

## SHOPEE'S USE OF DYNAMIC PRICING IN THE GLOBAL MARKET

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DOI : <https://doi.org/10.21107/pamator.v18i2.29738>

Manuscript received March 07<sup>th</sup> 2025, Revised March 15<sup>th</sup> 2025, Published June 30<sup>th</sup> 2025

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### Abstract

Dynamic pricing is an important strategy in the highly competitive e-commerce industry, including on global platforms like Shopee. This strategy enables real-time adjustment of product prices based on changes in market demand, competition, operational costs, and customer preferences. This research aims to explore the implementation of dynamic pricing strategy on Shopee in the context of global e-commerce. The theoretical framework used includes the concepts of pricing and consumer behavior as a basis for analysis. The results show that Shopee utilizes dynamic pricing to enhance competitiveness through strategic promotions such as flash sales, thereby expanding market share and increasing cross-border transaction volume. However, the implementation of this strategy also poses ethical challenges as well as significantly affects consumer behavior. Therefore, the management of dynamic pricing should be done judiciously by considering transparency and customer trust in order to maintain loyalty while optimizing company profits.

**Keywords:** Dynamic Pricing, Global Marketplace, Shopee Twin Date

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### INTRODUCTION

The Millennial generation is now the main group that utilizes information technology, especially in transactions to meet the needs of life. To accommodate this need, the concept of *e-commerce* or what is often referred to as *an online shop* has emerged as an electronic transaction platform that offers convenience. This is a challenge for business people to continue to innovate in order to be able to follow consumer behavior and needs. The development of *e-commerce* encourages the development of web-based electronic systems that function as a marketplace, a place where sellers and buyers meet digitally. This marketplace is then packaged in smart apps available on Android and iOS platforms, influencing consumer behavior and their decision to use the app based on the quality of services offered.<sup>1</sup>

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<sup>1</sup> Tri Endi Ardiansyah. PS, Eka Hendra Priyatna, Lasera Resta Melati, *Dynamic Management Journal: “Persepsi Generasi Milenial Terhadap Penggunaan Aplikasi Marketplace – Shopee”*, Vol. 6 No. 2 (2022). Hal. 70

*Dynamic pricing* is a pricing strategy that allows e-commerce companies to dynamically adjust product prices based on factors such as market demand, competition, and cost. The application of *dynamic pricing* strategies is based on the reality that consumers are heterogeneous. Therefore, consumers usually have the maximum ability to price the product or service that they are willing to pay for or what is called the reservation price.<sup>2</sup> This strategy helps companies increase sales, profits, and customer loyalty, as well as manage stock and operating costs. In the digital era, *dynamic pricing* provides benefits for *e-commerce*, such as Shopee, by enabling cross-border transactions and wider market access. However, key challenges include determining optimal pricing without sacrificing customer satisfaction and impact on consumer behavior. One of the strategies that is often used by companies is *the dynamic pricing strategy*. *Dynamic pricing* is a method of pricing different products and or services over a certain period of time or conditions.<sup>3</sup>

*Dynamic pricing* can target various characteristics of consumers and reservation prices, with dynamic pricing expected to differentiate prices at the individual level based on previous customer track records.<sup>4</sup> Positively, it can increase buying interest with price incentives and show transparency. However, frequently changing prices can confuse consumers and lower satisfaction if they are not commensurate with the value received. Therefore, e-commerce companies need to understand the theory of consumer behavior and ensure transparency and clear communication about pricing mechanisms. The wise implementation of dynamic pricing involves understanding business objectives, customer preferences, regulations, and business ethics to ensure optimal customer satisfaction and performance.<sup>5</sup>

In Indonesia, one example of an industry that uses *this dynamic pricing strategy is the marketplace industry*, for example Shopee. This strategy can make the company look like it is raising prices, but in fact the company is only playing the price to save the company's financial condition. Seeing that the application of *dynamic pricing* strategies in marketplace activities in Indonesia often occurs in various circles, research was conducted to determine the use of *dynamic pricing* in the Shopee application.<sup>6</sup>

Various business activities, both large, medium-scale, and small-scale, are influenced

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<sup>2</sup> Purwanto, Dedy Ansari Harahap, Dita Amanah, Muji Gunarto, *Journal of Applied Administration. "The Effect of Dynamic Pricing and Dynamic Bundling on the Perception of Price Injustice and Consumer Satisfaction"*, (2021). Thing. 57 The Gospel of Jesus Christ

<sup>3</sup> Yuliana Salim, Tanti Octavia, I Gede Agus Widyadana Petra Christian University. *ITN Malang Industrial Engineering Journal: "Dynamic Pricing Model in Container Delivery Services"*, (2022). Thing. 64 The Gospel of Jesus Christ

<sup>4</sup> Purwanto, Dedy Ansari Harahap, Dita Amanah, Muji Gunarto, *"The Effect of Dynamic Pricing and Dynamic Bundling on the Perception of Price Injustice and Consumer Satisfaction"*, p. 58

<sup>5</sup> Bambang Permadi, Nadia Aprilia, Novi Purnama Sari, Suci Andini Kesuma, *Journal of Education and Teaching: "Analysis of the Impact of the Use of Dynamic Pricing in the Global Market on Shopee"*, Vol. 6 No. 4 (2023). Thing. 2992

<sup>6</sup> Yuliana Salim, Tanti Octavia, I Gede Agus Widyadana, *"Dynamic Pricing Model in Container Delivery Services"*, p. 64

by the existence of information technology that is now developing so rapidly in the global market. Along with the development of information technology, it is able to help the community in increasing sales levels and has a real impact on their business activities. Information technology networks reach the wider community from various regions to be active in buying and selling activities in the scope of online media and marketplaces. The development of this technology is very influential in running a business. Entrepreneurs are required to analyze and consider the many competitors of the global market, which causes quite fierce competition among entrepreneurs. In increasing sales volume and achieving business profits, it is necessary to have the right strategy, media, marketing facilities and infrastructure to be able to achieve the target market and the intended object.<sup>7</sup>

Consumer behavior theory includes concepts about value perception, satisfaction, preferences, and purchasing decisions. In dynamic pricing, consumers will compare the price of the product with the benefits they receive from it. If a dynamic price reflects an increase in value, consumers may feel satisfied. However, if the price changes too often and does not match the benefits they receive, this can reduce their satisfaction.

In addition, *dynamic pricing* can also affect consumer behavior positively and negatively. Positively, dynamic pricing can increase consumer buying interest by providing price incentives such as discounts, special offers, or dynamic pricing based on time or location. *Dynamic pricing* can also increase consumer confidence by showing that product prices reflect market demand and availability. Negatively, *dynamic pricing* can lead to consumer dissatisfaction if they feel that product pricing is unfair, non-transparent, or inconsistent. *Dynamic pricing* can also lower consumer loyalty if they feel that they are getting a higher price than other consumers.

E-commerce companies, such as Shopee, need to be wise and strategic in implementing *dynamic pricing*. They must understand business objectives, pay attention to customer preferences, monitor competitors, comply with regulations, and uphold business ethics in determining prices. Honest and transparent communication with customers about the reasons and mechanisms of *dynamic pricing* is essential. With this approach, companies can optimize *dynamic pricing* to improve business performance and customer satisfaction.

## RESEARCH METHODS

This study employs a qualitative approach aimed at gaining an in-depth understanding of social, cultural, and behavioral phenomena related to dynamic pricing strategies on the Shopee e-commerce platform. The qualitative method was selected for its strength in exploring contextual and complex meanings through rich, descriptive data. Additionally, a systematic literature review was conducted to collect, analyze, and critically evaluate previous studies on dynamic pricing strategies and consumer behavior within the e-commerce sector. This literature review facilitated the identification of current theoretical developments, research methodologies employed by prior scholars,

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<sup>7</sup> Wahyu Ana, Tiara Dwi Fulandari Sophan, Choirun Nisa, Diah Ayu Sanggarwati STIE Mahardika Surabaya. "The Influence of Online Media Marketing and MarketPlace on the Sales Level of CN Collection MSME Products in Sidoarjo", p. 517

key findings, and existing research gaps that warrant further investigation. The integration of these methods provides a robust theoretical foundation while enhancing comprehension of dynamic pricing dynamics in a global context.<sup>8</sup>

## RESULT AND DISCUSSION

The researcher makes pricing theory as the main theory in this study. Where this theory explains, Pricing Theory is a marketing strategy that determines the occurrence of transactions between sellers and buyers. Pricing is influenced by several factors, both internal and external factors. Internal factors include the company's marketing goals, strategy, production costs, and profits. Meanwhile, external factors include competition, market demand, and economic conditions.

This research focuses on analyzing the impact of the use of dynamic pricing in the global market environment on consumer behavior and performance of shopee e-commerce companies. In the context of this research, this theory helps to understand how dynamic price changes affect consumer behavior and how pricing strategies can help improve the performance of e-commerce companies in a competitive global market. Thus, the relevance of pricing theory in this study is proven to be important to understand the dynamics of dynamic pricing in the global e-commerce environment.

The influence of dynamic pricing on consumer behavior, especially in e-commerce, has a significant impact on consumer purchasing decisions and price preferences. Pricing Theory helps us understand the complexity of interactions between consumers and dynamic pricing. By analyzing consumers' responses to price changes, identifying purchasing patterns, and understanding price preferences, this theory provides valuable insights into the influence of dynamic pricing on consumer behavior. It can be used to optimize the pricing strategy and performance of e-commerce companies.

The performance of an e-commerce company is greatly influenced by the price of its products and its pricing strategy. Dynamic pricing, as one of the pricing approaches that adjusts prices based on market and demand factors, plays an important role in determining the performance outcomes of a company. Pricing Theory helps in analyzing how dynamic pricing affects the performance of e-commerce companies. With a deep understanding of this theory, companies can assess whether dynamic pricing can increase profit margins, optimize sales, or conversely, negatively impact their performance.

Dynamic pricing is a pricing strategy that ignores fixed prices and applies variable pricing; In other words, it is a strategy in which the price of a particular product tends to change according to the ongoing demand and supply of the customer. This strategy often uses automation and advanced data to adjust product prices based on consumer behavior and willingness to pay. This helps traders to get maximum profits and eliminate slow inventory.

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<sup>8</sup> Bambang Permadi, Nadia Aprilia, Novi Purnama Sari, Suci Andini Kesuma, *Jurnal Pendidikan dan Pengajaran: "Analisis Dampak Penggunaan Dynamic Pricing di Pasar Global Terhadap Shopee"*, Vol. 6 No. 4 (2023). Hal. 2992

Pricing theory is a theory that addresses various factors that influence pricing decisions, such as production costs, market demand, competition, company goals, and consumer preferences. This theory can be used to analyze various pricing strategies, including dynamic pricing and its impact on consumer behavior and the Company's performance.

Here are some key points about the relationship between dynamic pricing and pricing theory:

1. *Dynamic pricing* utilizes pricing theory to determine optimal prices that can increase sales and profits. Dynamic pricing uses historical and *real-time* data to forecast demand and supply, as well as price elasticity, which is a measure of consumer sensitivity to price changes.
2. *Dynamic pricing* is also influenced by the theory of discriminatory pricing, which is the practice of selling the same product at different prices to different consumers based on their characteristics, such as location, time, or purchasing behavior. *Dynamic pricing* allows companies to adjust prices according to the willingness of different consumers to pay, so that it can increase the surplus of consumers and producers.
3. *Dynamic pricing* and pricing theory interact with each other and affect each other. Dynamic pricing can change consumer behavior, such as trust, loyalty, and satisfaction, which can affect price demand and preferences. Conversely, pricing theory can help companies to respond to and anticipate changes in consumer behavior by adjusting their pricing strategies.



Figure 1. Twin Date Event on Shopee as a Dynamic Pricing Strategy

Nowadays, dynamic pricing strategies have become an important part of the e-commerce world. Shopee, as one of the leading e-commerce platforms, uses this approach very effectively. One real example of the application of dynamic pricing in ecommerce is the use of "twin" dates such as 9.9, 10.10, or 11.11 as an opportunity to offer attractive promos to customers. During this period, Shopee provides various incentives such as free shipping vouchers, flash sales with prices of up to IDR 1,000, and discounts of up to IDR 50 thousand. Thus, Shopee creates a thrilling atmosphere among consumers, encouraging them to shop and celebrate those dates by saving more money.

The use of these special dates as promo moments is one of the dynamic pricing strategies that has proven successful. In the increasingly fierce competition of the e-

commerce market, this twin-date event allows Shopee to increase sales significantly. Customers are very responsive to these special promos, especially when they feel that they are getting more value for the money they spend. It also provides an additional boost for local businesses selling products on the Shopee platform, as they can take advantage of this moment to promote their products.

However, it's worth noting that dynamic pricing isn't just about providing discounts. Shopee also uses data and algorithms to optimize their profit margins. They dynamically monitor product demand and inventory, and product prices based on these factors. This way, they can maintain a balance between attracting customers at competitive prices and still generating profitable profits. Dynamic pricing also allows Shopee to capture market opportunities as trends and customer preferences change, which can vary greatly.

Twin date events on Shopee also have interesting social and cultural aspects. In an effort to approach consumers more personally, Shopee integrates elements of local culture in their promotions. This creates a more meaningful and relevant shopping experience for local consumers, and at the same time, helps in supporting local businesses. The selection of today's local cultural themes also shows that Shopee recognizes the importance of collaborating with local communities and creating stronger bonds with their customers.

Thus, the dynamic pricing strategy as implemented by Shopee, especially through twin date events, is a very successful example in e-commerce. They take advantage of factors such as time and local culture to create profitable shopping moments for customers and sellers. In addition, they also use data and technology to ensure the sustainability of profits in a highly competitive environment. This reflects a strong shift towards a more dynamic approach to pricing and marketing in modern e-commerce.

## **CONCLUSION**

Dynamic pricing strategy plays a crucial role in the success of e-commerce companies like Shopee by enabling real-time price adjustments that enhance sales and profitability. This study highlights the importance of a thorough understanding of pricing theory and consumer behavior to effectively manage the impacts of dynamic pricing, particularly on purchasing decisions and price preferences. The implementation of dynamic pricing through Shopee's Double Date event demonstrates the effectiveness of this approach in creating advantageous shopping opportunities for both consumers and sellers while maintaining a balance between competitive prices and optimal profits. Furthermore, incorporating local cultural elements strengthens the relevance of this strategy within a global context.

However, this study is limited by its reliance on secondary data from literature reviews without direct primary data collection from consumers or Shopee business actors. Future research is recommended to employ empirical methods—both quantitative and qualitative—to further explore the psychological and ethical effects of dynamic pricing on customer trust and long-term loyalty. Additionally, future studies could investigate the role of artificial intelligence (AI) technologies in optimizing adaptive dynamic pricing strategies within rapidly evolving e-commerce markets

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