

Disruptive Innovation In Business Competition Law In The Online Transportation Sector: Legal Issues And Challenges

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Abstract

Disruptive innovation is when new technologies or novel business models penetrate established markets and bring major changes to the industry. Disruptive innovation differs from incremental innovation by introducing completely new products or services or providing solutions that are more cost-effective, convenient, or effective. This research aims to examine how disruptive innovation in the internet transportation sector impacts the application and efficacy of Competition Law in Indonesia. Qualitative methodologies are utilized to investigate the intricate legal difficulties and challenges inside the realm of online transportation. The research findings indicate that the introduction of new technologies can lead to detrimental rivalry between conventional service providers and online platforms, potentially diminishing service quality and impacting regulatory efficacy. Market dominance of internet transportation platforms can lead to monopolistic or oligopolistic practices, which may result in collusion and the misuse of market power, negatively impacting consumers and competitors. Consumer protection is a crucial concern in this scenario, since it involves ensuring security, transparency, and data privacy in online transportation services.

A. INTRODUCTION

Online transportation has become a crucial aspect of daily life in numerous countries, altering how individuals travel and utilize transportation services. The industry's history started in the early 2000s with the introduction of platforms like Uber and Lyft in the United States, which then expanded globally (Apsari Wahyu Kurnianti, 2017). Online transportation company models typically utilize a mobile application to facilitate the connection between drivers and passengers through a digital platform. This offers users the convenience and comfort of ordering

transportation promptly and effectively. It plays a crucial role in both the business and community mobility. This industry has created new jobs for drivers and other connected people, as well as giving economic opportunities for individuals who want to work flexibly. It has enhanced transportation accessibility for the public, particularly in urban regions with limited public transit options. Online transportation services have increased people's ability to move around by offering cheaper and more available transportation choices. This has led to a decrease in reliance on private vehicles, potentially lowering traffic congestion and greenhouse gas emissions. Muslih & Rudiyanto (2019) state that disruptive innovation has been a focal point in discussions regarding the advancement of contemporary industry. Disruptive innovation is when a new technology or novel business model enters an existing market and causes major changes to the industry. Disruptive innovation can create a whole new product or service or provide a more cost-effective, convenient, or efficient solution, unlike incremental innovation which just enhances existing products or services.

An example of disruptive innovation is the rise of online transportation services like Uber and Lyft, which disrupted the conventional taxi industry by providing more affordable, quicker, and more convenient transportation choices through digital platforms. This business model has altered the way people travel and access transportation by eliminating conventional obstacles to using transportation services. As per Murti (2020), disruptive innovation has the potential to alter market dynamics, compelling incumbent organizations to adjust or face the possibility of losing market share. Comprehending disruptive innovation is crucial for recognizing legal challenges associated with the expansion of emerging industries like internet transportation. Current rules are crucial in overseeing the ride-hailing industry due to its substantial influence on societal and economic mobility. Laws and regulations have been put in place to oversee internet transportation services, including under the Business Competition Law which governs fair competition in the market.

Transportation regulations govern operating procedures, security, and consumer protection in online transportation services. Various interconnected regulations, including consumer protection laws, tax laws, and employment laws, may influence the regulation of specific areas of the sector. As per Mahargiono & Cahyono (2017a), issues occur in aligning current legislation with quickly changing industry dynamics despite the main goal of protecting consumer interests, ensuring safety, and promoting fair competition. It is crucial to regularly assess and revise current regulatory frameworks to ensure they are still pertinent and efficient in dealing with new difficulties in the ride-hailing industry. The expansion of internet transportation services has brought forth various intricate legal matters that must be

addressed by regulators and stakeholders. Business rivalry is a key concern due to the impact of internet transportation services on the market, altering competitive dynamics and causing tensions with traditional transportation providers.

Consumer protection is crucial, particularly concerning the security and quality of services offered by internet transportation companies. Consumers must be guaranteed secure and dependable services and have the entitlement to safeguard their privacy and personal data. Security is a significant concern, encompassing the safety of drivers and passengers, as well as the protection of data and payments kept on online transportation platforms. According to Syarif et al. (2018), the expansion of online transportation services has led to transportation policy concerns regarding public transportation regulations, infrastructure, and the environmental effects of utilizing online transportation services. Legal difficulties in internet transportation involve multiple stakeholders such as the government, regulators, online transportation providers, and customers. An obstacle is the lack of alignment between legislation and the innovative business models introduced by internet transportation providers.

Current regulations may not adequately cover the distinctive features of these business models, resulting in legal ambiguity and uncertainty regarding obligations, rights, and responsibilities. As per Mahargiono & Cahyono (2017b), unfair competition arises when ride-hailing companies compete with traditional service providers in an environment that lacks equality or proper regulation. Legal ambiguity poses a significant challenge, particularly as regulations and policies adapt to the rapidly changing industry landscape. This situation can pose legal concerns for all parties, including consumers who may lack a complete understanding of their rights and safeguards under an evolving legal environment (Hardaningtyas, 2018). Addressing these legal issues necessitates collaboration among the government, regulators, online transportation firms, and consumers to create a regulatory framework that is more flexible, suitable, and inventive to support the growth of the online transportation industry.

Legal concerns and challenges in internet transportation have significant repercussions for the economy, innovation, and society. Legal ambiguity and unfair competition can impede the expansion of the internet transportation sector, stifle innovation, and deter the necessary investment in new technology and services. This can impact job opportunities and overall economic expansion (Pontoh et al., 2020). Legal ambiguity and regulatory inconsistencies with innovative business models can result in disparities in safeguarding the rights and well-being of workers, such as drivers and passengers. This can also impact transportation accessibility for vulnerable demographics in society. Clear and sustained legal consequences can

foster a stable environment for economic growth, promote innovation, and offer legal certainty to all stakeholders. This research aims to analyze how disruptive innovation in the online transportation sector impacts the implementation and effectiveness of the Business Competition Law in Indonesia. It also seeks to identify the primary legal issues related to the growth of online transportation and examine how these challenges influence regulations, operations of online transportation companies, and consumer rights in Indonesia.

B. METHODS

The study entitled "Disruptive Innovation in Business Competition Law in the Online Transportation Sector: Legal Issues and Challenges" utilizes qualitative approaches to investigate intricate legal issues and challenges within the online transportation industry (Mohajan, 2018). Qualitative methodologies enable researchers to obtain a comprehensive understanding of the perspectives, experiences, and opinions of different stakeholders, including governments, regulators, ride-hailing businesses, and customers. Qualitative study allows for the identification of factors affecting the application of the Business Competition Law in response to disruptive innovation in the online transportation industry through interviews, document analysis, and direct observation. Qualitative approaches enable researchers to investigate the social, economic, and legal environment related to these issues and comprehend its effects on different stakeholders. The research aims to gain a comprehensive understanding of the legal challenges encountered by the internet transportation industry due to disruptive innovation through the use of qualitative methodologies.

C. RESULTS AND DISCUSSION

Disruptive innovation in the online transportation sector has caused substantial changes in business models, which have greatly affected the old business landscape. Vehicle sharing platforms and app-based transportation services are changing the traditional business model by using digital technology to offer more efficient and cost-effective transportation options. Indra et al. (2019) state that innovative business models frequently disregard the constraints of current regulatory frameworks by taking advantage of loopholes in marketplaces that lack rigorous regulations. This poses issues for enforcing the Business Competition Law in Indonesia as it leads to unequal competition between businesses adhering to rigorous standards and those operating outside these limits. This new business model may introduce legal ambiguity because of the lack of a suitable regulatory framework to effectively deal with this new phenomenon.

Introducing new technologies in the internet transportation industry may affect the competitiveness between traditional service providers and online platforms. Traditional service providers are often challenged to adapt to the changing landscape of transportation services due to the rise of online platforms with innovative business models. In such scenarios, unfair or unethical corporate actions may occur, such as hindering rival access or expansion, unjustly reducing prices, or restricting consumer choice (Pintoko & L., 2018). This detrimental competition may lead to market imbalance, hinder the expansion of small and medium enterprises, and diminish the quality of services provided to consumers. This could also hinder the efficacy of the Business Competition Law in upholding a competitive and fair market environment.

Online transportation sector generally benefits from disruptive innovation, allowing platforms to rapidly establish significant market share. Ride-hailing platforms can gain a substantial competitive edge through first-mover advantages, a strong brand reputation, and advanced technology infrastructure. The market dominance may raise concerns about monopoly or oligopoly, which goes against the principles of free competition outlined in the Business Competition Law. Ho (2022) states that significant market control can provide specific platforms with unparalleled market influence, enabling them to establish pricing, take advantage of consumers or business associates, and impede the introduction of new competitors into the sector. Overwhelming market control might hinder innovation, as dominant platforms may not see the necessity to consistently innovate or enhance their offerings. This can be achieved by rigorously enforcing antitrust rules, promoting collaboration among different platforms, and offering incentives for innovation and market variety.

An unequal distribution of market influence between ride-hailing platforms and traditional service providers may lead to collusion or exploitation of market dominance. Collusive tactics, characterized by collaboration between platforms and service providers to establish pricing or divide markets, can impede fair competition and negatively impact customers through price hikes or limited options. Guo et al. (2019) reveal that abuse of market power in the ride-hailing industry can involve a dominant platform using its position to intimidate competitors or enforce disadvantageous terms on its partners, including exorbitant commission fees or unjust contract terms. These actions violate the principles of free competition outlined in the Business Competition Law, which is designed to prevent monopolies, restrict competition, and safeguard consumer interests. This can be achieved by conducting thorough investigations, imposing strong penalties on offenders, and ensuring transparent and consistent enforcement of legislation to promote a competitive and fair internet transportation market.

Disruptive innovation in internet transportation frequently presents consumer protection issues that demand significant consideration. Data security, privacy, tariff correctness, and service quality are the primary concerns within this scope. Consumers prioritize data security and privacy when utilizing online transportation services. Data leaks or cyber assaults can jeopardize customer privacy and security due to the extensive collection of personal information and travel history by these platforms (Palmié et al., 2020). Accuracy and openness in pricing structures are crucial considerations. Consumers require clear information about the costs of services to make financially educated selections. When evaluating online transportation platforms, it is important to assess the quality of service, which includes factors such as vehicle availability, travel safety, and adherence to service standards.

This innovation has consequences for consumer protection that suggest the necessity of modifying or broadening the provisions in the Business Competition Law to address these issues more efficiently. The government and authorities should enhance consumer protection within the current regulatory framework by implementing clear rules, enforcing laws strictly against infractions, and establishing effective dispute resolution processes for disadvantaged customers. Si et al. (2020) suggest that consumer protection can be upheld and enhanced throughout a period of disruptive innovation in the internet transportation industry. The primary challenge in transportation laws is the absence of a regulatory framework that can efficiently adapt to the internet transportation business model. The primary difficulty is how to modify current legislation to accommodate the changing dynamics resulting from the rise of online transportation platforms, like online taxi services and car sharing.

Applicable legislation may not be tailored to control this business model, leading to legal uncertainty and challenges in setting operational standards. Ride-hailing firms sometimes encounter intricate and convoluted licensing processes that might impede their operational efficiency. Zubizarreta et al. (2021) state that consumer protection is a crucial component of transportation rules, but may not encompass all facets related to online transportation services, like travel security and dispute settlement. Adapting transportation legislation to the growth of online transportation impacts both the operations of online transportation companies and consumer rights in Indonesia. The government and authorities must work harder to create a thorough and adaptable regulatory framework for the online transportation sector that promotes innovation while maintaining safety, service quality, and consumer protection.

Consumer protection is a crucial concern in the realm of internet transportation. Consumers require confidence that the services they utilize are secure,

dependable, and align with the service provider's commitments. Consumers who utilize online transportation services are greatly concerned about travel safety issues, including the state of the car and driver safety. Nagy et al. (2016) emphasize the significance of tariff accuracy in providing consumers with transparent and equitable pricing based on distance and journey duration. Ensuring data privacy is essential while using applications and online platforms that include sharing personal information. Consumers need to be certain that their personal data is being respected, adequately safeguarded, and not exploited. Regulations focusing on consumer protection are crucial for safeguarding consumer rights and interests in internet transportation.

Addressing these consumer protection issues will boost consumer confidence in online transportation services and enhance the entire online transportation ecosystem in Indonesia. Competition between traditional service providers and online transportation platforms is a significant worry in the online transportation industry. This competition frequently leads to unfair competition issues that can negatively impact customers and rivals. Roblek et al. (2021) identified issues such as monopolistic tactics, oligopoly, collusion, and abuse of market power by dominant online transportation platforms. These activities can impede rivals' market entry, limit consumer choice, and unjustly inflate service prices. Regulations are necessary to tackle these concerns and ensure fair competition in the ride-hailing industry. The legislation must maintain free and fair competition while safeguarding consumers from harmful company practices.

Establishing a robust regulatory framework and enforcing strong laws are crucial to promote fairness and competition in the ride-hailing sector. Online transportation companies encounter a significant difficulty of legal uncertainty while developing business plans and adhering to rules. Christensen et al. (2018) declare that corporations encounter challenges in implementing suitable procedures to comply with evolving or ambiguous legislation in uncertain legal settings. This ambiguity can adversely affect long-term investment, innovation, and sector expansion, as companies could hesitate to take risks or engage in new product and service development if they are confused about their adherence to current regulations. Legal ambiguity also leads to uncertainty among consumers regarding their rights and responsibilities while utilizing internet transportation services.

This can impede consumers' ability to make well-informed decisions and therefore impact their faith in ride-hailing platforms. Resolving legal uncertainty is crucial for establishing a stable and favorable climate for growth and innovation in the online transportation sector. Enforcing laws to address regulatory infractions and harmful activities that affect consumers and rivals is a significant concern in the

internet transportation industry. Kraus et al. (2023) highlight the challenge of having adequate resources for effective law enforcement. Scarcity of resources can hinder law enforcement organizations in overseeing company operations that breach legislation or detriment consumers. Collaboration amongst institutions is crucial for addressing legal infractions in the internet transportation industry. Effective law enforcement requires strong collaboration among government entities including the Business Competition Supervisory Agency (KPPU), Ministry of Transportation, and others. It is crucial for industry participants and consumers to comprehend the repercussions of regulatory breaches through clear law enforcement procedures. Enhancing resources, fostering inter-institutional cooperation, and clarifying law enforcement procedures aim to greatly enhance regulatory enforcement and safeguard consumer rights in the internet transportation industry

D. CONCLUSION

Online transportation sector has been considerably altered by disruptive innovation, transforming the traditional corporate landscape. Ride-sharing platforms and app-based transportation services have introduced innovative business models that are cost-effective and efficient, yet frequently disregard the constraints of current rules. Implementing the Business Competition Law in Indonesia poses obstacles, leading to competition inequity and legal ambiguity. The introduction of new technologies can lead to unhealthy rivalry between traditional service providers and internet platforms, thereby lowering service quality and impacting regulatory efficacy. Online transportation platforms dominating the market can lead to monopoly or oligopoly, which may result in collusive behavior and the misuse of market power, negatively impacting consumers and competitors. Consumer protection is a crucial concern in this scenario, given the necessity for security, transparency, and data privacy in online transportation services. Responsive laws, robust law enforcement, and enhanced consumer protection are necessary to address these difficulties. Therefore, implementing these measures can establish a more equitable, competitive, and secure atmosphere for customers of online transportation services in Indonesia.

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