Consumer behavior and business strategy during the early stages of the COVID-19 pandemic

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Abstract

Consumer behavior is dynamic and contextual. An individual’s consumption habit is formed over time and is influenced by many internal and external factors. The consumption habit itself reflects what, where, when, why, and how to choose, purchase, consume, and dispose goods and services. When the COVID-19 pandemic hit, all consumers around the globe were forced to adapt into the never-happened-before realities, such as regional and national lockdowns, stay-at-home campaign, social/physical distancing policy, mandatory quarantine, and self-isolation. Utilizing available and accessible published materials, this paper aims to examine the significant impacts of the outbreak on consumer behavior in Indonesia and identify how businesses respond to the changes in consumer behavior caused by the coronavirus. The timeframe of the analysis focuses on the early stages of the pandemic. Using the framework developed by Sheth (2020), the present study found supporting evidence of the eight impacts of COVID-19 on consumer behavior (e.g., hoarding behavior, improvisation, and the adoption of digital technology) in Indonesia. Furthermore, companies were found to respond to the pandemic and changes in consumer behavior by employing a combination of four business strategies: survival strategy, synchronizing strategy, stretching strategy, and shifting strategy.

Keywords: consumer behavior, COVID-19, survival, synchronizing, stretching, shifting.

Abstrak


**Kata Kunci:** perilaku konsumen, COVID-19, survival, sinkronisasi, stretching, shifting.

“We are in this together and we will get through this, together.”

[UN Secretary-General Antonio Guterres]

“There is no precedent in living memory for the challenge that Covid-19 now poses to communities and world leaders.”

[Ban Ki-Moon]

**Introduction**

Consumer behavior is about “the processes involved when individuals or groups select, purchase, or dispose of products, services, ideas, or experiences to satisfy needs and desires” (Solomon, 2018, p. 28). Similar scope was proposed by Hoyer et al. (2018, p. 5) who defined consumer behavior as “the totality of consumers’ decisions with respect to the acquisition, consumption, and disposition of goods, services, activities, experiences, people, and ideas by (human) decision-making units [over time]”. Consumer behavior patterns can change due to several factors, including changing social context regarding workplace, community, neighbors, friends, and family (e.g., marriage or divorce, relocation, changing job or school, etc.), technological innovation (e.g., internet, smartphones, e-business, artificial intelligence, robotics, machine learning, and so forth), changing rules and regulations (e.g., lockdown, social distancing, excise tax, health insurance, and mortgage), and the ad hoc natural disasters (e.g., volcanic eruptions, earthquakes, tsunamis, and global pandemics) (Sheth, 2020).

Throughout history, infectious diseases have occurred over time, including Spanish flu, cholera, smallpox, HIV/AIDS, Asian flu, Hong Kong flu, Swine flu, SARS, Ebola, MERS, and others (LePan, 2020). Although it is not the first global pandemic, the world seemed to be ill-prepared to handle the coronavirus. The crisis caused by the COVID-19 (also known as SARS-Cov-2) outbreak is one of the worst and predicted to have long-term negative global effects (Sigala, 2020).

First identified from an outbreak in Wuhan (China) in December 2019, the
coronavirus was failed to be contained there and it has been spread across the
globe rapidly. The first positive cases in many other countries were reported
during the January and March 2020 period, such as Thailand (13 January
2020), Japan (16 January 2020), South Korea (20 January 2020), the U.S.A.
(21 January 2020), Singapore (23 January 2020), Malaysia (25 January 2020),
Italy (31 January 2020), Iran (19 February 2020), and Indonesia (2 March 2020).
The World Health Organization (WHO) declared the coronavirus outbreak a
Public Health Emergency of International Concern on 30 January 2020 and a
global pandemic on 11 March 2020.

There were great debates on how to control the spread of coronavirus
effectively. Some countries practiced mitigation strategies by imposing national
lockdowns (e.g., People’s Republic of China, Italy, France, Belgium, Ireland,
Poland, New Zealand, Argentina, Denmark, Malaysia, and the Philippines)
(Aida, 2020), while some other nations relied on the development of natural
herd immunity or population immunity (e.g., Sweden, the Netherlands, and the
U.K.) (Arbar, 2020; Asmardika, 2020). In principle, lockdown is a situation
where people are not allowed to enter or leave an area freely due to an
emergency reason (for instance, a pandemic). Meanwhile, herd immunity is an
effort to stop the spread of the virus by allowing the body’s natural immunity
(Nursastri, 2020). According to Encyclopedia Britannica (2022), herd or
community immunity can be developed through natural immunity, previous
exposure to the disease, or vaccination. However, the vaccine is not yet
available in the early stages of the pandemic (i.e., in 2020).

Regardless of the specific approach chosen, some of the policies
implemented in most countries are certain restrictions and conditions, such as
wearing masks, maintaining social distances, washing hands, limiting crowds,
and campaigning for stay-at-home and work-from-home. All these policies have
significant impacts on consumer behavior and business strategy (Sheth, 2020;
Tjiptono et al., 2022a, 2022b). How consumers and companies adapted to the
new normal during the early stages of the COVID-19 crisis is the focus of the
current study. The paper starts by reviewing the relevant literature on consumer
behavior and business strategy changes during the COVID-19 pandemic. Then,
the paper describes the research approach of the current study, followed by a
discussion section. The paper concludes with the identification of implications
and future research avenues.

A study by Kirk and Rifkin (2020) suggests that in general consumers go
through three phases of behavior during the COVID-19 pandemic: reacting
behavior, coping behavior, and adapting behavior. In the first phase (reacting
behavior), consumers try to defend themselves from perceived threats and
regain control over perceived lost freedoms. Various restrictions and regulations
regarding the COVID-19 protocol (e.g., wearing masks, physical distancing,
stay at home, and lockdowns) are perceived as a threat to personal freedom
and a disruption to the habits that have been enjoyed so far. This kind of
reactive behavior is shown in consumer hoarding behavior (i.e., buying goods in
very large quantities and exceeding what is currently needed) and ignoring or
refusing various instructions (such as social distancing, wearing masks,
avoiding crowds, and staying at home).

Over time, consumers’ attitudes slowly began to soften, and their behavior
entered the second phase (coping behavior), where they began to be able to control other domains or find ways to overcome some problems that were perceived as disturbing comfort at the beginning of the pandemic. Several new behaviors were adopted by many consumers, for example using technology (Zoom, Skype, Google Hangouts, and Microsoft Teams) to maintain social connections amidst social distancing, engaging in various tasks themselves (do-it-yourself activities) and performing various activities at home, such as cooking, playing music, exercising, taking care of the garden, making masks, and repairing broken homes or electronic equipment themselves. In subsequent developments (adapting behavior), the reactive attitude is reduced. On the other hand, consumers are getting tougher and more resilient. The consumer comfort zone has changed. They have experienced changes in the way they consume and in who they are as consumers. Online education, working from home, Zoom meetings, social media, e-wallets, and other cutting-edge technologies have become an important part of consumers' daily lives.

A well-known consumer behavior expert Prof. Jagdish Sheth (2020) identifies eight direct impacts of the COVID-19 pandemic on consumption and consumer behavior: hoarding behavior, adoption of digital technology, IN-home everything, pent-up demand, improvisation, integration of work and place boundaries, reunions with friends and family, and talent discovery. Based on his observations, Sheth (2020) suggests that most consumer behavior habits will return, while some new habits will emerge as the impacts of disruptions caused by the COVID-19 outbreak.

Meanwhile, COVID-19 has also generated significant disruptions on supply chain systems around the globe, causing survival crisis to many companies. In their study of the specific strategies implemented by hotels in Jakarta, Bandung, and Bali to survive the COVID-19 pandemic, Japutra and Situmorang (2021) identified seven key actions: increasing health and safety measures, compromising the service, transforming the offerings, adjusting the salary, re-negotiating the contract, encouraging multi-tasking, and preparing for new normal. Another study by Tjiptono et al. (2022a) found that during the COVID-19 crisis, Indonesian and Malaysian consumers have demonstrated four specific behaviors: reacting, resisting, adapting, and entrepreneurial behaviors. They propose three important marketing opportunities because of these changing behaviors: hi-tech usage (e.g., exploring and exploiting advanced technologies in the service design and delivery), health and safety concerns (e.g., complying to strict health protocols in the service delivery and interactions), and helping others (e.g., utilizing social networking, such as social media, for communication, learning, social engagement, entrepreneurial, and other purposes). Furthermore, Tjiptono et al. (2022b) propose a typology of survival and recovery strategies during a time of crisis: efficiency strategy (e.g., restructuring, cost saving, and temporary closure of business outlets), adaptation strategy (e.g., synchronizing business processes by complying to the new normal conditions), shifting the target market strategy (e.g., shifting from the international markets to domestic markets), and innovation strategy (e.g., recognizing and exploiting new business opportunities).
Research Methods
The current study focuses on consumer behavior and business strategy during the early stages of the COVID-19 pandemic. It employs a qualitative research method, i.e., an archival research approach (Golder, 2000). Following this approach, the data collection process relies on reliable and reputable secondary data sources, i.e., mainstream newspapers, reputable online news websites, and reputable market research companies.

Utilizing publicly available and accessible materials, a systematic content analysis was conducted on relevant news and reports published in the period between February and December 2020. Specifically, the data sources include both printed and online versions of daily newspapers (i.e., Kompas, Jakarta Post, Tempo, Bisnis Indonesia, and Kontan), online news (e.g., CNN Indonesia and Detik.com), research reports (e.g., Kantar, Nielsen, McKinsey, and L.E.K. Consulting), and other relevant websites.

The keywords (both in Bahasa Indonesia and English) used in the data searching process include “COVID-19”, “coronavirus”, “SARS-Cov-2”, “survival”, “resilience”, “recovery”, “business strategy”, “growth”, “hoarding”, “panic buying”, and other relevant words as well as combinations between them using Boolean logics (e.g., “survival” AND “COVID-19”). Each relevant news from online sources was downloaded, while the ones from printed versions were scanned. This is to make sure that the original data materials can be secured (Golder, 2000). After data screening to check for relevance and to exclude duplications, the resulting data were content analyzed and key themes were identified. Due to space limitations, only main findings are presented in the following section.

Result and Discussions
The Early Stages of COVID-19 Outbreak in Indonesia
The first positive case of COVID-19 that afflicted Indonesians was reported when nine Indonesian crew members of the Diamond Princess cruise ship were confirmed with coronavirus infection, and they were treated in Japan on February 24, 2020 (Gorbiano and Sutrisno, 2020). However, the first case of COVID-19 that occurred in Indonesia was released on March 2, 2020, when President Joko Widodo announced that two people had contracted the virus from a Japanese citizen living in Malaysia (Yulisman, 2020).

Although chronologically Indonesia, the fourth most populous country in the world, was one of the last Asian countries to have a confirmed case of COVID-19 (Nielsen, 2020), the growth in the number of new cases in the country is relatively fast in 2020 (see Figure 1) and is recorded as the fastest country to reach the number of 100 positive cases of COVID-19 (Kantar Indonesia, 2020).

Various initiatives have been taken by the Indonesian government to break the chain of transmission of the coronavirus, including establishing an emergency status for 91 days, effective from 29 February to 29 May 2020 (Koesmawardhani, 2020); discouraging people from traveling to their hometown (mudik) during Eid to prevent the spread of the coronavirus (Sugianto, 2020); prohibiting foreigners from visiting Indonesia and requiring a two-week quarantine for Indonesians returning from abroad (Tambun, 2020); enforcing physical/social distancing; campaigning for people to work from home, study at
home, and worship at home; limiting the use of public transportation (the number of passengers on buses, trains, and planes, as well as the operating hours of public transportation) (Jakarta Post, 2020a; Prireza, 2020).

Furthermore, on March 31, 2020, the Indonesian government issued a Government Regulation regarding Large-Scale Social Restrictions (Pembatasan Sosial Berskala Besar = PSBB) and a Presidential Decree on the Determination of Public Health Emergency to carry out the mandate in accordance with Law Number 6 of 2018 concerning Health Quarantine (Sekretariat Kabinet Republik Indonesia, 2020). PSBB was enforced in various areas, such as DKI Jakarta (starting April 10 and extended several times), Bogor, Depok, Bekasi, Pekanbaru, Tangerang, and South Tangerang (Harahap, 2020; Jakarta Post, 2020b). On April 13, 2020, President Jokowi declared COVID-19 a national disaster through Presidential Decree No. 12 of 2020.

Until the end of 2020 the COVID-19 pandemic did not end in Indonesia. As a follow-up to efforts to break the chain of spread of this dangerous virus, the Indonesian government decided to implement Enforcement of Restrictions on Community Activities (Pemberlakuan Pembatasan Kegiatan Masyarakat = PPKM) in Java and Bali for the period 11-25 January 2021. The main aspects covered by the PPKM policy include (CNN Indonesia, 2021):

- Offices were limited by the 75% Work from Home (WFH) scheme,
- Shopping centers were only allowed to open until 7pm and dine-in at a restaurant could only be a maximum of 25% of its seating capacity,
- Construction activities could continue to operate under strict health protocols,
- Places of worship were limited to 50% of their capacities,
- Essential sectors (basic needs) continued to operate with health protocols,
- Teaching and learning activities were carried out online,
- The mode of transportation was regulated by its capacity and operating

Figure 1. Number of Daily New COVID-19 Cases in Indonesia in 2020
hours,
- Public facilities and socio-cultural activities were temporarily suspended.

Consumer Behavior During the Early Stages of the COVID-19 Pandemic

The present study found three common behavior patterns during the early stages of the pandemic: (1) panic buying or hoarding behavior, (2) digitalization of consumption-related activities, and (3) consumer self-improvisation.

Panic Buying (Hoarding Behavior)

At the beginning of the implementation of various restrictions (such as the stay-at-home campaign, social distancing, compulsory use of face mask, use of disinfectants, regional quarantines, airport closures, self-isolation, and so on), the response of the public was varied. While most people complied with the government's request to carry out the 3M campaign (Memakai masker = Wearing masks, Menjaga jarak aman = Keeping a safe distance, and Mencuci tangan = Washing hands), some people were ignorant and seemed to disregard all instructions and advice.

There were people who carried out hoarding behavior, where they made excessive purchases of goods due to anxiety about price increases or supply shortages. These consumers hoarded essential products (such as food, beverages, medicines, vitamins, cleaning products, disinfectants, etc.). During the early stages of the COVID-19 pandemic, panic had occurred in various places. Some consumers were worried that there were not enough supplies, and they could not have some products. As a result, long queues occurred at many malls, shopping centers, supermarkets, and other retail outlets. According to Tutum Rahanta, member of the Advisory Council of the Indonesian Shopping Center Tenants Association (Hippindo), there were at least three panic buying episodes.
events: (1) on March 2, 2020 when President Jokowi announced two positive cases of coronavirus in Indonesia; (2) on March 14, 2020 when there was an advice to work from home, and learning and teaching facilities were closed for two weeks; and (3) on 19 March 2020 when the announcement of positive corona cases in Indonesia had reached 308 cases and 25 people died (Putri, 2020).

Nevertheless, it is interesting to note that while spending for groceries and entertainment at home showed an increase during the early stages of the outbreak, consumers chose to delay the purchase and consumption of products or services that are considered not essential during the crisis. The data in Figure 2 shows that Indonesian consumers spent less on a number of product categories, including buying cars, traveling (both domestic and international flights), staying at hotels/resorts, tours, eating at restaurants, visiting salons and gyms, purchasing electronic products, outdoor entertainment, furniture, jewelry, accessories, and footwear (McKinsey, 2020).

Digitalization of Consumption-Related Activities

Technology adoption increased dramatically during the pandemic, especially communication apps or applications (e.g., Zoom, Google Hangouts, Microsoft Teams) and social media (Facebook, WhatsApp, Twitter, YouTube, Instagram, WeChat, and others). Lecturers, teachers, students of almost all levels, and parents must learn fast and adapt to online learning. Employees had to quickly communicate via Zoom or Microsoft Teams, both internally and with consumers. The shift towards work from home, study from home, shop from home, pray at home and play at home had an impact on changes in media consumption patterns among Indonesian consumers. The use of social media (especially Whatsapp, Facebook, Instagram, YouTube, and Twitter), online videos, apps, television, and the internet has increased dramatically (Kantar Indonesia, 2020). Social media, for example, has been used for various purposes, including access to information, communication, business, socialization, entertainment, learning, and others. A survey by AC Nielsen (2020) shows that the main media regarding COVID-19 used by Indonesian consumers are social media (stated by 80% of the participants), television news (77%), and online search engines (56%). For them, government agency websites, national media channels, and international agency websites are reliable sources of information (Kantar Indonesia, 2020). However, the widespread use of social media is not free of negative effects in some forms, such as hoax news and information (fake news) about COVID-19. For example, in October 2020 the Ministry of Communication and Information (Kominfo) identified 2,020 hoaxes of various disinformation, malinformation, and misinformation related to the coronavirus (Haryanto, 2020).

Another important aspect of digitalization is online shopping, which has increased dramatically during the COVID-19 pandemic, especially during the PSBB and PPKM. Online shopping offers convenience, accessibility, security, value for money, and almost unlimited product choices (Tjiptono et al., 2022a). Many consumers made their online purchases for the first time during the COVID-19 outbreak. L.E.K. Consulting (2020), for instance, reported an increase of 4% in the share of online shopping in many product categories, from
26% before COVID-19 to 30% since the global pandemic. The results of a McKinsey survey (2020) reveal that during the pandemic, Indonesian consumers bought more grocery, snacks, non-food children's products, household goods, personal care products, and home entertainment (see Figure 2). The popularity of online shopping was also consistently high in the 'new normal' era (since May 2020). Home shopping has become the choice of many consumers, especially shopping via mobile phones. Statista (2020) reports that the ten largest e-commerce platforms in Indonesia in 2000 were Shopee, Tokopedia, Bukalapak, Lazada Indonesia, Blibli, JD.id, Orami, Bhinneka, Zalora Indonesia, and Matahari. Interestingly, online shopping transactions are not only conducted through e-commerce platforms, but also through social media, such as Whatsapp and Facebook.

Consumer Self-Improvisation

During the early stages of COVID-19 pandemic, people around the world, including in Indonesia, were forced to do most of their activities (such as working, studying, shopping, and socializing) at home. Consequently, the boundaries between privacy and public domains (such as work-life boundaries) converge. On the one hand, some people got bored, stressed, depressed, and frustrated. They felt like 'prisoners' in their own homes. Staying too long at home is prone to cabin fever, i.e., feelings of sadness, boredom, anxiety, irritability, and various other negative feelings due to staying in one place for too long and being isolated from the surrounding environment (Nareza, 2020).

On the other hand, some people enjoyed the opportunity to work from home and spend more time with their family. During the PSBB and PPKM periods, consumers learned to improvise when they faced the physical and social restrictions. Consumers quickly learned new technologies (such as Zoom, Google Hangouts, and Microsoft Teams) and used them for many purposes, ranging from communication and working to socialization and learning platforms. New innovations in the form of improvisation have emerged and grown rapidly, such as Zoom weddings, online course delivery, online worship, online thesis examination, online graduations, online concerts, virtual tours, webinars, and digital doctors (online doctor consultations). Furthermore, some consumers filled their spare time while staying at home with activities to hone certain interests and talents, such as experimenting with various recipes and cooking spices, playing musical instruments, learning computer coding and programming, making videos, and other new skills. One source of information that has been widely used as a reference is video tutorials on YouTube.

Business Strategy During the COVID-19 Pandemic

The coronavirus outbreak has had detrimental impacts on the global economy. Indonesia is no exception. The company's survivability and sustainability are threatened because the demand for and sales of products decreased dramatically when the strict restrictions (PSBB and PPKM) were enforced. There are at least five main impacts of the COVID-19 pandemic on companies in Indonesia (Carorina, 2020): (1) shifting the company's financial system to zero-based budgeting to cut company expenses; (2) massive layoffs in numerous companies; (3) disrupted production processes or operations
experienced by many companies due to disruption of the supply chain system; (4) significant decrease in company productivity; and (5) bankruptcy due to the company’s inability to survive in the midst of the pandemic.

However, a number of studies reported that the impact of COVID-19 varies across different business sectors (Tjiptono et al., 2022a, 2022b). Many companies experienced serious challenges in managing their supply chain management, employment, and cash flow as well as overcoming reduced demand and declined sales. Complying to the required health and safety protocols has also been an issue for many companies. The mass media reported that the Indonesian business sectors hit hardest by the outbreak include shopping centers, hotels, tourism, property, retail business, and food and beverage trade (Haryanti, 2020). In contrast, there are also businesses that are growing rapidly during the pandemic era. Donthu and Gustafsson (2020), for example, observed that the COVID-19 pandemic presents business opportunities for those engaging in online communications, virtual entertainment, online shopping, digital education, solutions for remote work practices, cleaning products, health care products and services, and medicines (including vitamins and supplements).

Based on our content analysis of news published in several Indonesian daily newspapers during the early stages of the COVID-19 pandemic, we identify four business strategies implemented by the companies to navigate the crisis. First, restructuring strategy, where firms focus on efficiency measures and approaches to maintain its operations. Examples include cutting costs for non-value-added activities, reducing the number of permanent, part-time, and contract-based staff, temporarily laying off employees, closing some branches or outlets, reducing the number of products and/or services, reducing working hours, implementing flexible working hours and work shifts, and so forth. The restructuring strategy is the most common chosen approach by companies experiencing a significant decline in sales and profits during the crisis caused by the pandemic (Tjiptono et al., 2022b).

Second, realigning strategy, where firms adapt or align their operational processes and service delivery procedures to comply with the COVID-19 health protocols. Shopping centers and shops, for example, checked the temperature of employees, visitors, and customers, provided hand washing facilities, implemented social distancing, and enforced cashless transaction policies. Some restaurants also changed the packaging materials to improve their health and safety features.

Third, re-inventing strategy, where firms continue to innovate despite the COVID-19 crisis. Some examples include hotels and apartments offering self-isolation packages, fast food restaurants opening tents by the roadside to serve their customers, companies diverting some of their production facilities to produce medical and health needs during the pandemic (such as masks, personal protective equipment, and hand sanitizers), motorcycle taxis equipping themselves with new features to meet COVID-19 health protocols (such as masks, hand sanitizers, hair covers, and barriers between drivers and passengers), hotel restaurants providing ready-to-cook food and offering home delivery services, and so forth. Another interesting re-inventing strategy involves firms shifting, changing, expanding, or adding new businesses, practices,
processes, and/or business models. The most common examples are the digitalization of business operations and the delivery of products and services, such as virtual communication, online entertainment, online shopping, online education, online health consultations, online film festivals, virtual gyms, and virtual tours.

Fourth, re-targeting strategy, where firms shift their target markets in response to the COVID-19 outbreak and its impacts. For instance, most players in the Indonesian tourism and hospitality industry (e.g., hotels, travel agents, and destination management companies) had shifted their target market from international tourists to domestic visitors during the PSBB and PPKM periods.

Conclusion
COVID-19 has changed the lives of most people around the globe. It has also disrupted consumption habits and business survival. The current study focuses on consumer behavior and business strategy during the early stages of the major pandemic. As the outbreak is still ongoing at the time of writing this paper, many more changes may take place.

Future research may examine the same topic during the later stages and/or post pandemic. It would provide a more comprehensive understanding of the impacts of the pandemic on how both companies and consumers respond to the crisis. There are several issues worth investigating: Are there any differences in terms of the response patterns during different stages of the pandemic? How does vaccination change consumer behavior? What specific strategies implemented by companies to cope with different challenges within different stages of the pandemic?

Another important issue that requires further research is how old habits, new habits, and modified habits influence the consumption of products and services. In addition, it is equally interesting to investigate how consumer behavior changes during the pandemic affect the fate of business: survival, supremacy, or sayonara (Tjiptono, 2014).

Finally, a different research method may be employed in future studies. For instance, in-depth interviews with relevant stakeholders (e.g., business owners and managers, government agencies, consumers, suppliers, retailers, and so forth) may provide insights on how the pandemic affects them and how they respond to the challenges caused by the crisis.

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