when pressure setter. It supports the long-term objective of boosting profitability without unceasing discounts.

Lastly, the WT strategies (Weakness-Threat) aim at minimizing the weaknesses that threaten the transition. It would be risky to undertake a hurried migration from marketplaces to D2C since there are several examples shared during interviews where such a decision resulted in a heavy drop in sales. A phased migration strategy is needed to transfer traffic initially to D2C without removing presence on marketplace prematurely. Internal processes must be improved first, especially in finance and customer service processes. Even now, financial reconciliation for D2C is mainly manual and done on scattered systems, increasing the risk of mismatch. It is important to strengthen the SOPs regarding payment validation, handling refunds and order resolution in D2C Operations to make them more reliable and reduce consumer discontent. If these supporting structures are.

4.1.2. Porter's Five Forces

1) Competitive Rivalry - High

It's hard to ignore how competitive the game is within the team. Marketplaces have become crowded with brands all saying the same thing. Every promo season turns into another price fight. These days, branding doesn't matter, it's all about who can afford to spend more on ads. When we checked the numbers, the pattern was clear. Advertising costs keep increasing, but sales do not really grow. We're chasing our tails to keep our names in lights. After a while, it hits you this can't go on forever. Our reliance on marketplaces could get excessive and lead to wastage of moneys. Because it gives you more control over the story, the margin, and our relationship with our customers. That's why they start taking a look at D2C more seriously.

As per the findings from PMO D2C Project, the marketplace business is very competitive as the brand visibility will majorly depend on paid promotions such as Flash Sale, Ads, and Live Shopping. Brands are pushed into price wars because the algorithm of the marketplaces gives more weightage to high discounts offered by seller brands as compared to product

quality. The Brand Manager also supports this assumption and points that the marketplace consumers are price-centric and easily shift to another seller for a price differentiator. The intensity of competition is strong, having direct implications for profitability according to the findings.

2) Threat of New Entrants - Moderate

Moderate to high threat of new entrants in this industry. Thanks to the low bar set by marketplaces, it takes little to no effort for a brand to enter a market. Brand Managers Reveal New Players Are Coming Up Every Month, Usually at Low Prices and Buying Visibility. While it's easy to get started, it is much harder to survive since paid promotion is expensive and customers switch brands easily. This fits with the company's experience as new brands enter fast but only those with strong capital and branding are able to survive in the long term.

Product Manager says anyone can now launch a brand easily using Shopify or Woocommerce making entry into the online retail business simpler. Scaling a business is not a piece of cake like making a website. He pointed out how the real challenges that came later such as operations capacity, budget control, and customer retention. Small brands may come and go, but low entry barriers to the marketplace means new entrants are a constant threat. Thus, many new players can enter the market with little effort. The threat of new players in the industry is still in the moderate to high category.

3) Bargaining Power of Buyers - High

Many respondents stated that they still prefer to shop through marketplaces because it is easier, safer and more practical. People would consider using the website if they could get the total price cheaper, free gift, loyalty gift, or bundle deal they don't get in-shop. Buyers would switch to a different seller if they find attractive deals. This shows low switching costs for buyers. Therefore, buyer bargaining power is high.

4) Bargaining Power of Suppliers - High

The marketplaces in this case are clearly acting like suppliers who control the traffic and the exposure of the company. The interviews made it clear that the team has little say in how the platform works, as everything depends on marketplace rules, algorithms, and ongoing policy changes. When Shopee or TikTok Shop changes their commission or ad structure, the brand has no option but to follow along without almost any room to negotiate. When a situation arises at any time and the cost can increase according to it, the company faces a difficult situation. Even though the D2C site is beginning to see growth, its share is still small compared to marketplace sales which exhibits how strong the dependency is still.

Marketplaces allow e-commerce which is allowed to control customer access to limit competition just like taxi firms do. The total of platform commissions as well as promotion fees can reach up to 15-25% of the revenue. Brands are not empowered to negotiate against marketplace policies, he mentioned. Brands have no choice but to comply when platform fees are raised or else face obscurity. This puts the business in a weak bargaining position where one external party controls traffic, exposure and sale flow. As long as we are dependent, suppliers' power will be powerful.

5) Threat of Substitutes - Moderate

The threat of substitutes is considered moderate. The findings of the interview further reveal that for every product there are numerous alternative brands offering more or less the same product. Because marketplace visibility relies heavily on promotions, customers think of products interchangeably. Some brands belonging to PT Local can create stories stronger than their competitors reducing their substitution risk from the consumer. Still, the overall industry remains highly competitive. The outcome confirms the requirement for stronger

marketing support for the brand and direct engagement channels (D2C) to mark differentiation.

The Brand Manager articulated that in this case, substitutes do not only come from rival products. But also from another shopping channel. Customers can switch among the marketplace, TikTok Shop, Instagram Live or offline retail easily. Many respondents to the survey said they could see themselves purchasing from a brand website provided value is worth it. That means the threat of substitutes is really true. However, if D2C can provide solid and compelling reasons for the consumer to switch, that dodges the threat.

4.1.3. Resource Based View

An assessment of the various types of company resources from the Resource-Based View perspective is concisely presented in Table 2.

Table 2. Resources Based

Key Resources	Valuable (V)	Rare (R)	Inimitable (I)	Non-Substitutable (N)
In-house technology capability (D2C development team and integrated system)	Yes supports cost efficiency and system control	Yes not common among local brand aggregators	Yes requires internal expertise & system integration knowledge	Yes cannot be replaced by outsourced dependency
Centralized operations and shared service model (logistics, finance, tech support)	Yes improves scalability and consistency across brands	Yes most brands operate individually	Yes built over time and hard to replicate quickly	Yes
Brand equity and established market awareness	Yes builds trust and conversion	Moderate strong local brands exist but few multi-brand ecosystems	Moderate possible to imitate but takes time	Yes
Customer data ownership from D2C (first-party data & behavioral insights)	Yes enables personalized marketing & retention	Yes marketplace does not provide this	Yes unique data grows over time	Yes
Multi-brand portfolio under one ecosystem	Yes cross-selling and loyalty potential	Yes not many Indonesian aggregators in this model	Moderate possible but expensive to build	Yes
Internal D2C processes & knowledge (experience from pilot brands)	Yes speeds execution and reduces trial-error risk	Yes built from real operational learning	Yes tacit knowledge difficult to copy	Yes
Retention and loyalty mechanism (planned but not yet optimized)	Yes, reduces acquisition cost long term	No still under development	No not yet unique	No

Source: processed data, 2025

RBV Analysis shows that the company does not only rely on external strategy, the company in fact has internal resources that it could use to lessen its dependence on

marketplaces. This conclusion is consistent with the framework in Chapter 2, where it is discussed that the success of the D2C transition is likely influenced not only by external pressure, but also by the internal ability of the company to execute strategy. The third chapter's research design also mentions that RBV would be used to identify their strategic capabilities, while the VRIN table results confirmed that the company has several resources that can turn into sustainable competitive advantages.

4.1.4. Financial Data Analysis

The analysis of the problem will also be supported by the financial performance of the company as a secondary data source. This analysis is obtained through the company's financial reports. The emphasis is on online channel performance from 2022 to 2024 as this period showcases the company's aggressive marketplace strategy and the nascent D2C journey. As shown in Table 3, the online channel financial performance for 2022–2024 provides additional insight into the effectiveness of these strategic initiatives.

Table 3. Online Channel Financial Performance (2022-2024)

Year	Net Revenue Online [A]	Platform Fee (Marketplace) [B]	E-commerce Ads Spend [C]
2022	332.685.086.177	33.013.553.137	19.529.143.548
2023	288.035.721.956	34.105.056.266	20.046.965.144
2024	280.809.655.841	47.144.329.862	22.699.353.343

Source: processed data, 2025

In 2022, the online revenue reached 332.6 billion which was the company's peak year in terms of marketplace performance. The company's reliance on the marketplace had also been apparent as it spent Rp 33 billion on platform fees and Rp 19.5 billion on marketplace ads just to drive traffic and win visibility. Even though revenue was high that year, the company would still have to "pay the price" for market-based promotion.

By 2023, it became more apparent. Online revenue was down at Rp 288.0 billion, but spending on marketplace ads and platform fees did not decrease at all. In fact, they both went up a bit, which means the company had to spend more money just to keep sales flat. Marketplace ads were on the decline and the business forced into a pay to play cycle of sorts where sales can really only grow if spending continues to grow.

In 2024, the so-called financial risk became even more clear. Revenue continued to experience a slight decline of Rp 280.8 billion. However, the platform fees experienced a surge to Rp 47.1 billion the highest in three years. Expenditure on Marketplace ads rose again to Rp 22.6 billion. This shows that while the company's revenue was decreasing, the cost for generating that revenue kept increasing. To put it simply: expenditure is growing quicker than sales that is unhealthy for business in the long run.

4.2. Discussion

The development of Indonesia's e-commerce ecosystem in recent years has created new opportunities as well as competitive pressure for local brands, particularly those heavily reliant on marketplaces. The marketplace business model offers quick access to traffic and sales volume, but in the long term, it creates structural problems in the form of dependence on platform algorithms, rising commission fees, and continuously increasing promotion costs (Parodos et al., 2022; Saqib & Satar, 2021). Studies in platform economics indicate that fee structures, commissions, and advertising costs on platforms tend to increase alongside greater market concentration and the platforms' need to monetize traffic (Cano et al., 2023; Hao &

Yang, 2022). These findings reinforce the phenomenon experienced by many brands, including PT Local such as eroding profit margins, rising visibility costs, and a progressively weakening bargaining position relative to the platforms.

According to what we have seen from the results of analyses above, the critical issue faced PT Local is not only related to growth in sales but rather the reduction of dependency to marketplace over the long run along with increasing the control over data, margin, and relationship with the customer. The results of SWOT and Porter's Five Forces show how competition and increased fees in the marketplace shrink profits. The TOWS Matrix maps strategic reactions to opportunities and risks. According to the RBV, PT Local has their internal capabilities already equipped for this transition. The tech system is in house, operated centrally, and their data ownership is possessed. The gradual migration strategy suggested is in line with a multi-phase transition model (see McKee et al., 2023). A gradual approach allows incumbent brands to retain marketplace presence while boosting consumer ownership through D2C channels.

The plan is to balance things out. Marketplaces remain at the "front door" for customer acquisition whilst repeat customers are gradually moving to D2C. The Brand Manager noted that if shoppers believe it will be worth it, they will switch "give them free gifts, loyalty points, or vouchers from their last purchase, and they will come back to the website." It is not magic it is just about giving people a reason

The focus here isn't to reinvent everything. It's to fix the basics that make people feel comfortable. The D2C site should load quickly, accept all payment types and should have clear delivery tracking. Customer service should respond within 24-48 hours, not days. Customers love things that make them feel special and important. Something as simple as a WhatsApp chat button or automatic update about the status of their order can make customers feel good about connecting with brands.

PT Local needs to build a one central customer relation platform which stores all customer info across the brands. Marketing can then send out reminders for abandoned carts, birthdays or repeat orders without doing any manual work. You can classify customers as New, Returning, Loyal, etc. and offer them perks. A system called "Local and Rewards" could be introduced, where points from various brands can be used interchangeably. The analytics tracking which messages convert best, as the system is running, should be made smarter over time in an ongoing campaign. The goal is simple: turn one-time buyers into brand fans.

The action plan is quite straightforward. First, linking systems allows finance and operations data to flow automatically without manual reconciliation. Next, create a simple dashboard displaying daily D2C sales, refund progress and transaction fees, helping spot problems faster. PT Local should prepare SOPs or Standard Operating Procedures for returns, refunds, and complaint handling that follow the same procedure by all teams. The finance and ops teams should get together every month to go over the numbers and discuss which processes can go faster or get cleaner. The steps may be small but they will save time, reduce errors and make the D2C operation sturdier and costlier.

On the other hand, shifts in consumer behavior indicate a move towards an omnichannel shopping pattern, where consumers combine searching, information gathering, and purchasing across multiple digital touchpoints (Wang & Chen, 2024). Verhoef (2021) emphasizes that modern consumers expect seamless channel integration, while a consistent customer experience significantly influences repeat purchase decisions. Research by Grewal & Roggeveen (2020) confirms that managing the customer journey across channels is key to competitive advantage, as it strengthens value perception and enhances customer retention.

In the context of PT Local, this implies that sole dependency on marketplaces is no longer sufficient for creating a controlled and sustainable customer experience.

Migration towards a Direct-to-Consumer (D2C) channel is becoming an increasingly relevant strategy. Research by Andersson et al. (2020) and Bhadkamkar et al. (2022) demonstrates that the D2C model gives brands full control over customer data, storytelling, and profit margins, thereby reducing power asymmetries with platforms. These findings are reinforced by Mu & Yi (2024), who show that D2C characteristics including price transparency, brand authenticity, community, and multi-channel integration positively influence customer loyalty. This argument is crucial for PT Local, as a shift from marketplaces to D2C can strengthen long-term customer relationships instead of relying on platform promotion cycles.

Within the theoretical framework of customer experience, Becker & Jaakkola (2020) assert that customer experience is the outcome of integrated interactions between a brand's systems, processes, and emotional elements. To ensure a robust experience on D2C channels, the integration of technology, website design, logistics, and customer service must be aligned. Becker & Jaakkola (2020) and Buckley & Feldman (2024) add that the success of an omnichannel experience is largely determined by data consistency and channel integration—two aspects previously difficult to achieve when brands operated primarily through marketplaces. The implication for PT Local is the need to build CRM infrastructure, strengthen the UX/UI (User Interface/User Experience) of the online store, and ensure deep data integration (orders, remarketing, segmentation) to support retention and lifetime value.

The Resource-Based View (RBV) and Dynamic Capabilities approaches provide additional theoretical grounding for why a transformation to D2C requires investment in internal capabilities. The RBV emphasizes that sustainable competitive advantage arises only when a firm possesses resources that are valuable, rare, inimitable, and organized. In this context, assets such as CRM systems, data analytics capabilities, brand equity, and the ability to execute digital campaigns are strategic resources that can become VRIO. Al-Moaid & Almarhdi (2024) explain that the success of a digital transformation depends not only on technology but also on change management, team coordination, and the organization's capability to execute change sustainably. If PT Local does not develop these capabilities, the D2C strategy will not yield a sustainable competitive advantage.

5. Conclusion

This research aims to find out the effect of rising marketplace fees, external competition and Internal capability readiness on the strategic direction or decision of PT Local to shift into a Direct-to-Consumer (D2C) business. The research includes qualitative interviews, customer questionnaires, and financial data analysis so that one can understand not only the causes of the platform dependency of the company but also the company's way towards a sustainable channel independence. The findings confirm that rising marketplace fees have significantly affected PT Local's profitability and business control. The financial dependence on market poses how PT Local lost their cost efficiency. The market impact also harms strategies. Gradual migration plan must be executed by the company. Marketplaces should act as an acquisition channel, while D2C should become the primary channel for repeat purchases and consumer interaction. Using this method, PT Local will be able to stay strong during the move and slowly regain control over profit and customers' data. The D2C platform owned by PT Local must enhance experience parity with marketplace experience, while also developing emotional differentiation. Customer Experience and Trust Building solution faster checkout delivery

tracking multi-payment options and 24-hour customer service framework. These advancements will boost customer confidence in the online D2C channel. The channel will thus become a superior option compared to the offline D2C channel.

The research also concludes that PT Local possesses strong internal resources and organizational capabilities that enable it to execute the D2C transformation effectively. The company's own technology infrastructure, unified operations, portfolio of brands, and owning consumer data are valuable, rare, inimitable, and non-substitutable. In particular, we were to clarify that PT Local opted for building D2C inhouse. To face these issues, the Operational and Financial Excellence task found suggests merging systems, automating reconciliations and standardizing SOPs across brands. Enhanced operations, data reliability, and cost visibility will help in laying the groundwork for D2C growth that is sustainable. Strategic Integration and Governance recommend forming a D2C Steering Committee with members from the Finance, Tech, PMO, and Brand units as a cross-functional team. This structure will oversee measuring KPIs, budget allocation, and milestone review. The PMO D2C representative stated that the D2C shift must be dealt with across the company and not as an isolated project in order for alignment to happen. Interviews did support this need for alignment. The steering committee model is useful in that it makes sure all are pulling in the same direction.

6. References

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