



Analysis of Factors that Affect the Closure of JD.ID E-commerce Platform

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ABSTRACT

There is a steady increase in start-up platforms. Despite this, many newly established companies fail within the first five years, with the majority going out of business in a shorter time. The cause of this kind of failure still needs to be investigated methodically. This study attempts to investigate the causes behind the failure of JD.ID e-commerce platform to close its market in Indonesia, even though many independent investigations have offered various explanations regarding the definition of failure in JD.ID general. The theoretical framework will identify the factors that affect products, finances, and markets in organizations that make start-up platforms JD.ID fail. An extensive review of library research was conducted to uncover and examine the failures of the JD.ID platform. The research uses online sources to collect the data. The results of this study reveal what makes the JD.ID platform failed and closed its market in Indonesia are product factors, market factors, and financial factors. Furthermore, the JD.ID business failure category falls into the inadequate earnings category.

Keywords: E-Commerce, Business Failure, Factors Business Failure.

1. Introduction

In this era of digitalization, which is rapidly increasing, people no longer find it difficult to buy or get something, only with a mobile phone and computer can quickly get what is needed, only by being connected to the internet, of course through the platform. People who want to buy anything no longer have to wait in line, enjoy the atmosphere of traditional markets, or deal with the heat thanks to e-commerce, which now only requires choosing an item, clicking an order button, and waiting for it to come. we can simply visit online retailers in various regions from our phones or computers, and we may choose and purchase the products we desire from them.

E-commerce according to Kotler and Armstrong (2012) is an online channel that can be reached by someone via a computer, which has been used by business people in carrying out their business activities and can be used by consumers to obtain information using computer assistance which in the process provides information services to consumers in making choices. This online shopping site has been vying for market share in Indonesia over time by competing to provide fresh technologies. Shopee, Lazada, Tokopedia, and JD.ID are just a few examples of the e-commerce companies that have been successful in capturing the Indonesian market.

Jingdong (JD.com) in Beijing, China, and Provident Capital in Indonesia partnered to create JD.ID, an e-commerce site owned by PT. Joint National Retail in Indonesia (Pratama, 2017). Richard Liu created JD.com, which was initially known as 360buy, in 1998 with the primary goals of focusing on technology and direct selling. JD.com started concentrating on gaining customers' trust in 2008 by developing a JD Mall that traded various goods using an e-commerce platform. JD.com implemented online E-commerce in December 2015 to strengthen its relationship with clients. JD.ID successful growth has resulted in a Gross Merchandise Value award worth 20.7 trillion US dollars.

JD.ID was successful in breaking into the Indonesian market, initially selling laptops and iPads under the Lenovo brand. In addition to selling electronic equipment, JD.ID also entered the market by selling various sports equipment and beauty tools under the brand "Guaranteed Original." People are drawn to this platform for shopping because, when purchasing items like electronics, it is essential that be authentic or of high quality so that last a long time. This is also true of beauty tools, which were available for purchase and were in competition with other platforms up until the end of last February,

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and through the official JD.ID account www.JD.ID.com decided to no longer accept orders from Indonesia at the end of last February and officially closed the market in Indonesia in March 2023.

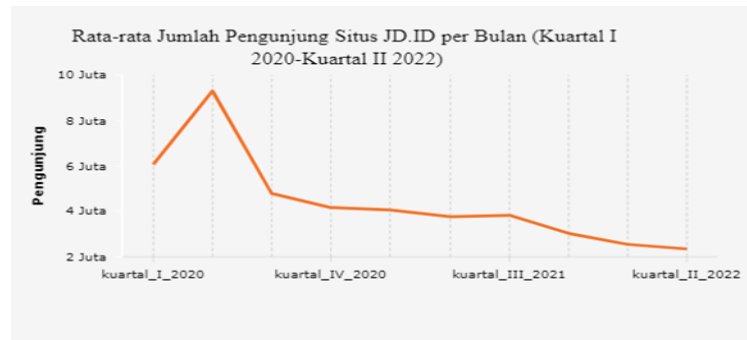


Figure 1. JD.ID Site Visitor Report Quarter 3 from 2020 until 2023
Source: Katadata.com 2023

According to the table above, the JD.ID website was seen an average of 6.1 million visits each month during the first quarter of 2020. Visitors spiked during the pandemic, yet, in the second quarter of 2020, the number fell steadily until it hit its lowest point in the second quarter of 2022, as depicted in the graph. Eventually, at the end of March 2023, it formally ended its market in Indonesia.

In addition, based on the data above after experiencing a decline in visitors from this online sales application, the company suffered losses in the Southeast Asian market and decided to close its market in Indonesia and focus on international logistics networks, and did not accept orders in the form of goods from the JD.ID online shopping application.

2. Method

This research is a type of descriptive qualitative research. Qualitative research is research that intends to understand phenomena about what is experienced by research subjects such as behavior, perceptions, motivations, actions, and others, holistically, in a special natural context and by utilizing various natural methods (Moeleong, 2006:6). The fact that the data is gathered in the form of words, images, and not numbers is one of the features of qualitative. research. As a result, the study report will include data examples to show how the report is presented. This research is research using literature studies, literature study research is a process or activity of collecting data from various literature such as books and journals to compare the results of one study with another (Manzilati, 2017).

This study was conducted over a set amount of time and in stages. Researchers are attempting to gather data through library research, which compiles all information from numerous books, journals, and online sources. To make the data more understandable, the researcher presents it after collecting it in the form of descriptive phrases. the relationship between the intensity of business closures or e-commerce business failure.

3. Result and Discussion

PT. National Joint Retail (JD.ID) is one of the companies operating in the e-commerce sector in Indonesia, starting from the Jingdong company (JD.com) in Beijing which collaborated with Provident Capital in Indonesia (Pratama, 2017). Richard Liu is the founder of JD.com, the largest online company in China that sells directly from its warehouse (direct sales) and has been Chairman and CEO since the company was founded. Liu has more than 15 years of experience in the retail and e-commerce industry. In June 1998, Liu started a business in Beijing, mainly engaged in the distribution of magneto-optical products. In January 2004, Liu launched his first online retail site.

He founded the company that eventually became JD.com and he has led the company's growth and development since then. Liu holds a bachelor's degree in sociology from Renmin University of China in Beijing and an EMBA from China Europe International Business School. In Indonesia, JD.com partnered with Provident Capital to establish JD.ID. Provident Capital is the largest investment company in Southeast Asia with a market capitalization of more than 3 billion USD spread across various industries such as Telecommunications, Mining, Palm Oil, Plantations, Energy (Biofuel), and E-Commerce.

JD.ID carries the mission of 'make the joy happen' - bringing happiness to all customers in Indonesia by providing reliable, fast, and safe services for choosing a series of genuine quality products at competitive prices. By utilizing

Its own logistics fleet and supported by a network of partners throughout Indonesia, JD.ID can provide fast and reliable delivery services throughout Indonesia. With its competitive values, JD.ID aims to become the most popular and trusted e-commerce company by continuously striving to provide services and a variety of products to all its users and customers in Indonesia.

JD.ID first operated in Indonesia in November 2015 and currently has 12 categories of product choices for sale which will continue to increase along with the development of its business in Indonesia. The variety of product categories varies from mothers and children, smartphones, and electronic devices, to luxury. JD.ID's business is growing very rapidly. The number of products offered grew rapidly from less than 10,000 SKUs in 2015 to around 100,000 SKUs at the end of 2016. JD.ID also provides delivery services that reach 365 cities throughout Indonesia with thousands of fleets ready to deliver directly to JD.ID customers.

JD.ID is committed to providing a more flexible shopping experience by providing curated, original, premium products that have competitive prices, reliable and trustworthy service, and fast and safe delivery.



Figure 2. JD. ID Company Logo
Source: Company Documentation 2024

The JD.ID logo had evolved 5 times, in its latest logo JD.ID created the JOY mascot in 3D form, a development from the previous logo which was a flat design. Still with the same slogan, namely "Make Joy Happen", the aim is to show customers that JD.ID is always there to continue to meet customer needs. efficiently and effectively, where JD.ID prioritizes protection for its customers. With the hashtag #GuaranteedOri JD.ID guarantees products at competitive prices and aims to create a comfortable shopping experience for its customers.

There are several causing business failure JD.ID that its product, Finance, Market.

1. **Products.** Based on the analysis of the data obtained, the product factor is one of the indicators of business closure carried out by JD.ID.



Figure 3. Review of Products Purchased by Customers
Source: Consumer media

Based on the results of the research above, it can be analyzed that the first product which is indicator data that the product provided by the seller from the JD.ID application has poor quality and defects seen in the picture there is a straight white line in the middle of the screen which indicates a defect in the product, which makes people disappointed to buy electronic products. Moreover, customers assessed the application to be low because the service and also the products obtained do not match the expectations of the buyer.



Figure 4. Customer Rating
Source: Consumer Media 2021

"I purchased an Ichiko brand TV on JD.ID on July 7, 2021, and my TV arrived on July 8, 2021. However, when I tested my TV yesterday, it turned out that the TV was defective. There are dead pixels in 4 corners of the TV, and 2 dead pixels in the form of a circle at the top center of the TV. I also submitted an after-sales claim and was very disappointed. I want my money back because I already

don't trust the defective product. However, JD.ID after-sales said my application was rejected because I had to make a warranty claim to the service center.”

Based on the reviews of the customer, who were disappointed with the service and products television received, JD.ID get a very low application rating, which has an impact on the sustainability and survival of the JD.ID application in the market to compete with other e-commerce.



Figure 5. Review of Products Purchased by Customers KP
Source: Media Consumer

Based on the results of the research above, it can be analyzed that the third product which is the indicator data that the product provided by the seller from the JD.ID application has poor quality and the goods that arrive at the micro SD consumer purchased do not function properly in the sense that the goods purchased are not what the buyer wants, and consumers give a low rating to JD.ID for the service and also the product provided turns out to disappoint the buyers.



Figure 6. Customer Rating
Source: Consumer Media 2021

“On November 27, 2020 I bought goods on JD.ID through the CNC Shop 198 store, namely San Disk 128 GB micro sd. The goods arrived at my address on November 30, 2020. I hope the item I received works well and is original. However, when I received it I got a fake item. This is evident when I tried it on my cellphone the micro sd was immediately damaged and did not work. I complained many times to JD ID CS both by phone and via wa. But the answers are always convoluted and changeable. I was even told to send via email unboxing photos and videos when receiving the product return package and I have done that. But until now there has been no response and responsibility from JD.ID.”



Figure 7. Customer Rating of Product
Source : Consumer Media 2021

Based on the results of research that the fourth product purchased from the seller and arrived at the hands of consumers did not meet consumer expectations and were disappointed with the goods that came, it is known that the product purchased, namely a washing machine with a sharp twin tub 9kg brand - ES-T95CR-VK, turned out to be a washing machine with damage. Not only in one place but in various places, making it impossible for the washing machine to function. Not only in one place but in various places, making it impossible for the washing machine to function. and consumers give the application a very low rating and of course, it is very influential on the JD.ID application.

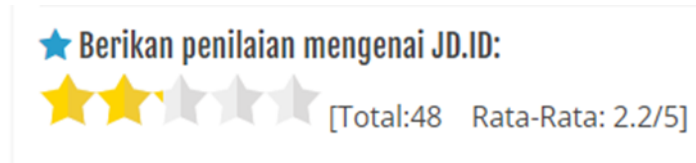


Figure 8. Customer Rating
 Source: Consumer Media 2021

“After being checked and researched by the JD.ID courier and my mother, it turned out that the washing machine was damaged. Not only in one place but in various places, making it impossible for the washing machine to function. At around 13.00 I immediately chat with JD.ID CS, and am advised to fill out an after-sales form. But after several attempts to fill out the after-sales form, it still cannot be clicked on with the reason that the area is not included in the pick-up service”

Based on the reviews by the customers who were disappointed with the service and products received, making JD.ID got a very low application rating, which had an impact on the sustainability and survival of the JD.ID application in the market to compete with other e-commerce.

2. Finance

Some of the initial capital used by start-up companies in Indonesia varies, some start with small capital and large capital and the author describes in the form of the following figure. This data is obtained from various sources on the internet such as articles and websites that can be used as research references. The following are the data sources.

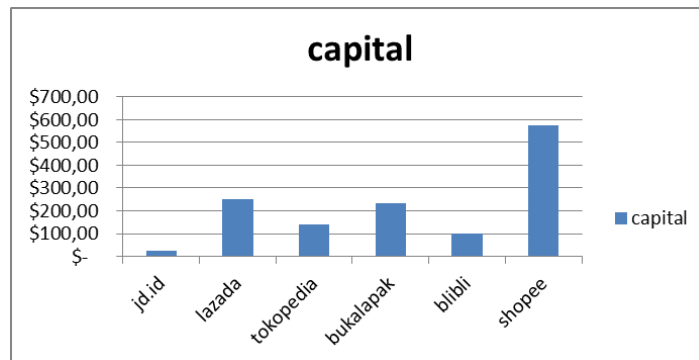


Figure 9. Start-up Capital
 Source: processed data 2023

Based on the table above, it can be seen a comparison of the initial capital injections of several eco-commerce companies in Indonesia, and these capital injections are obtained from investors who are looking at these companies which can be predicted in the future to produce many profits for investors like the first company, namely JD.ID.

The first e-commerce started from JD.ID and researchers dug up the data through websites on the internet. The capital used came from personal money collected by the e-commerce owner and started the business with capital of 2,226 yuan, because the JD.ID application came from China. So, the first capital was made using Chinese yuan, and if converted into rupiah, the capital used by the owner was around 26.7 USD. The small amount of capital needed to start a business did not discourage the owner of this eco-commerce until one day his income rose drastically to the range of billions or even trillions and investors invested their shares in the company. Furthermore, from Bukalapak here, researchers took data from various internet sources that the initial funds used to open a stall were around 234 USD.

Moreover, Lazada e-commerce, all Indonesian people are not familiar with the Lazada online shopping application, it turns out that a large company like Lazada, researchers found from various websites on the internet that they apparently received their first capital injection from investors amounting to 250 million USD or if converted to Rupiah, amounting to 3.8 trillion. This is quite large for the first capital that Lazada received from various investors who made this online shopping application sustainable and still standing in the era of economic competition in Indonesia, it turns out that the initial capital reached trillions. Thus, it is not surprising that various investors continue to maintain it. shares in this company because it is predicted to make large profits.

There is also Lazada e-commerce. Despite the unfamiliarity of many Indonesian people with the Lazada online shopping application, it turns out that a large company like Lazada. Researchers found that from various websites on the internet that they apparently received their first capital injection from investors amounting to 250 million USD or if converted to Rupiah, reaching 3.8 trillion. This is quite

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Furthermore, from Bukalapak here, researchers took data from various internet sources that the initial funds used to open a stall were around 234 USD based on data found by researchers that the initial capital injection used by Bukalapak was 234 USD, and this was large for the initial capital injection, and as the application develops, it makes a lot of sales which makes the profits obtained also very much and makes investors invest in the company and can survive in the market until now.

For the next e-commerce from Bilibli e-commerce which received a sizable injection of funds from investors that were used as a source of initial capital for the Bilibli company, based on various internet sources obtained by researchers, the capital injection was around 100 million USD or if converted, with the first capital injection given by several investors, Bilibli opened its business in the field of online shopping and was able to compete with other e-commerce, where the features and products were no less attractive than other online shopping applications.

Shopee, the next e-commerce platform from Shopee, all parts of the world is familiar with this orange application, the largest online shopping platform in Indonesia and even in the world with branches in Indonesia and other parts of the world. Based on the results of research conducted by researchers, the Indonesian branch of Shopee received its initial funding injection from the company The parent company used for expansion in Indonesia is around 575 million USD converted into rupiah of 8 trillion, with a very large capital injection making this giant online shopping company able to compete with other e-commerce companies and also excel in becoming the online shopping company that is most sought after by the Indonesian people. The features offered are also interesting, there is a paylater that can be used to shop first and then pay, there is also a Gofood feature that can order food directly to the destination address and make people interested in shopping for anything on the eco-commerce Shopee application.

3. Market

In the last few years, e-commerce has grown a lot in Indonesia, starting from Tokopedia, Bukalapak, JD.ID, Shopee, Bilibli, Qlapa, Rakuten, Elevenia, Mataharimall, and so on. Each e-commerce has a different strategy to capture the market in Indonesia. With the large number of e-commerce, the level of competition between e-commerce is also high and has resulted in the closure of several e-commerce. because they are unable to compete. Some of the e-commerce companies that are unable to compete include Rakuten, plasa.com, tokobagus, berniaga.com, Qlapa.com, and suryamall.com.

The growth in the number of internet users, which is the main factor driving the use of e-commerce, continues to increase, especially during the pandemic conditions a few years ago, several stores have switched to online, and consumers also prefer to make transactions online. Bank Indonesia noted that the transaction value in the first quarter of 2021 had reached IDR 186.74 trillion. The Ministry of Cooperatives and SMEs found a 26% increase in online shopping during the pandemic (Santia, 2021).



Figure 10. Active E-commerce User in 2021
 Source: Gine 2022

Based on the picture above, it can be seen that visitors from several e-commerce applications during the 2021 period, it can be seen that the most dominating of the Tokopedia application is 13.1 million Shopee of 127.4 million visitors. for the JD.ID application, it looks like the visitors are around 4.1 million and are among the fewest visitors to the application. there is a big difference in the several applications above in terms of visitors to the website or application, JD.ID has lost far which makes the application less competitive with other e-commerce.

Find Out E-commerce Competition in Indonesia

Filter by Marketplace Store Type Store Origin Select Data Per Quarter Q2 2021

Merchant	Monthly Web Visits	AppStore Rank	PlayStore Rank	Twitter	Instagram	Facebook	Number of Employees
1 Shopee	126,996,700	#1	#1	6,038,000	7,757,940	21,855,970	12,192
2 Tokopedia	147,790,000	#2	#4	853,000	3,828,300	6,525,650	4,944
3 Lazada	27,670,000	#3	#2	430,000	2,975,370	31,364,410	4,126
4 Bukalapak	29,460,000	#6	#5	215,600	1,661,140	2,518,990	2,316
5 JD ID	3,763,300	#7	#6	42,000	590,670	939,770	1,185

Figure 11. Top 4 E-Commerce 2021
Source: iprice

Based on the three top e-commerce graphs in Figure 11, it can be seen that the number of monthly visitors to Tokopedia, Shopee, Bukalapak, Lazada, and Blibli is fluctuating and trying to fight for first place. In the first quarter of 2019, Tokopedia occupied first position, in the first quarter of 2020 Shopee, which was initially in third position, managed to take first position, finally in the first quarter of 2021 Shopee remained in first position and was followed by Tokopedia. From the last graph, JD.ID is still stuck in sixth position with the number of monthly visitors not experiencing a significant increase.

Various marketing strategy efforts are certainly made to compete with other e-commerce. Tokopedia has a monthly program called WIB (Indonesian Shopping Time), apart from that, in 2021 Tokopedia will collaborate with BTS and Blackpink to become brand ambassadors (Tokopedia, 2021). Its rival, Shopee is also no less with their Shopee COD advertisement which rings in the ears of its listeners, Shopee also brought Al and Andin (Ikatan Cinta) to become brand ambassadors. Various advertising activities and promos on each e-commerce website and application, as well as monthly shopping events with matching dates and months, are an opportunity to compete to provide the best offers for consumers. Lazada itself has also held promos and various marketing activities, also in late 2020, Lazada followed the trend of making South Korean artists brand ambassadors. JD.ID itself has also held promos and various marketing activities called SEBUT (One Hundred Days of Profitable Shopping) Also, at the end of 2019, to remain able to compete with other e-commerce, JD.ID followed the trend of making artist Cinta Laura Kiehl a brand ambassador. However, various methods have been used to remain able to compete with other e-commerce, but eventually, they failed and closed their market in Indonesia. Therefore, market factors greatly determine the success of the business being run, and it must be able to predict who will be the target market of the products sold and also the brand ambassadors used to attract buyers' attention such as making actors who are trending in their time.

Based on some evidence obtained, JD.ID's failure was caused by being lost in the competition with other e-commerce platforms. It can be concluded that there are several factors for JD.ID's failure. One of which was losing competition with other e-commerce platforms, supports the result of research which concludes that the closure of JD.ID e-commerce is losing competition in the market with other e-commerce.

4. Conclusion

It can be drawn conclusions that:

- Several factors cause the JD.ID company to close the market. The JD.ID market factor lost competition with other online shopping applications because, based on data obtained through searches on internet media, JD.ID had only a few visitors to the e-commerce platform and also the products offered were not following consumer satisfaction which made this online shopping application unable to survive in the market and decided to close its market, especially in Indonesia. The financial factor, according to the conditions of consumer demand shifting to other platforms and the tendency of consumers to look for products at lower prices and more attractive offers affects JD.ID's overall sales.
- The most dominant JD.ID business failure category is the inadequate earnings category with its condition factors, namely Fierce Competition with Other Marketplaces and changing Consumer Trends. The company was unable to adjust its strategy quickly to deal with these changes thus contributing to their failure. and the last conclusion is that JD.ID from all the factors that occur, it is concluded that the most significant cause is due to losing competition with giant e-commerce in Indonesia and finally decided to close its market in Indonesia, and the failure category experienced by JD.ID falls into the category of inadequate earnings.
- For further research, provide other interesting programs that can attract consumers so as not to cause consumers to glance at other e-commerce, it is hoped that researching other failure factors because many startup companies have failed and even closed. This can help business people to find out what factors affect the failure of the business being run.

- d. For e-commerce related to this research should JD.ID makes its products even better in terms of form and quality, which can attract customers to buy the platform and also requires a lot of capital injections from investors, therefore it can still compete with other applications and survive in the market.
- e. For academics, it is hoped that the research will increase the collection and reference reading materials in libraries in the fields of business and management, especially factors failure e-commerce.

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