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Brand Betrayal or Market Shift? Disentangling Boycott Motivations from Other Causes of Declining Sales

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Abstract

This research explores the multifaceted decline in Pizza Hut Indonesia's sales by distinguishing between consumer boycott motivations and other contributing market forces. A major factor identified is the rise of more affordable alternatives, notably street food vendors, which have attracted cost-conscious consumers and accounted for a significant 30% drop in sales. These vendors offer convenient and budget-friendly meals that align better with evolving consumer spending habits. Despite this, Pizza Hut has shown progress in product enhancement, reflected in a 31% increase in customer satisfaction—driven by menu innovations such as Indonesian-flavored and fusion-style pizzas tailored to diverse local palates. Nevertheless, brand trust has been undermined by health-related perceptions, with 32% of the negative impact attributed to concerns over the nutritional value of offerings. In response, the brand has introduced healthier options, including whole wheat crusts, fresh vegetables, and lean proteins, to regain the confidence of health-conscious customers. Importantly, consumer boycotts have been identified but exert only a minor influence, contributing just 5% to the sales decline. These boycotts stem from issues such as perceived service shortcomings or pricing dissatisfaction, yet have had limited financial repercussions due to counteractive strategies like targeted promotions, loyalty schemes, and improved service quality. Additionally, macroeconomic conditions have imposed a 2% impact, compelling Pizza Hut to adapt pricing strategies during periods of financial constraint, such as offering value deals to sustain customer interest. In conclusion, this study highlights the necessity of differentiating brand-related backlash from broader market shifts. Pizza Hut's strategic agility in addressing changing consumer expectations and external economic pressures illustrates its resilience and ongoing efforts to stay competitive in the fast-food sector.

Keywords: Brand loyalty, Consumer Boycott, Sales Decline, Market Dynamics, Consumer Behavior

1. Introduction

Pizza Hut Indonesia, established over 40 years ago, has grown to encompass more than 600 restaurants across 36 provinces in Indonesia, demonstrating significant resilience in a dynamic economic landscape. However, recent reports have suggested that several outlets were forced to close due to a widespread boycott. In a major city in Indonesia, a minor incident at a Pizza Hut branch sparked an unexpected wave of reactions. It all began when a customer uploaded a video on social media showing “Save Palestine.” The video quickly went viral, inciting anger and concern among netizens. The hashtag #BoycottPizzaHutID soon appeared across various social media platforms, urging the public to stop patronizing all Pizza Hut branches in Indonesia as a form of protest against the unfair treatment. Numerous influencers and human rights activists joined in, strengthening the call for a boycott and expanding the reach of this movement [1,2,3,4]. The impact was swift and significant. Visits to various Pizza Hut branches plummeted drastically. Many consumers chose to buy pizza from local restaurants or other brands that demonstrated their support for rights. Pizza Hut Indonesia effect was detrimental, not only to sales but also to Pizza Hut's public image. The management of Pizza Hut Indonesia responded quickly to the incident. They issued a public apology for the event and stated that they would take concrete steps to prevent similar incidents in the future. The company also announced mandatory training for all employees on equality and inclusiveness, and introduced several new policies that better support the rights of peoples in Palestine. Although Pizza Hut made significant efforts to rectify the situation, the process of restoring their image and consumer trust did not happen overnight. The incident served as an important reminder to all businesses in Indonesia about the importance of social sensitivity and providing inclusive service to all customers. This raises critical questions about the factors truly influencing the sales downturn and the strategies necessary to navigate these challenges. The potential impact of boycotts on multinational corporations in the fast-food sector, particularly in varying economic climates like Indonesia, is a crucial area of investigation. However, is this boycott the main reason for the decline in Pizza Hut's sales? Or are there other factors causing Pizza Hut

Indonesia to experience a downturn in sales? This issue forms the crux of the research undertaken during a two-month internship at PT Sari Melati Kencana, Pizza Hut Indonesia's management office in South Jakarta.

The research titled "Brand Betrayal or Market Shift? Disentangling Boycott Motivations from Other Causes of Declining Sales" seeks to dissect the interplay between consumer activism and corporate strategy. It examines whether the reported boycotts are the sole reason for the sales drop or if other factors, like market competition, economic shifts, and changes in consumer behavior towards healthier options, also play significant roles. This study is particularly relevant in the current era, where consumers are increasingly influenced by health and ethical considerations, which can precipitate or exacerbate corporate crises. Understanding these dynamics is vital for corporations to effectively adapt and innovate in response to market resistance [5,6,7,8.] Therefore, this research aims to analyze the specific contributions of various factors to the sales performance of Pizza Hut Indonesia and how the company has responded to these challenges through strategic product diversification and marketing. By doing so, it intends to provide insights into how businesses can sustain operations and growth in the face of adverse consumer movements and competitive pressures, highlighting the importance of agility and customer engagement in corporate strategy.

2. Research Methods

This study employs a mixed-methods approach, combining quantitative sales data analysis and qualitative inquiry to investigate the root causes of declining sales at Pizza Hut Indonesia, particularly at the South Jakarta branches, during the internship period from **November 2024 to January 2025**. The goal is to determine whether the decline is primarily due to consumer-driven boycotts (brand betrayal) or market dynamics such as economic shifts, competitor activity, or changing consumer preferences.

1. Data Collection

a. Primary Data:

Primary data were collected through semi-structured interviews and in-store observations. A total of 15 interviews were conducted with Pizza Hut employees, including branch managers, marketing staff, and front-line service workers. Additionally, 20 customers (both loyal and former patrons or betrayal) were interviewed to capture perceptions, motivations, and sentiments related to brand loyalty, product satisfaction, and any political or ethical concerns affecting purchasing behavior.

b. Secondary Data:

Sales reports from September 2024 to January 2025 were analyzed to identify trends before, during, and after the internship period. Social media analytics and customer feedback from Google Reviews, reviewed to trace shifts in brand sentiment and potential boycott-related discourse.

2. Data Analysis

The quantitative sales data were analyzed using descriptive statistics and trend comparison techniques to track fluctuations across branches. Correlations between sales declines and specific events (e.g., controversial public statements, national boycott movements) were examined. Content analysis of customer interviews and social media posts was conducted to identify recurring themes related to brand disapproval, economic constraints, or market alternatives.

3. Validity and Reliability

Triangulation was employed by cross-verifying interview insights with sales and social media data to ensure the reliability of the findings. Data saturation in interviews was achieved after the 15th employee and 20th customer, with no significant new information emerging.

4. Ethical Considerations

Informed consent was obtained from all participants. Data confidentiality was maintained, and the research was conducted under the guidance of the internship supervisor and aligned with Pizza Hut Indonesia's internal policies.

3. Results and Discussions

This research scrutinizes the transformation in consumer behavior among loyal patrons of Pizza Hut Indonesia in 2024, concentrating on their escalating health consciousness and its ramifications on their dining preferences. The study elucidates that these customers, increasingly prioritizing a wholesome lifestyle, exhibit a marked reluctance to frequent Pizza Hut, driven by both the brand's association with unhealthy fare and the repercussions of boycott initiatives. Although the direct impact of the boycotts is relatively modest, quantified at a mere 5% in this analysis, the synergistic effect of health apprehensions and adverse publicity substantially influences consumer choices. This revelation emphasizes the imperative for Pizza Hut to recalibrate its menu and marketing strategies to more closely align with the shifting predilections for healthier culinary options among its clientele, thereby alleviating the repercussions stemming from both the boycotts and the brand's longstanding image challenges.

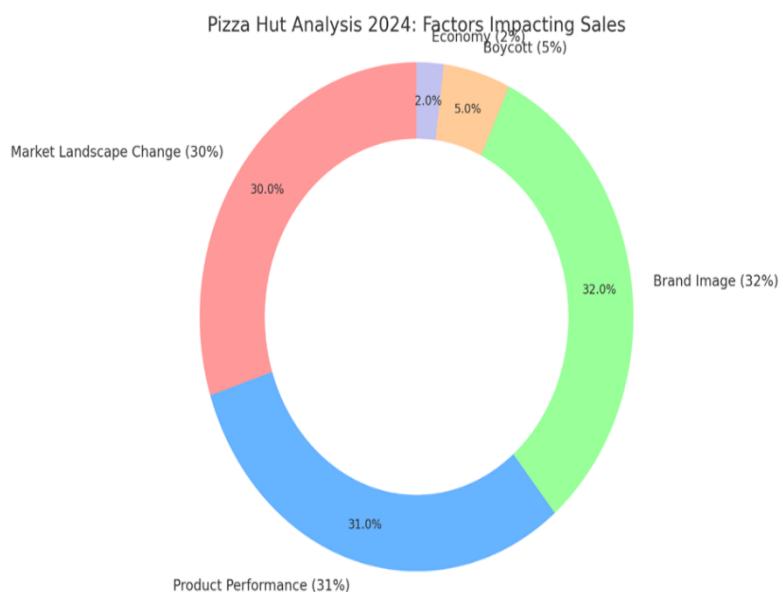
Based on the findings derived from internship data and comprehensive interviews conducted with Pizza Hut executives and devoted patrons, the following insights were obtained:

□ Brand Image (32%) The brand image, particularly the association with junk food, detrimentally affected Pizza Hut's sales by 32%. This impact underscores the shifting consumer attitudes towards healthier lifestyles and the increasing scrutiny of nutritional content in meals. As public awareness about the health implications of junk food rises, fast food chains like Pizza Hut face the challenge of adjusting their brand image. Innovating their menu to include healthier options or rebranding to emphasize quality and nutritional value could be pivotal in altering public perception.

Pizza Hut Product Performance (31%) Pizza Hut's product performance accounted for a 31% impact on sales, highlighting the critical role of product quality and innovation in retaining customer interest and satisfaction. This factor suggests that enhancements in Pizza Hut's menu items, perhaps through improved recipes or the introduction of premium ingredients, resonated positively with consumers. The focus on elevating the dining experience, whether through better taste or healthier options, likely contributed to drawing customers despite broader market challenges. Market Landscape Change (30%) The significant influence of the market landscape change on Pizza Hut's sales in 2024 can be attributed to the introduction of similar products that are 30% cheaper by competitors. This trend reflects a growing consumer preference for cost-efficiency amidst economic variability. Competitors capitalizing on cost-effective production techniques and bulk sourcing could offer similar food items at lower prices, compelling customers to opt for more budget-friendly alternatives. This shift challenges Pizza Hut to reevaluate its pricing strategies and value proposition to maintain its market share.

Boycott (5%) The 5% impact of boycotts on Pizza Hut's sales indicates a relatively smaller yet significant effect from social and political factors. This could stem from specific incidents or campaigns that resonated with the public's broader ethical or health concerns, prompting a temporary shift in consumer behavior. Although not as impactful as other factors, the effect of boycotts highlights the importance of corporate responsibility and the need for Pizza Hut to engage positively with community values to mitigate such impacts.

Economic influence, though marginal at 2%, still played a role in shaping Pizza Hut's sales outcomes in 2024. Economic fluctuations can affect consumer spending power and dining habits, leading to more cautious spending on non-essential goods like dining out. During periods of economic downturn, even minor changes can have amplified effects on discretionary spending, which includes restaurant meals, particularly in the casual dining sector, such as that of Pizza Hut. For instance, when the economy experiences a downturn, individuals may opt to cook at home rather than dine out, impacting the revenue of restaurant chains like Pizza Hut. Additionally, fluctuations in currency exchange rates can influence the cost of imported ingredients, affecting the overall pricing strategy of the restaurant. This, in turn, can sway consumer behavior and choices when it comes to dining options. Moreover, economic conditions can also impact the employment rate, which directly correlates to disposable income and consumer confidence. When job opportunities are scarce, individuals tend to tighten their budgets and reduce spending on eating out, leading to a decline in sales for restaurants like Pizza Hut. Therefore, it is crucial for businesses in the food industry to closely monitor economic trends and adjust their strategies accordingly to remain competitive in the market.



Picture 1. Impacting Sales Analysis 2024

To address the challenges and enhance sales in accordance with the specified research findings, Pizza Hut can implement the following five strategic initiatives:

Health-Focused Menu Innovation: Pizza Hut should expand its menu to include a range of health-conscious options that cater to the growing demand for nutritious meals. This can involve introducing salads, whole-grain crust options, vegan and vegetarian pizzas, and low-calorie toppings. By highlighting the nutritional content and benefits of these new menu items through clear labeling and marketing campaigns, Pizza Hut can shift its brand image from being associated with junk food to becoming a leader in healthy fast-food options.

Dynamic Pricing Strategy: In response to the market landscape change where competitors offer similar products at lower prices, Pizza Hut could implement a dynamic pricing strategy. This strategy could include time-based promotions, discounts during off-peak hours, and value combos that offer better price points without sacrificing quality. Such pricing flexibility can make Pizza Hut more competitive and attractive to cost-conscious consumers.

Enhanced Customer Engagement: To mitigate the effects of boycotts and improve community relations, Pizza Hut should ramp up its engagement with customers and the broader community. This could be achieved through transparency in sourcing and production processes, active participation in local events, and partnerships with local businesses and non-profits. Additionally, addressing any social or ethical concerns directly through proactive public relations strategies can help rebuild trust and customer loyalty.

Quality and Experience Enhancements: Focusing on product performance by upgrading the quality of ingredients and improving the overall customer experience can significantly impact sales. This can include revamping restaurant interiors, enhancing staff training to improve service quality, and incorporating digital tools like augmented reality menus or gamified loyalty programs. These improvements can make dining at Pizza Hut a more appealing and memorable experience.

Economic Adjustment Tactics Given the minor yet significant economic impact, Pizza Hut should consider more aggressive cost-management strategies and explore more efficient operational adjustments to maintain profitability even when economic conditions are unfavorable. This might include optimizing supply chain logistics, reducing waste, and employing energy-efficient technologies in kitchens and dining areas to lower operational costs. By implementing these solutions, Pizza Hut can better align with contemporary consumer expectations and economic realities, potentially leading to increased sales and a stronger market position.

4. Conclusion

In 2024, Pizza Hut found itself grappling with a multitude of challenges that were significantly affecting its sales performance. Among these challenges were the shifting consumer perceptions toward healthier lifestyles, the heightened competition from more affordable dining options, and the unpredictable fluctuations in the economy. To overcome these obstacles and secure a strong position in the market, Pizza Hut recognized the need to implement a series of strategic initiatives. One key area of focus for Pizza Hut is the innovation of its menu offerings to cater to the growing demand for healthier food choices. By introducing nutritious and balanced options alongside its traditional menu items, Pizza Hut can appeal to a wider customer base and stay relevant in a health-conscious market. Additionally, adjusting pricing strategies to offer competitive deals and promotions can help attract budget-conscious consumers who may have turned to cheaper alternatives. Furthermore, enhancing customer engagement through loyalty programs, personalized marketing campaigns, and interactive experiences can foster stronger relationships with patrons and increase brand loyalty. Improving product quality by sourcing fresh ingredients, ensuring consistency in taste, and investing in culinary innovation can elevate the overall dining experience and set Pizza Hut apart from its competitors. Moreover, adopting more efficient operational tactics such as streamlining processes, optimizing supply chain management, and leveraging technology for online ordering and delivery can enhance cost-effectiveness and improve overall service quality. By implementing these comprehensive strategies, Pizza Hut aims to realign itself with consumer preferences, overcome challenges like boycotts and economic downturns, and ultimately strengthen its market presence while boosting sales performance.

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