

THE CHANGE IN CUSTOMERS' PURCHASING POWER DURING THE COVID-19 PANDEMIC ERA

Fenny Rosa¹, Syahron Al Rosyid², Iman Daniman³, Supriatna Toni Saputra⁴, Raden Dicky Ramadhan⁵

Department of Management, STIMA IMMI, South Jakarta, DKI Jakarta, Indonesia

¹fero_05@yahoo.com ²syahronalrosyid6@gmail.com ³iman.daniman48@gmail.com

⁴supriatnatonii111@gmail.com ⁵r.dickyramadhan@gmail.com

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ABSTRACT

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Background: The COVID-19 pandemic has made many changes that have occurred very quickly, making consumers change their behavior in determining the purchase of goods and services.

Aim: The purpose of this study is to provide general information or representation about changes in consumer behavior, especially on the purchasing power of consumers during the COVID-19 pandemic in order to meet their living needs.

Method: This study uses a literature study in which the researcher collects a number of books and magazines related to the problem and purpose of the study. Researchers also analyzed data available on internet portals regarding e-commerce transactions in Indonesia.

Findings: The results showed that consumer purchasing power in the indicators of selecting types of goods and services through E-Commerce during the COVID-19 pandemic was dominated by almost 50% by the food industry, the second is the personal need for hygienic such as masks, hand sanitizers, etc. This change in purchasing power is illustrated by the increase in transactions in e-commerce during the COVID-19 pandemic.

KEYWORDS

pandemic, COVID-19, customer behavior, purchasing power, e-commerce

INTRODUCTION

The COVID-19 pandemic has caused several changes in consumer behavior caused by limited consumer mobility and government policies to limit people's activities (Alfin, 2021). This policy starts from PSBB (Large-Scale Restriction), Transitional PSBB (Large-Scale Restriction), Emergency PPKM, and the last one is PPKM 4 levels. The policy of implementing PPKM was made to overcome massively the activities of residents during the COVID-19 pandemic so that the level of transmission could be reduced (Mawar et al., 2021).

The implementation of the Implementation of Emergency Community Activity Restrictions (PPKM) was first implemented on July 3, 2021-July 20, 2021, as an effort by the government to reduce the spread of COVID-19 in the Java-Bali region (Safitri & Dewa, 2022). This Emergency PPKM Regulation was issued by the Minister of Home Affairs through the Instruction of the Minister of Home Affairs Number 15 of 2021, according to the direction of the President of the Republic of Indonesia Joko Widodo which was enforced in 122 regencies/cities outside Java and Bali. Followed by PPKM Level 4 based on the Instruction of the Minister of Home Affairs Number 22 of 2021 concerning PPKM Level 4 COVID-19 2019 in the Java and Bali Regions from July 21 to July 25, 2021, which was then extended to August 2, 2021 based on the Instruction of the Minister of Home Affairs Number 24 of 2021 concerning the Implementation of Community Activity Restrictions (PPKM) Level 4 and Level 3 COVID-19 in the Java-Bali Region. From August 3, 2021 to August 9, 2021, PPKM

Level 4, 3, and 2 COVID-19 were applied in Java-Bali with level criteria according to the assessment. The regulation is stated in the Instruction of the Minister of Home Affairs Number 27 of 2021 concerning PPKM Level 4, Level 3, and Level 2 COVID-19 in the Java and Bali Regions, until now in accordance with IMENDAGRI 19 of 2022 concerning the extension of PPKM outside Java Bali until April 11, 2022.

The PPKM regulation is claimed by the government as a middle ground from the insistence of various parties who want a lockdown in Indonesia to be imposed, at least for the capital area. Indonesia does not eradicate lockdown but rather a strategy for the Implementation of Community Activity Restrictions (PPKM) based on the Regulation of the Minister of Health Number 9 of 2020. The Regulation of the Minister of Health certainly refers to Law Number 24 of 2007 concerning Disaster Management (Statute Book of the Republic of Indonesia of 2007 Number 66, Supplement to the State Gazette of the Republic of Indonesia Number 4723). Based on Permenkes No. 9 of 2020, the meaning of the Implementation of Community Activity Restrictions is the restriction of certain activities of residents in an area suspected of being infected with Corona Virus Disease 2019 (Mahadewi, 2021; Marwiyah et al., 2021) COVID-19) in such a way as to prevent the possible spread of COVID-19 (Herdiana, 2020).

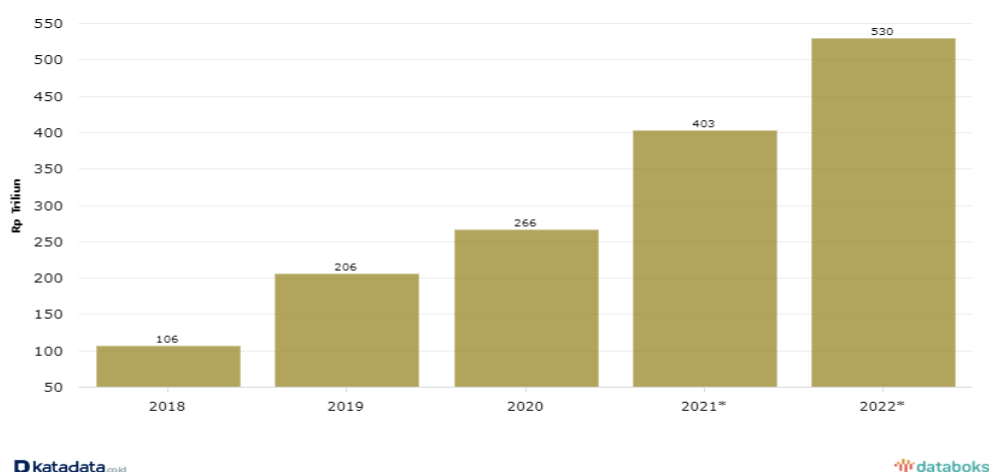


Figure 1. Development of E-Commerce Transactions in Indonesia (2018-2022)

According to data from the 2021 Bank Indonesia Annual Meeting report, the country's e-commerce transactions are projected to reach IDR 403 trillion in 2021. This amount grew 51.6% from the previous year which was IDR 266 trillion and is projected to be 530 trillion in 2022.

Based on data from Bank Indonesia, this activity restriction certainly has an impact on economic activities and changes in people's habitual patterns, especially in the e-commerce sector, regardless of the new era of globalization and the increasing digital contribution to trade. Therefore, this analysis is expected to provide benefits as a reference material in evaluating the impact of PPKM implementation on changes in people's spending behavior, as well as improving the company's strategy in increasing its turnover.

METHOD

This study uses a literature study in which the researcher collects a number of books and magazines related to the problem and the objectives of the study (Sugiyono, 2019). In this case, the documents used were those discussing customers' purchasing power during the pandemic COVID-19 era. Researchers also analyzed data available on internet portals regarding e-commerce transactions in Indonesia.

RESULTS AND DISCUSSION

Changes in People's Behavior during a Pandemic

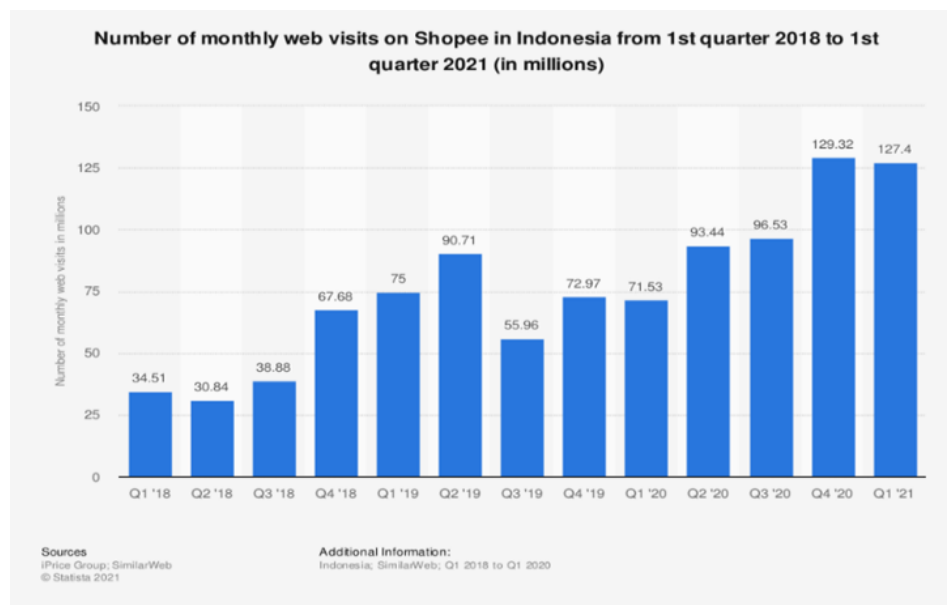


Figure 2. Number of Monthly Web Visits on Shopee in Indonesia from the 1st Quarter of 2018 to 1st Quarter of 2021 (iPrice Group: SimilarWeb, 2021)

Based on data from figure 2 above, it can be seen that transaction during the pandemic increased quite rapidly. The pandemic in Indonesia began in Q1 2020. For example, the Shopee platform in Q1 2020 received 71.53 billion visits per month and increased to its peak in Q4 2020, which was 129.32 billion visits per month (Fadhilla & Farmania, 2017). This indicates that the pandemic is changing the pattern of new habits in society and a new era of globalization with the increasing contribution of digital aspects to the economy.

During the pandemic, food and vegetables are the most purchased products online followed by hygienic procedures such as hand sanitizers, masks, etc (Figure 3). This shows that the public is aware that in the context of efforts to prevent, control, and stop the spread of COVID-19 is to implement health protocols, and in terms of growth according to katadata.com taken from Tokopedia data, the growth of Health products increased by 154.9% during the pandemic and followed by food by 106.1% and what decreased was fashion by -6.9%. This is an opportunity for business actors, but according to BPS data, "Analysis of the Results of the Covid 19 Impact Survey on Business Actors. "Companies that have done online marketing before the pandemic have a higher income of 1.14 times compared to those who have only carried out online buying and selling activities during the pandemic (Nizar & Sholeh, 2021).

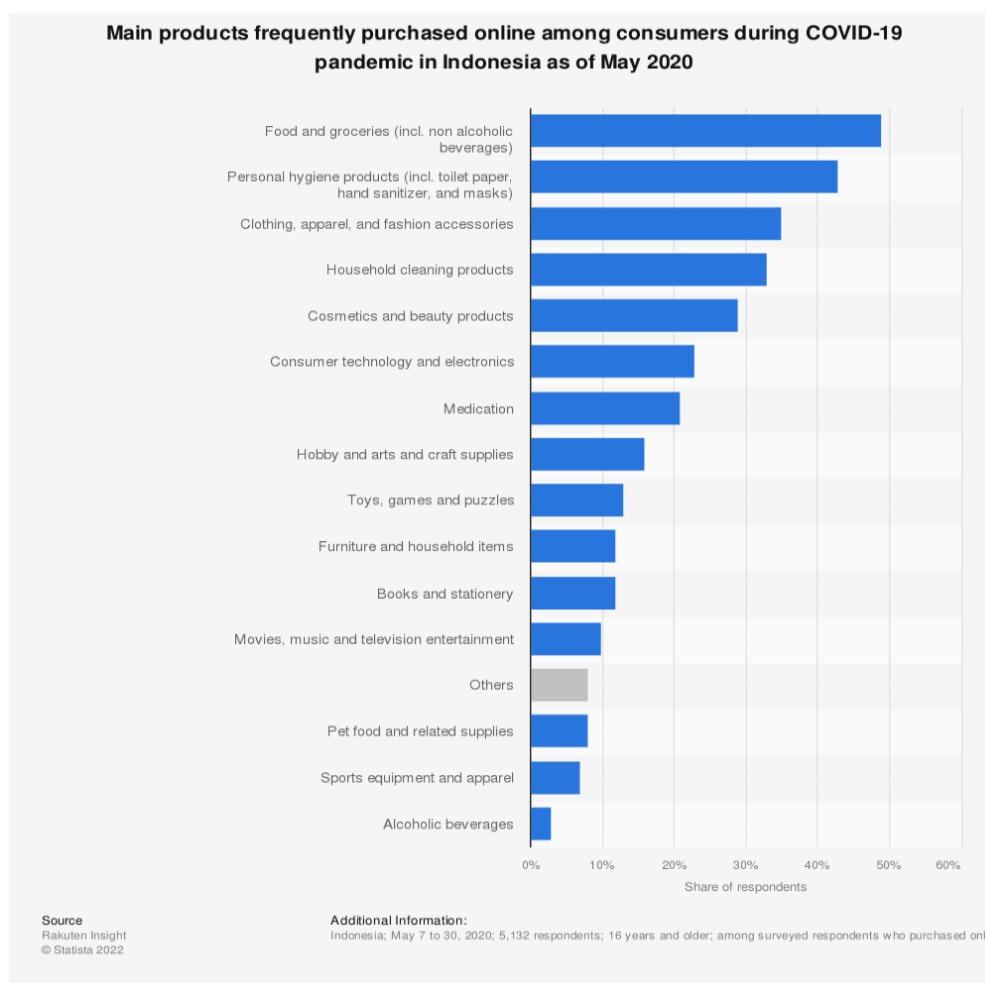


Figure 3. Main Products Frequently Purchased Online among Customers during COVID-19 Pandemic in Indonesia as of May 2020 (Rakuten Insight, 2022)

Based on figure 3 above, it can be explained that e-commerce transactions during the pandemic were dominated by almost 50% by the food industry, and the second is personal needs for hygienic such as masks, hand sanitizers, and so on. Therefore, food and beverages have enormous potential, especially for MSMEs in developing their markets.

In addition, according to data from statistics, the food industry continues to climb compared to other industries in e-commerce and is predicted to dominate transactions in e-commerce as shown in the chart below. From the beginning, only 34.7 million users predicted in 2025 of 129.4 million users, with the potential revenue from US\$ 0.41 million to increase to US\$ 11.31 million, this is certainly inversely proportional to media revenues in e-commerce which tend to stagnate, but for hobby products, it will be very wide open, because this hobby product is not an item whose price is above fashion products, furniture and others.

CONCLUSION

- 1) During the COVID-19 pandemic, the public (Customers), especially those in big cities, experienced changes in their special behavior in seeking information related to goods/services and purchasing power for purchasing goods/services;

- 2) The implementation of PPKM has a positive impact on marketplace sales performance because more and more business actors are switching from offline to online or utilizing marketplace services;
- 3) The pandemic as a trigger for people to trade through e-commerce is not only used by millennials, but also used by people who are "forced" to be able to trade digitally; and
- 4) The pandemic is a trigger for local MSMEs, especially food and vegetables, that there is an opportunity to be able to develop a business through a digital platform easily and cheaply.

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