

Research Article

# Formulation of Strategies to Minimize Dropshipping Business Failure on Shopee Indonesia through the Business Model Canvas, SWOT Analysis, and TOWS Matrix

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**Abstract:** The rapid growth of e-commerce in Indonesia has increased business actors' interest in the dropshipping business model, particularly on the Shopee platform. Although this model offers operational convenience and relatively low capital requirements, the failure rate of dropshipping businesses remains high due to dependence on suppliers and affiliates, fluctuations in promotional costs, and the dynamic nature of platform algorithms. This study aims to formulate strategies to minimize dropshipping business failure on Shopee Indonesia through the integration of the Business Model Canvas (BMC), SWOT analysis, and the TOWS Matrix. This research employs a descriptive qualitative approach, with data collected through in-depth interviews with active dropshipping practitioners on Shopee Indonesia. The data were analyzed by mapping the nine elements of the Business Model Canvas, identifying internal and external factors using SWOT analysis, and formulating strategic alternatives through the TOWS Matrix. The findings indicate that the existing dropshipping business model functionally fulfills all nine blocks of the Business Model Canvas; however, it still faces key weaknesses, including high dependence on external parties, substantial promotional cost burdens, and risks arising from changes in platform policies. The integration of SWOT and TOWS analyses generates SO, WO, ST, and WT strategies that emphasize service quality enhancement, optimization of digital marketing, utilization of automation technologies, supplier diversification, and more efficient cost management. This study concludes that the integration of the Business Model Canvas, SWOT analysis, and the TOWS Matrix represents an effective strategic approach to enhancing business stability, competitiveness, and sustainability within the Shopee Indonesia marketplace ecosystem.

**Keywords:** Business Model Canvas; Dropshipping; Shopee; SWOT; TOWS Matrix.

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## 1. Introduction

The development of global e-commerce has demonstrated significant acceleration over the past decade. According to Statista (2024), the value of global e-commerce transactions reached USD 6.09 trillion in 2024, representing an increase of 8.4% compared to the previous year, and is projected to surpass USD 8.09 trillion by 2028. The COVID-19 pandemic accelerated changes in consumer shopping behavior by more than five years ahead of earlier projections, while mobile technology has further reinforced the trend toward online shopping (Statista, 2024).

In Indonesia, e-commerce has become a central pillar of the digital economy, experiencing remarkably rapid growth. The Indonesian Internet Service Providers Association (APJII, 2023) reported that the number of internet users reached 215.9 million, with the majority accessing the internet via mobile devices. As a result, the value of national e-commerce transactions reached IDR 535 trillion in 2023 (Bank Indonesia, 2024) and is expected to continue increasing. Reports by Google, Temasek, and Bain & Company (2024) identify Indonesia as the largest e-commerce market in Southeast Asia. Within this context,

Shopee has emerged as the dominant platform, recording the highest monthly visitor numbers and transaction volumes in Indonesia (TMO Group, 2025). Features such as integrated payment systems, promotional tools, logistics support, and seller education programs further enhance Shopee's attractiveness to businesses of various scales.

The dropshipping business model has become a popular choice amid the rapid expansion of e-commerce, as it allows individuals to start a business with relatively low capital. Under this system, sellers or dropshippers do not maintain inventory; once an order is received, it is forwarded to suppliers who then ship the products directly to customers on behalf of the dropshippers (Sulaiman, 2025). This model is particularly appealing to novice entrepreneurs because it minimizes initial costs and financial risk while offering high flexibility in managing online businesses (Nilaish & Kumar, 2025).

However, despite its advantages of low capital requirements and reduced risk, the success rate of dropshipping businesses remains relatively low. Studies indicate that only around 10–20% of dropshipping practitioners achieve long-term success (Cirklestudio, 2025). Many new entrants discontinue operations within the first few months due to low sales performance, supply-related issues, and misconceptions that dropshipping represents a quick path to wealth (Shoplazza, 2025; Appscenic, 2024). Other contributing factors to business failure include limited experience in e-commerce, weak supplier relationship management, and ineffective marketing strategies (Maniciati, 2022).

Previous research emphasizes that experience and persistence play critical roles in sustaining dropshipping businesses. Sánchez and Milla (2018, 2021) argue that entrepreneurs typically require more than one year to develop a deep understanding of market dynamics, while Maniciati (2022) found that business stability is generally achieved only after two to three years due to thin profit margins and intense competition. A pre-survey conducted among Shopee dropshipper communities in Indonesia revealed failure rates ranging from 60% to 76.7%, with most practitioners ceasing operations within the first two to three years.

According to Sulaiman (2025), the success of dropshipping businesses depends not only on operational efficiency but also on entrepreneurs' ability to implement social media strategies, build inter-business collaborations, and strengthen customer trust. Based on pre-research interviews with dropshipping practitioners on Shopee Indonesia, it was found that most have not optimally utilized these digital strategies. Practitioners tend to rely heavily on Shopee's internal features, such as paid promotions and discounts, without expanding their reach through social media platforms such as Instagram, TikTok, or WhatsApp Business. Collaboration with influencers and suppliers remains limited, and trust-building efforts—such as transparent product information and responsive customer service—are not prioritized. This condition indicates a gap between the potential of digital strategies and actual practices in the field, which contributes to low competitiveness and high failure rates among dropshipping businesses on Shopee Indonesia (Sulaiman, 2025).

Meanwhile, Pasaribu et al. (2023) emphasize that the integration of SWOT Analysis, the TOWS Matrix, and the Business Model Canvas (BMC) is effective in formulating comprehensive and adaptive strategies in response to market dynamics. Nevertheless, most studies on dropshipping in Indonesia remain limited to discussions of operational mechanisms without thoroughly identifying the underlying causes of business failure. Therefore, this study seeks to address this gap by integrating the three strategic analysis frameworks and incorporating empirical findings on the importance of social media strategies, collaboration, and trust building as key components. This approach is expected to generate practical strategies for minimizing dropshipping business failure on Shopee Indonesia, while also serving as a practical reference for business practitioners and policymakers in optimizing the national e-commerce ecosystem.

## 2. Literature Review

### Business Model Canvas (BMC)

The Business Model Canvas (BMC) is a strategic management tool used to visually describe, analyze, and develop business models. Osterwalder and Pigneur (2010) explain that the BMC consists of nine core elements (nine basic building blocks) that are integratively connected to illustrate how an organization creates, delivers, and captures value. This approach assists business practitioners in understanding and evaluating their existing business

models to ensure continued relevance within a dynamic business environment (Putra & Prabawani, 2021).

The nine elements of the Business Model Canvas include Customer Segments, which identify the target customer groups; Value Propositions, which describe the unique value offered to customers; Channels, which represent the distribution channels for products or services; Customer Relationships, which define the patterns of interaction with customers; Revenue Streams, which represent sources of business income; Key Resources, which encompass the main resources supporting operations; Key Activities, which refer to the strategic activities required to create value; Key Partnerships, which involve strategic collaborations with external parties; and Cost Structure, which outlines the costs incurred in operating the business.

### **SWOT Analysis**

SWOT analysis is a strategic analytical tool used to evaluate an organization's internal and external conditions. According to Rangkuti (2006), SWOT is an acronym for Strengths, Weaknesses, Opportunities, and Threats. SWOT analysis is based on a logical framework that aims to maximize organizational strengths and opportunities while minimizing weaknesses and threats. This approach enables organizations to formulate more adaptive and competitive strategies in response to dynamic business environments.

Salim and Siswanto (2019) explain that the primary function of SWOT analysis is to identify internal factors in the form of strengths and weaknesses, as well as external factors in the form of opportunities and threats originating from the external environment. Internal factors consist of strengths and weaknesses. Strengths refer to competencies or resources that provide organizations with competitive advantages over their competitors, such as corporate image, managerial capabilities, financial resources, strategic location, and product or service quality. These advantages are comparative in nature and play a crucial role in enhancing a firm's competitiveness in the market. Conversely, weaknesses refer to organizational limitations or deficiencies, including inadequate facilities and infrastructure, weak managerial capabilities, low marketing competence, and limited consumer interest in the products offered, which may ultimately result in lower profitability. External factors include opportunities and threats. Opportunities are external conditions that can be leveraged to benefit the organization, such as regulatory changes, technological advancements, or favorable market dynamics that support business growth. In contrast, threats are environmental conditions that may hinder or endanger organizational performance if not properly anticipated, including intensified competition, economic crises, and changes in consumer preferences (Sunarsi, 2024).

### **TOWS Matrix**

The TOWS Matrix is an extension of SWOT analysis designed to formulate strategies in a more operational and structured manner. Isnati and Fajriansyah (2019) state that the TOWS Matrix aims to combine the internal and external factors identified through SWOT analysis to generate practical strategic alternatives. The application of the TOWS Matrix provides a systematic framework for organizations to develop strategies aligned with both internal and external conditions, thereby enhancing the effectiveness of strategic decision-making and reducing the risk of business failure (Isnati & Fajriansyah, 2019).

The TOWS Matrix produces four main types of strategies. First, SO (Strengths–Opportunities) strategies, which utilize internal strengths to capitalize on external opportunities. Second, WO (Weaknesses–Opportunities) strategies, which aim to overcome internal weaknesses by leveraging external opportunities. Third, ST (Strengths–Threats) strategies, which use internal strengths to avoid or mitigate the impact of external threats. Fourth, WT (Weaknesses–Threats) strategies, which are defensive strategies focused on minimizing internal weaknesses while simultaneously avoiding external threats.

## **3. Method**

This study employs a descriptive qualitative research approach aimed at gaining an in-depth understanding of the phenomenon of dropshipping business failure on the Shopee Indonesia platform through the exploration of business actors' experiences and strategies (Pasaribu et al., 2023). Data were collected through in-depth interviews with several active

dropshipping practitioners on Shopee to examine their practices in utilizing social media, engaging in inter-business collaboration, and building customer trust within their business activities (Sulaiman, 2025).

The interview data were subsequently analyzed using three conceptual frameworks, namely SWOT Analysis, the TOWS Matrix, and the Business Model Canvas (BMC), to identify internal and external factors influencing business performance (Pasaribu et al., 2023). Through the integration of these three models, this study formulates adaptive and sustainable strategies that can be applied to minimize the risk of business failure and enhance the competitiveness of dropshipping practitioners within the Indonesian e-commerce ecosystem (Sulaiman, 2025).

#### 4. Results and Discussion

This study involved three active dropshipping business practitioners operating on the Shopee Indonesia platform in the city of Medan. The informants were selected using a purposive sampling technique based on variations in product categories, length of business experience, and marketing strategies employed. The findings indicate that although the three informants operate in different product niches, the business models they implement exhibit relatively similar characteristics and demonstrate a strong dependence on the Shopee ecosystem as the primary platform for sales and promotion.

##### Business Model Canvas (BMC)

Based on the Business Model Canvas (BMC) mapping results, all research informants have functionally fulfilled all nine BMC building blocks. The customer segments served are predominantly individuals aged 18–35 years who are actively engaged in online shopping and exhibit high sensitivity to price, trends, product visual quality, and service speed. The primary value propositions offered by the dropshipping businesses do not focus solely on product pricing, but rather emphasize service quality, clarity and completeness of product information, fast customer responsiveness, and transaction security through secure packaging and refund policies.

Distribution and promotional channels are primarily centered on the Shopee platform as the main transaction channel, supported significantly by the Shopee Affiliate program and collaborations with micro-influencers through external social media platforms such as Instagram and TikTok. The main revenue streams are generated from direct product sales on Shopee, further strengthened by traffic contributions from affiliate marketing activities. Key resources supporting business sustainability include marketplace store reputation, stable supplier networks, the availability of digitally skilled human resources, and capabilities in sales and advertising data analysis.

Key activities carried out by dropshippers include daily order management, product stock updates, advertising optimization, customer service, and intensive coordination with suppliers and affiliates. Strategic partnerships are primarily focused on main and backup suppliers, affiliates as promotional partners, and the Shopee ecosystem as the provider of business infrastructure. The cost structure is largely dominated by Shopee advertising expenses, affiliate commissions, platform administrative fees, as well as return and digital operational costs, all of which must be strategically managed to ensure business sustainability.

The following section presents the mapping results of the nine main elements of the Business Model Canvas (BMC).

**Table 1.** Business Model Canvas.

Block	Description
Key Activities	1. Receiving and processing daily orders 2. Updating stock based on supplier reports 3. Responding to customer inquiries promptly 4. Coordinating shipping and handling delivery issues 5. Managing complaints, refunds, and product replacements 6. Analyzing data to optimize store performance
Key Partners	1. Main suppliers 2. Backup suppliers 3. Affiliates 4. Investors

Block	Description
Value Propositions	1. Trendy products with real photos and competitive prices 2. Fast, responsive, and friendly service 3. Complete product information (sizes, materials, usage) 4. Transaction security (safe packaging and damage guarantees)
Customer Segments	1. Individuals aged 18–35 who actively shop online 2. Young women, young mothers, and new parents (varied segments) 3. Customers focused on fashion trends 4. Price-, quality-, and service-speed-sensitive customers 5. Middle-income individuals
Customer Relationships	1. Fast and responsive customer service 2. Order tracking and follow-up services 3. Quick complaint handling 4. Trust-building through honest reviews and ratings
Channels	1. Shopee 2. Shopee Affiliate
Key Resources	1. Suppliers 2. Digitally skilled operational human resources 3. Store reputation assets on the marketplace platform 4. Capital 5. Affiliates
Cost Structure	1. Shopee advertising costs 2. Shopee administrative fees 3. Packaging costs 4. Labor costs 5. Affiliate commissions
Revenue Streams	1. Direct product sales on Shopee 2. Sales generated through affiliate traffic

SWOT Analysis and TOWS Matrix

This section presents the results of the SWOT analysis examined based on each block of the Business Model Canvas (BMC), which are subsequently formulated into SO, WO, ST, and WT strategies.

**Table 2.** Results of the SWOT Analysis and TOWS Matrix for Each BMC Block.

1. Customer Segment				
S	W	O	T	
The strength of the Customer Segments lies in their clear, focused characteristics and high responsiveness to digital marketing, which facilitates precise targeting and improved conversion rates. This segment consists of young, technology-literate consumers who	The weakness lies in customer characteristics that are highly sensitive to price, trends, product quality, and service speed, resulting in easily shifting loyalty and a high risk of switching to other stores when expectations are	Opportunities arise from the increasing intensity of online shopping among young consumers and their growing reliance on reviews, content creators, and product visuals, which provides strategic space for strengthening digital marketing, influencer collaboration, and the	The primary threat lies in the high level of competition within the young consumer segment, which is prone to rapid switching behavior, as well as potential changes in preferences, and shopping behavior	

actively shop online not consistently development of more that may reduce and commonly base met. informative and the effectiveness their purchasing credible product of marketing decisions on reviews, content. strategies if not influencer content, and product visuals, thereby enhancing engagement potential and the effectiveness of promotional strategies. consistently addressed by business actors.

TOWS Matrix Analysis

1. SO Strategy: Optimize clearly defined and digitally responsive customer segmentation by strengthening the use of review-based and influencer-driven content to enhance reach and promotional effectiveness among young consumers who actively shop online.
2. WO Strategy: Develop more informative and consistent digital marketing approaches to address customer sensitivity to price and quality, while leveraging the growing reliance of consumers on content creators and product visuals as a means of strengthening trust.
3. ST Strategy: Enhance content personalization and the accuracy of product information to retain the attention of young customer segments, enabling businesses to respond effectively to dynamic trend changes and intense competition in the Shopee dropshipping market.
4. WT Strategy: Implement routine monitoring mechanisms for changes in customer preferences and market trend dynamics, including analyses of shopping behavior and customer switching patterns, to formulate timely and appropriate strategic responses that minimize customer loss and maintain sales stability in a competitive market environment.

2. Value Propositions

S	W	O	T
The strength lies in the ability to offer products that meet customer expectations trendy, accurately represented in images, and of reliable quality supported by fast, responsive, and informative service, along with enhanced trust through recommendation content	The weakness lies in the high dependence on the consistency of supplier quality and third-party performance, causing the value proposition to be easily disrupted when product quality, service levels, or promotional	Opportunities lie in the increasing demand for trend-oriented fashion products, strong consumer interest in fast and informative services, and the substantial potential to expand market reach through collaboration with affiliates, micro-influencers, and the	The primary threats arise from intense competition in markets offering similar products, instability in supplier quality, and the risk of changes in platform or affiliate algorithms and policies that may reduce visibility,

from affiliates or micro-influencers. content are unstable. utilization of continuously evolving digital platforms. trust, and promotional effectiveness.

TOWS Matrix Analysis

1. SO Strategy: Strengthen collaboration with affiliates and micro-influencers to expand market reach by leveraging strengths such as real product images and responsive service.
2. WO Strategy: Develop operational automation systems, including inventory monitoring and customer service management, to address human resource limitations and capitalize on the growth of digital tools supporting online businesses.
3. ST Strategy: Enhance fast, accurate service quality and secure packaging as key differentiation strategies to withstand intense competition and mitigate the instability of platform algorithms and third-party performance.
4. WT Strategy: Establish quality assurance and service consistency agreements with suppliers to minimize the risk of product instability while reducing the negative impact of internal weaknesses and external threats.

3. Channels

S	W	O	T
The strength of the Channels (Distribution and Promotion Channels) lies in the utilization of a well-established digital ecosystem with broad reach, particularly through Shopee as the primary transaction channel that offers various internal promotional features such as Shopee Ads, vouchers, Flash Sale, and free shipping. In addition, support from social media platforms such as Instagram and TikTok through affiliates or micro-influencers enhances product	The weakness of the distribution and promotion channels lies in the high dependence on the Shopee platform and third parties, causing promotional effectiveness to be easily affected by algorithm changes, platform policies, and fluctuations in affiliate or influencer performance that cannot be fully controlled by business actors.	The strengthening of the digital marketing ecosystem particularly through Shopee’s promotional features and the high usage of social media platforms such as Instagram and TikTok creates opportunities to expand promotional reach, enhance product visibility, and leverage content creator trends as a means of increasing trust and sales conversion.	The primary threats arise from increasingly intense competition within the Shopee platform and potential changes in algorithms and promotional policies that may reduce product visibility, along with the risk of unstable affiliate or influencer performance that can diminish the overall effectiveness of promotional channels.

visibility, while drop-shipper communities help accelerate adaptation to market trends and product information.

TOWS Matrix Analysis

1. SO Strategy: Optimize available internal Shopee promotional features—such as Shopee Ads, vouchers, and Flash Sale while maximizing social media support to expand marketing reach.
2. WO Strategy: Develop more structured and independent promotional channels, such as organic content and short-form videos, to reduce dependence on third parties while leveraging opportunities from the growth of social media and increasingly diverse digital marketing features.
3. ST Strategy: Strengthen the integration between Shopee promotional features (e.g., Shopee Ads, vouchers, and Flash Sale) and influencer-generated content to maintain and enhance product visibility, enabling businesses to respond effectively to platform algorithm changes and intensifying marketplace competition.
4. WT Strategy: Establish a periodic evaluation system for promotional channel performance and third-party partners to minimize platform dependency and reduce the risk of declining promotional effectiveness resulting from policy changes, influencer performance fluctuations, or competitive conditions.

4. Customer Relationships

S	W	O	T
<p>The strength of customer relationships lies in responsive, communicative, and responsible service, which builds trust, enhances customer satisfaction, and fosters loyalty through consistently positive shopping experiences.</p>	<p>The weakness lies in the highly intensive service requirements—such as rapid response, product education, and complaint handling—which demand substantial time, effort, and consistency, and may not be fully met when customer volume increases or operational capacity is limited.</p>	<p>Opportunities arise from increasing consumer expectations for fast, informative, and responsible service, enabling businesses to strengthen customer loyalty and increase repeat purchases through professional and sustainable customer relationship management.</p>	<p>Threats arise from the potential decline in customer satisfaction when response times, service quality, or complaint handling are inconsistent, as well as the risk of reduced loyalty due to high service standards in the e-commerce market that make customers more likely to switch to sellers</p>

offering faster or superior service.

TOWS Matrix Analysis

1. SO Strategy: Optimize responsive, educational, and responsible service to strengthen customer loyalty, while leveraging the opportunity created by rising consumer expectations for service quality as a competitive differentiator in the e-commerce market.
2. WO Strategy: Develop a more structured and automated customer service management system through the utilization of AI chatbots on the Shopee platform to address operational capacity limitations and capitalize on opportunities to increase repeat purchases through more consistent and sustainable customer relationship management.
3. ST Strategy: Strengthen consistency in service quality including fast response times and effective complaint handling to mitigate the threat of declining loyalty resulting from increasingly intense service competition on e-commerce platforms.
4. WT Strategy: Implement periodic evaluations of customer service performance to reduce the risk of inconsistent responses and service quality, thereby minimizing potential customer loss due to switching to other stores.

5. Revenue Streams

S	W	O	T
The strength lies in the diversity of revenue streams that are not solely dependent on organic sales on Shopee, but are also reinforced by traffic from affiliates and influencers, bundling strategies and store promotions that increase transaction value, as well as additional conversions from social media platforms such as Instagram and TikTok. This combination creates more stable revenue streams and offers greater growth potential.	The weakness lies in the relatively high dependence on paid promotions, affiliate and influencer performance, and fluctuations in social media traffic, making revenue streams less stable and susceptible to decline when promotional costs increase, third-party performance weakens, or social media conversions become inconsistent.	Opportunities arise from the increasing intensity of online shopping activity and the growth of the digital ecosystem, which enable the optimization of multiple revenue sources, such as expanding collaborations with affiliates and influencers, utilizing Shopee’s increasingly diverse promotional features, and enhancing conversions from continuously growing social media platforms as additional sales channels.	The primary threat stems from revenue instability that may be influenced by changes in Shopee’s algorithms, increases in promotional costs, declines in affiliate or influencer performance, and fluctuations in social media conversion rates, thereby placing the business at risk of sales decline when it relies excessively on traffic sources that cannot be fully controlled.

TOWS Matrix Analysis

1. SO Strategy: Optimize the diversity of revenue sources—including sales through Shopee, traffic contributions from affiliates, and conversions generated from social media—to capitalize on the growth opportunities of the digital ecosystem, thereby achieving more stable and sustainable sales volume growth.
2. WO Strategy: Develop more efficient and measurable promotional models to reduce dependence on third parties, while leveraging opportunities from the increasing variety of Shopee promotional features—such as Shopee Ads, Store Vouchers, Product Bundling, and Flash Sale—as well as expanding social media channels through organic content, short-form videos, and Shopee Live as additional revenue sources.
3. ST Strategy: Strengthen integration among revenue sources, particularly through optimizing bundling strategies, store promotions, and influencer collaborations, to address threats arising from traffic fluctuations and algorithm changes that may affect sales stability.
4. WT Strategy: Implement periodic evaluations of promotional effectiveness and the contribution of each revenue source to reduce reliance on advertising costs and third-party performance, thereby mitigating potential revenue declines and maintaining stable revenue streams.

6. Key Resources

S	W	O	T
<p>The strength of Key Resources lies in the presence of core assets that strongly support operational continuity and business performance improvement, including a store reputation characterized by high ratings and positive reviews, established supplier networks, the availability of competent digital human resources, adequate data analysis capabilities, and the support of visual and educational content from affiliates.</p>	<p>The weakness lies in the considerable dependence on external resources such as suppliers and affiliates, as well as the need for digital human resources with high competencies in data analysis, content management, and store operations. When supplier quality is inconsistent, affiliate performance declines, or internal human resource capacity is limited, the effectiveness of key</p>	<p>Opportunities are evident in the development of various digital technologies and platforms—such as analytical tools, automation systems, and affiliate networks—that can strengthen the utilization of key resources. In addition, increasing consumer interest in visual and educational content creates opportunities to optimize content production and expand marketing reach through more strategic creative collaborations.</p>	<p>The primary threats arise from instability in supplier quality, fluctuations in affiliate performance, and increasingly intense competition for digital human resources.</p>

resources may be disrupted, adversely affecting operational stability and sales performance.

TOWS Matrix Analysis

1. SO Strategy: Optimize store reputation, digital human resource competencies, and data analysis capabilities to leverage advancements in digital technologies and platforms, enabling the effective use of visual content, operational automation, and affiliate collaboration to enhance marketing effectiveness and sales performance.
2. WO Strategy: Enhance human resource capacity through training in store management, data analysis, and content production, while implementing automation systems and analytical tools to independently manage key tasks—such as product updates, inventory monitoring, and advertising performance evaluation—in order to reduce dependence on suppliers and affiliates and capitalize on digital technological developments that enable more efficient and measurable resource management.
3. ST Strategy: Strengthen supplier networks and diversify collaborations with affiliates to maintain quality consistency and operational stability, thereby more effectively addressing threats related to supplier instability, fluctuations in affiliate performance, and increasing competition for digital human resources.
4. WT Strategy: Implement periodic performance evaluations of suppliers, affiliates, and digital human resources to minimize the risks associated with external dependence and ensure the sustained quality of key resources, thereby mitigating the impact of threats on operations and sales.

7. Key Activities

S	W	O	T
<p>The strength of Key Activities lies in a comprehensive and well-managed operational structure that includes order management, catalog updates, advertising optimization, coordination with affiliates, customer service, and inventory monitoring.</p>	<p>The weakness lies in the high daily operational workload, which encompasses multiple simultaneous activities such as order management, catalog updates, customer service, and coordination with suppliers and affiliates, requiring substantial human</p>	<p>Opportunities are evident in the continued development of digital technologies and features that can enhance operational efficiency, such as automation tools for catalog updates, real-time inventory monitoring systems, advertising management platforms, and the integration of automated response services</p>	<p>Threats arise from high dependence on external parties such as suppliers and affiliates, as well as the risk of operational disruptions caused by stock delays, inconsistent product quality, or declines in promotional performance.</p>

resources, time, and high consistency. When human resource capacity is limited or order volumes surge, these activities become difficult to manage and may lead to declines in service quality and operational accuracy.

through Shopee’s AI chatbot. These advancements enable core activities to be managed more quickly, accurately, and resource-efficiently, allowing operational capacity to increase without the need for significant additional human resources.

TOWS Matrix Analysis

1. SO Strategy: Integrate well-structured operational activities—such as order management, catalog updates, and customer service—with the utilization of automation technologies and digital features, including Shopee’s AI chatbot, to improve process speed and accuracy while maximizing efficiency opportunities offered by advancements in e-commerce technology.
2. WO Strategy: Implement operational automation systems, such as automated catalog updates, real-time inventory monitoring, digital advertising management, and automated response features, to reduce the high workload of daily activities and capitalize on the increasing availability of technologies that support operational efficiency.
3. ST Strategy: Strengthen operational coordination through more structured work standards and integration of core activities to maintain service consistency when facing threats related to dependence on suppliers, fluctuations in third-party performance, and platform algorithm dynamics.
4. WT Strategy: Develop periodic evaluation mechanisms for all key activities including order management, customer service, promotions, and inventory monitoring to reduce the risk of operational disruptions caused by limited human resources and to mitigate the impact of external threats such as algorithm changes, order surges, or supplier instability.

8. Key Partners

S	W	O	T
The strength of Key Partnerships lies in the presence of a mutually supportive partner network that plays a critical role in maintaining business sustainability. Core	The weakness lies in the high dependence on external parties, such as suppliers, affiliates, seller communities, and investors. When any	Opportunities arise from the continued development of the digital partnership ecosystem, which enables business actors to expand their networks and enhance business	The primary threat arises from potential instability or changes among external parties that serve as key partners. Disruptions such

<p>suppliers ensure product supply stability, affiliates help increase visibility and sales through digital promotion, seller communities provide access to market information and up-to-date strategies, while investors strengthen funding capacity for business development.</p>	<p>of these partners experience a decline in performance—such as delays in supplier deliveries, reduced effectiveness of affiliate promotions, limited community support, or changes in investor policies—business operations and strategies may be disrupted. This dependence makes business stability vulnerable to factors that cannot be fully controlled by the business actors.</p>	<p>capacity. The availability of numerous reliable suppliers creates opportunities for product diversification, while affiliates provide avenues to extend promotional reach more effectively. Seller communities offer platforms for sharing strategies and market knowledge, and the presence of investors provides opportunities to strengthen capital and pursue more aggressive business scaling.</p>	<p>as delays in supplier deliveries, declines in affiliate performance, inaccurate information from seller communities, or changes in investor commitments and policies may hinder operations, reduce marketing performance, and undermine business sustainability. This dependence renders the business vulnerable to risks that cannot be fully controlled internally.</p>
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TOWS Matrix Analysis

1. SO Strategy: Strengthen collaboration with suppliers, affiliates, seller communities, and investors to capitalize on opportunities for expanding digital partnership networks, thereby optimally enhancing operational capacity, promotional reach, and business growth potential.
2. WO Strategy: Develop partnership diversification by adding alternative suppliers, expanding affiliate networks, and collaborating with seller communities to reduce dependence on specific external parties while leveraging opportunities arising from the increasingly extensive digital partnership ecosystem.
3. ST Strategy: Optimize the strengths of existing partnership networks to maintain supply stability and promotional effectiveness, enabling the business to better anticipate threats such as supplier instability, fluctuations in affiliate performance, and changes in investor attitudes.
4. WT Strategy: Implement regular evaluations of each partner’s performance including suppliers, affiliates, seller communities, and investors to minimize dependency risks and reduce the negative impact of external threats, thereby ensuring the continuity of business operations and strategic sustainability.

S	W	O	T
<p>The strength of the cost structure lies in the dominance of variable costs, particularly Shopee advertising expenses and affiliate commissions, which can be adjusted in line with sales performance, making expenditures easier to control. Furthermore, relatively low digital operational costs enable marketing and operational activities to be carried out efficiently without requiring substantial investment.</p>	<p>The weakness lies in the large proportion of promotional costs, such as Shopee Ads and affiliate commissions, which can increase sharply during periods of intense competition, thereby compressing profit margins. In addition, return costs, product replacement risks, and fixed platform administrative fees further add to the operational cost burden.</p>	<p>Opportunities arise from the increasing availability of features and technologies that enable cost efficiency, such as data-driven optimization of Shopee Ads, the use of low-cost promotional features, and affordable digital tools for editing, content management, and service automation. In addition, the creation of original content on store social media accounts can increase organic traffic, thereby reducing dependence on Shopee advertising costs and enhancing promotional effectiveness at minimal expense.</p>	<p>Threats to the cost structure arise from potential increases in promotional expenses, such as higher Shopee Ads prices, which may compress profit margins. In addition, surges in return or product replacement costs due to supplier errors, as well as changes in Shopee’s administrative fee policies, can make expenditures increasingly unstable and difficult to predict, thereby posing risks to the sustainability of business operations.</p>

TOWS Matrix Analysis

1. SO Strategy: Optimize the flexibility of the variable cost structure and leverage advancements in digital technologies—such as analytical tools, low-cost promotional features, and the creation of original content on store social media—to improve cost efficiency and maximize the potential for sustainable sales growth.
2. WO Strategy: Implement more cost-efficient promotional strategies by increasing organic traffic through social media content and utilizing more measurable Shopee Ads features, in order to reduce dependence on high promotional costs and third-party commissions while capitalizing on efficiency opportunities offered by digital marketing technologies.
3. ST Strategy: Strengthen cost control through more selective and data-driven promotional management to anticipate potential increases in Shopee advertising costs and the risks of return or replacement expenses, thereby maintaining profit margin stability.

4. WT Strategy: Develop periodic cost evaluation mechanisms to reduce unnecessary expenditures and minimize the risk of cost fluctuations arising from paid promotions, administrative fees, returns, and product replacements, thereby reducing dependence on external parties and ensuring operational sustainability.

**Formulation of the New Business Model Canvas**

Based on the strategies formulated through the TOWS Matrix analysis, the researchers subsequently developed an updated Business Model Canvas design. The proposed BMC is presented as follows.

**Table 3.** Revised Business Model Canvas.

BMC Block	Description
Key Activities	Order processing and daily fulfillment; Stock updates based on supplier reports; Fast customer response handling; Shipping coordination and issue resolution; Complaint and return management; Advertising analysis and store optimization; Automated inventory monitoring; AI-based promotion management; Product photo and video updates; Short-form video uploads (Shopee Video, Reels, TikTok); Live streaming activities; Affiliate and influencer collaboration
Key Partners	Main suppliers; Backup suppliers; Affiliates; Influencers; Shopee Live hosts; Automation and analytics tool providers
Value Propositions	Trendy products with real pictures; Competitive pricing; Fast, responsive, and informative service; Clear and complete product information; Secure transactions and safe packaging; Fast delivery; Consistent product quality through supplier agreements
Customer Segments	Online shoppers aged 18–35; Students and young professionals; Young families; Price- and trend-sensitive consumers; Middle-income customers
Customer Relationships	Responsive customer service; Order tracking and after-sales support; Fast complaint handling; Trust building through reviews and ratings; Loyalty programs (vouchers and rewards); AI chatbot customer service; Personalized product recommendations; Educational content (FAQ and product guides)
Channels	Shopee; Shopee Affiliate; Instagram; TikTok; Facebook
Key Resources	Reliable suppliers; Digitally skilled human resources; High store ratings and positive reviews; Capital; Affiliate network; Automation systems (AI chatbot, auto-update, stock monitoring); Social media accounts; AI tools for analytics and content editing
Cost Structure	Shopee advertising costs; Shopee administrative fees; Packaging costs; Return and refund costs; Labor costs; Affiliate commissions; Automation tool subscriptions; Live streaming equipment and production costs
Revenue Streams	Direct product sales on Shopee; Affiliate-driven sales traffic; Revenue from organic social media content

## 5. Conclusion and Recommendation

Based on the findings of this study on the formulation of strategies to minimize dropshipping business failure on Shopee Indonesia through the Business Model Canvas, SWOT analysis, and the TOWS Matrix, it can be concluded that the dropshipping business models implemented by the informants generally possess a clear operational foundation, as evidenced by the fulfillment of all nine BMC building blocks. However, the effectiveness of these models remains constrained by a high level of dependence on suppliers and affiliates, fluctuations in promotional costs, and the dynamic nature of platform algorithms. The SWOT analysis indicates that although internal strengths such as service quality, store reputation, and adaptability to market trends exist, internal weaknesses and external threats still have the potential to trigger business failure if not strategically managed. Therefore, the formulation of strategies through the TOWS Matrix produces complementary SO, WO, ST, and WT strategies that serve as an important framework for strengthening business models to enhance competitiveness, operational stability, and the long-term sustainability of dropshipping businesses amid increasingly intense marketplace competition.

Based on these conclusions, it is recommended that dropshipping business practitioners focus not only on short-term sales performance but also on strengthening fundamental business aspects through supplier diversification, enhancement of digital competencies, and the utilization of automation technologies to reduce operational risks and dependence on external parties. Meanwhile, marketplace platforms such as Shopee are expected to play a more active role in supporting seller sustainability by providing educational features, stabilizing cost-related policies, and developing practical analytical and trend-detection tools. In addition, future research is encouraged to expand the scope of informants, conduct comparative studies across multiple marketplaces, and further examine the role of artificial intelligence and digital automation in improving efficiency and business resilience, thereby producing more comprehensive findings that are relevant to the evolving digital commerce ecosystem.

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