

**DIGITAL BRANDING ADAPTATION FOR
INDONESIAN SMALL MEDIUM ENTERPRISES
EXPANSION INTO GLOBAL MARKET**

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**DIGITAL BRANDING ADAPTATION FOR
INDONESIAN SMALL MEDIUM ENTERPRISES
EXPANSION INTO GLOBAL MARKET**

by

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LIST OF ABBREVIATIONS

AI	Artificial Inteligent
CX	Custommer Experience
DKV	Desain Komunikasi Visual
SME	Small Medium Enterpize
UI	User Interface
UKM	Usaha Kecil Menengah

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**ADAPTASI PENJENAMAAN DIGITAL BAGI PERKEMBANGAN
PERUSAHAAN KECIL DAN SEDERHANA DI INDONESIA KE PASARAN
GLOBAL**

ABSTRAK

Fungsi penjenamaan dalam meningkatkan daya saing Perusahaan Kecil Sederhana di Indonesia terus menjadi matlamat tertentu bagi banyak pihak berkepentingan. Usaha ini sentiasa menghadapi halangan untuk menyediakan perkhidmatan penjenamaan terus kepada PKS kerana tiada bantuan tersedia dalam pasaran. Sementara itu, fenomena perkembangan dunia digital memberi kesan kepada bagaimana jenama ditubuhkan. Walaupun pemasaran digital terus menjadi pendekatan yang berpatutan untuk pemasaran, penjenamaan digital terus meningkat dalam kos. Sebaliknya, terdapat beribu-ribu pelajar graduan dan reka bentuk grafik yang menganggur baru-baru ini kerana menyediakan perkhidmatan penjenamaan terus kepada PKS. Antara PKS dan pereka yang tidak berpengalaman, terdapat potensi besar yang belum diterokai. Ini kerana jurang perbezaan antara kapasiti kewangan PKS dan pereka grafik tidak menggalakkan artis grafik daripada menyediakan perkhidmatan mereka kepada PKS. Untuk memenuhi objektif kedua-dua pihak, satu sistem diperlukan yang memperkemas proses penjenamaan, mengurangkan kos penjenamaan dan menambah baik kualiti penjenamaan yang terhasil, menunjukkan bahawa ini mungkin menguntungkan atau merugikan bagi PKS yang ingin meningkatkan daya saing mereka melalui penjenamaan digital. Model ekosistem baharu diperlukan yang membolehkan akses kepada pemilik perniagaan PKS penjenamaan digital yang mampu memajukan matlamat mereka. Projek ini bertujuan untuk membangunkan

model yang mampu memudahkan penubuhan ekosistem perdagangan digital yang boleh menyediakan akses kepada PKS dan membantu mereka dalam pertumbuhan mereka. Peraka baru untuk mendapatkan pekerjaan, pengalaman dan peluang untuk membangunkan kerjaya mereka, menunjukkan aspirasi PKS Indonesia untuk meningkatkan daya saing dan penembusan mereka ke pasaran global.

DIGITAL BRANDING ADAPTATION FOR INDONESIAN SMALL MEDIUM ENTERPRISES EXPANSION INTO GLOBAL MARKET

ABSTRACT

The function of branding in enhancing the competitiveness of Small Medium Enterprises in Indonesia continues to be a particular goal for numerous stakeholders. These efforts constantly encounter obstacles for providing direct branding services to SMEs since there is no aid available in the market. Meanwhile, the phenomenon of the digital world's development has an impact on how brands are established. While digital marketing continues to become an affordable approach for marketing, digital branding continues to increase in cost. On the other side, there are thousands of unemployed recent grads and graphic design students for providing direct branding services to SMEs. Between SMEs and inexperienced designers, there is enormous untapped potential. This is because the disparity between the financial capacities of SMEs and graphic designers discourages graphic artists from providing their services to SMEs.

To meet the objectives of both parties, a system is required that streamlines the branding process, reduces branding costs, and improves the resulting branding's quality, demonstrating that this may either boon or a bane for SMEs seeking to increase their competitiveness through digital branding. A new ecosystem model is required that enables access to digital branding SME business owners that are capable of advancing their goals. This project aims to develop a model capable of facilitating the establishment of a digital trade ecosystem that can provide access to SMEs and assist them in their growth. Novice designers to get jobs, experience, and opportunities to

develop their careers, demonstrating Indonesian SMEs' aspirations for boosting their competitiveness and penetration into the global market.

CHAPTER 1

INTRODUCTION

1.1 Introduction

The flagship of digitalization program has been undertaken by the President of the Republic of Indonesia, Joko Widodo for Small and Medium-Sized Enterprises (SME) to cope with the modern digital era. It appears to be still a long way off from what he envisioned, as Indonesian SMEs continue to struggle with digital market expansion. According to data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia, the Economic Census from the Central Statistics Agency in 2018 BPS. (2018). demonstrated that only 8 million SMEs out of approximately 64 million SMEs in Indonesia have adapted to digital technology, representing only 13% of SMEs. President Jokowi stated that future economic development policies for Indonesia is designed to be focused on the "digital economy" and the ongoing pandemic validated by shifting the paradigms of the physical world to digitization. This pandemic not only impacted the economic world but also consumer behavior (Amankwah-Amoah, J., 2021), emphasizing the digital transformation that has evolved into a necessity for Indonesian SMEs. Additionally, technology facilitates people's daily activities, such as trading and business. Internet world Stat (2021) reported, 43.5 percent of the total Indonesian population which is approx. 116.3 million people use the internet, out of which 29.8 percent or 78 million people utilize the internet for e-commerce.

This widespread internet penetration has the potential to alter the regional economic order, demonstrating that e-commerce is a driving force behind regional economic change. Supporting the growth of SMEs in Indonesia has the potential to make a significant difference. Owing to the fact that the data released by The Ministry of Cooperatives and Small and Medium Enterprises (Kemenkop, U.K.M., 2018).

Regarding the number of SMEs in Indonesia in 2018, which demonstrated a total of 64,194,057 and had an absorption capacity of 116,978,631 as the total workforce. This figure represents 99 percent of all business units in Indonesia, with the economic sector accounting for 97 percent of total employment. The remaining 3% is split between the large industrial sector and the services sector. Moreover, the research conducted by Stelzner in 2009 demonstrated the main benefits of Social Media Marketing (Stelzner, M., 2009). In this research, 81% of the total surveyed companies reported that social media increases market reach, 61% of companies reported the increase in the number of subscribers, 56% of companies acknowledged the generation of new business partnerships, and 45% of companies reported a reduction in marketing cost. This Situation shows that the contribution of SMEs to the economic sector, in terms of Indonesia's GDP (Gross Domestic Product), is 61.07%. Meanwhile, compared to the G-20 member countries, small-medium industries contribute below 25% of total GDP. This shows that improvising and facilitating the SMEs can certainly have a good impact on the Indonesian economy as a whole.

Small and medium-sized enterprises (SMEs) are now considered the backbone of Indonesia's emerging economy. The history validated the aspect when Indonesia was afflicted by an economic crisis during 1997-1998 that caused the country's economy to collapse. Small and medium-sized enterprises (SMEs) played a vital role in surviving the nation's economy from the difficulty that ultimately created awareness around the country about the importance of SMEs (Soetrisno, N., 2003). This provided the foundations for the reforms at the government level which resulted in the increment of the number of SMEs following the year of the economic crisis which highlighted the capability of SMEs to endure the financial crisis.



Figure 1.1 President of Republic Indonesia Joko Widodo (Jokowi), Supporting Local products and SMEs by wearing and promoting them in Person.

Also, Sarfiah, S.N., et al. in 2019 demonstrated that SMEs can absorb a more significant proportion of the nation's workforce, which climbed from 96.99 percent to 97.22 percent throughout 2012 – 2017 (Sarfiah, S.N., 2019). Since SMEs provide coverage to a large number of workers, therefore improvement in sector SMEs can further boost people's income highlighting its effectiveness in reducing unemployment and poverty. To maximize the contribution and role of SMEs, the government must continue to support them by upgrading their infrastructure.

This initiative by the government can ensure the better performance of SMEs in developing the nation's economy. Nowadays, most SMEs take advantage of the digital platform where they can harvest customers' attention at less expense. As more and more brands land on the digital platform, competition between them ignites. The competitiveness in this digital era is getting tougher leading to the digital transformation which has impacted all small and large brands. However, the digital era is not always negative as demonstrated by Ahmad in 2018 who supported that SMEs in Indonesia should further expand their market through digital channels such as marketplaces (AlSharji, A., Ahmad, S.Z. and Bakar, A.R.A., 2018). Besides being cheaper and having almost no cost compared to opening a physical store, SMEs through the marketplace can also expand their sales reach because anyone and anywhere are able to easily access the products sold in the marketplace.

However, the study presented by Himawan (2018) highlighted the consequences that must be prepared. When SME products enter the digital market, it is the selling "style" that must change (Himawan, M.M., 2018). Compared with a physical store, online stores are unable to show physical goods to attract prospective buyers' attention, therefore, SMEs are required to opt for new ways of selling and promoting their products to meet the digital need. The World Economic Forum Asian Development Bank (2017) also emphasize empowering Indonesian SMEs in the digital marketplaces and acknowledged that online services can empower SMEs by connecting them to giant regional markets rather than just local customers, thus providing an extension to the trading. Therefore it is expected that if focused on good digital marketing strategies, Indonesian SMEs are not only be able to sell their product into the domestic market but also to the international market. In conclusion, Supporting SMEs as the key priority for President Jokowi's leadership strategy stands to reason, since SMEs are playing a vital part to govern the country's economy in a state like Indonesia which is a developing country with the 4th largest population.

Summarizing the immense contribution of SMEs to Indonesia economy based on data from the Ministry of Cooperatives and SMEs of the Republic of Indonesia includes:

1. SMEs in Indonesia absorb up to 89.2 % of the total workforce
2. SMEs in Indonesia provide 99 % of total employment
3. SMEs in Indonesia contribute 60.34 % of the real national GDP
4. SMEs in Indonesia contributed 14.17 % of total exports

Therefore, based on the above-mentioned facts it can be concluded that assisting Indonesian SMEs is equivalent to supporting the Indonesian economy in general.

1.2 Background of the Study

President Jokowi's goals to digitize SMEs are subjected to various challenges and limited by the numerous constraints on SMEs, which can undoubtedly impede his flagship program. This is because the digitization program is less concerned with infrastructure and more concerned with developing technical capabilities in branding, design, and technology. The major issue is confined to a lack of familiarity of SMEs in Indonesia with digital technology. It is certainly unavoidable that digital technology are required in the future for the SME market and can undoubtedly assist many SME owners in growing their businesses. Social media is used as the "vehicle" for introducing and engaging customers and potential customers.

Additionally, digital payment users such as QR codes and multi-payment systems must be utilized for the convenience and smooth operation of the business. However, technology brings additional challenges, as it is critical to adapt and adopt in today's digital era. Several factors contribute to the difficulties faced by SMEs in Indonesia as a result of the development of digital technology, including technological capability, financial resources, lifestyle, mindset, and cultural issues. The fact is that, while many SME entrepreneurs are aware of the existence of digital channels, many are hesitant to use them.

1.2.1 Branding for Indonesian SME

A study presented in (Chianasta, F.P., and Wijaya, S., 2014) researched the impact of social media on customers buying behavior and highlighted that this behavior is majorly influenced by branding and marketing. In addition, Himawan (2019) further emphasized adopting advanced digital marketing techniques by mentioning that Indonesian SMEs will always have challenges if micro-problems such as branding, packaging design, and social media marketing are not addressed properly in today's digital era. SMEs are considered low when adopting digital tools, while researchers concluded that external factors support the adoption of digital channels in marketing, but owner-specific factors and resource-related factors delay adoption. Besides, the biggest obstacle to opt digital channels for marketing is a lack of resources (human and tools), lack of knowledge, and time. According to Himawan (2018), SMEs find it challenging to design a brand identity such as their logo, packaging, and social media advertisements because their abilities and resources are very inadequate. This situation becomes worse when they have to ask for a designer's services since it becomes a very uneconomical option for a small business where the revenues are less. Therefore, the decision to make a logo becomes less priority which makes SME brands often associated with products that do not have attractiveness since they are not optimally designed to visually appeal to the customers.

Various types of branding strategies can be employed by Small and Medium Enterprises (SMEs) in Indonesia to create a strong brand identity, differentiate themselves from competitors, and build a loyal customer base (Kotler & Keller, 2016). These strategies include corporate branding, which focuses on creating a unified brand identity for the entire organization (Aaker, 2004); product branding, which emphasizes building a brand for individual products or product lines (Keller, 2008); and personal branding, which highlights the personal qualities, skills, and expertise of founders or key personnel (Peters, 1997).

Co-branding, involving collaboration with other businesses to create co-branded products or services (Park et al., 1996), cultural branding, which integrates local culture, traditions, and values into the brand identity (Holt, 2004), and cause-related branding, which associates the brand with a relevant social cause or environmental issue (Varadarajan & Menon, 1988), are also effective strategies for Indonesian SMEs. Additionally, niche branding, which targets a specific market segment and caters to its unique needs and preferences (Dalgic & Leeuw, 1994), can help SMEs create a strong and loyal customer base. To determine the most suitable branding strategy, Indonesian SMEs should consider factors such as their target audience, industry, competition, and available resources (Kotler & Keller, 2016). A well-planned and executed branding strategy can help SMEs stand out in the market and drive long-term business success.

As an SME branding activist, Suyanto, B., (2019) tries to direct the attention of SMEs towards branding because he believes that branding is the most valuable intangible asset and is the main element that can increase SME products' competitiveness. However, he also emphasized that in the digital context, branding is very different. This is because the internet has shaped the world into a global village and in this digital era, advertisements that "lie" are no longer get people's attention due to the availability of product reviews.

These reviews are carried out honestly and independently by customers on digital channels such as YouTube or Instagram and are more trusted by the public. So the era where the supremacy of advertising as a source of product information has changed to honest reviews conducted by YouTubers.



Figure 1.2 Most of SMEs are home industries that mostly are struggling with production matters, branding, capital and marketing.

This current situation makes marketers and designers need to adapt to the new reality and build brands that act and behave considering human behavior, brands need to be more likable and vulnerable with lesser intimidating factors. In short, they need to be authentic, honest, admit their flaws, and try to seem perfect. This approach is called human-centric marketing.



Figure 1.3 Re-Desiging product packaging is a common solution for SMEs

The brand Creators approach customers considering the buyers' perspective as a whole human being with minds, hearts, and spirits. Marketers and designers need to fulfill not only the emotional aspect of the customers but also their latent anxiety and desires, thus adopting human qualities to attract customers in the human-centric era. According to (Suyanto, B. et al, 2019), branding is the key to upscaling SMEs while several branding service agencies in Indonesia specialize in providing services for SMEs. This type of business emerged to fulfill the requirement of good design and quality branding for SMEs, however, most SMEs are limited in budget and cannot afford branding agencies for brand building.

Conventionally supporting SMEs means providing coverage to the branding, training, money, and other sorts of direct help to alleviate the difficulties faced by Indonesian SMEs. However, offering such direct and one-on-one help could take a long time to bear fruit on a broader scale. To achieve this, a more systematic approach is required to establish a sustainable ecology.

1.2.2 Digital Branding Versus Digital Marketing

The term "digital marketing" refers to marketing efforts conducted through the use of digital media to market or showcase a product on an online platform with which clients can be acquired to boost marketing. Digital technology enables us to reach more targeted clients, especially those interested in the product or service, increasing the likelihood of purchases. It is far more transparent than conventional marketing techniques such as handing out leaflets, advertising in newspapers and magazines, or visiting random residences.

Digital marketing is more effective in customer acquisition which also enables SMEs to set a daily goal for the number of visitors to their website or e-commerce store. Also, the attention of customers can be acquired by utilizing multiple forms of digital marketing advertisements.

On the contrary, physical stores are dependent entirely on the number of visitors where we have no control and may be constraint by some factors like getting busy during specific periods or events. Advertising and branding are always be inextricably linked in the realm of marketing. It has been a long time since marketing was conducted without advertisements, beginning with newspaper, magazine, radio, and television columns. We know that advertising in traditional media can cost millions, tens, or even hundreds of millions of rupiah, which small businesses will find impossible to afford. At the same time, digital marketing advertising might begin with a daily expenditure of IDR 50,000 which equals to USD 3,5 for Google Ads, Facebook Ads, or Instagram Ads.

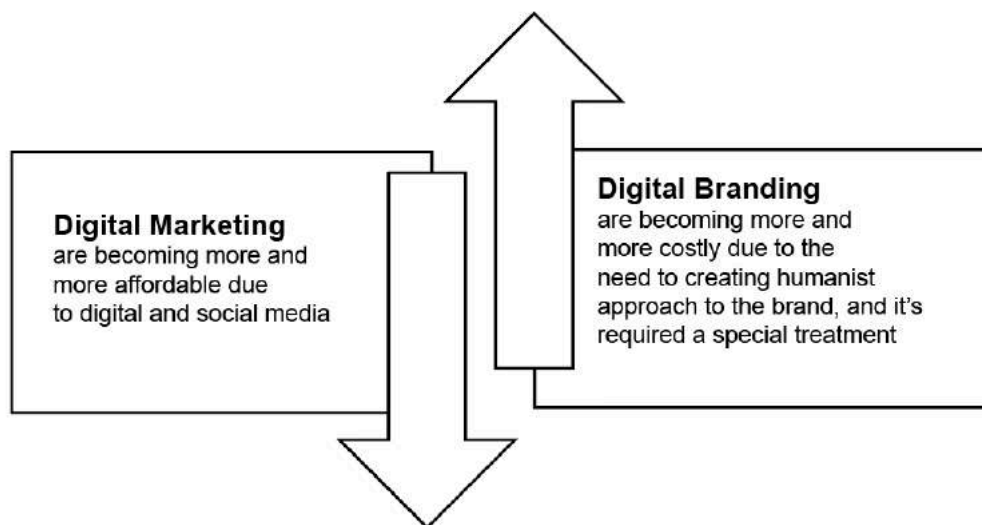


Figure 1.4 Current phenomena of digital branding and digital marketing

Data is the primary benefit of all digital advertising platforms which is made available to the traders or SMEs to have insight into the business in surrounding before affirming personalized advertising with Google Ads and Facebook Ads. The provided data includes the information about the audience who viewed the advertisement, the keywords searched for, the advertiser's gender, age, interests, and location. All of the information above can be used to improve the effectiveness and efficiency of advertising management.

Although digital marketing has become more affordable and targeted, however building a brand in the digital era has become increasingly difficult. According to Kotler (2017), building a brand in the digital era requires more than just creating a logo since a brand must be able to create closeness and have a strong characteristic. As a result, branding in the digital era must place a greater emphasis on intangible assets. Unfortunately, this is not inexpensive, as brand owners must work with professional designers who devote their time and effort to cultivate their brand's "identity". Indeed, digital brands are increasingly displaying their logos as their identity, but to be outstanding in so many available online brands is of crucial importance.

“Marketers (Brand Creators) need to adapt to this new reality and create brands that behave like human-approachable and likable but also vulnerable. A brand should become less intimidating. They should become authentic and honest, admit their flaws, and stop trying to seem perfect” (Kotler et al., 2017).

Digital branding refers to a system that integrates marketing strategies to the digital platforms to achieve the brand identity. The role of the two is becoming increasingly critical in this domain since significant changes have happened due to the audience's growing attachment to digital media. The marketing method that we are now familiar with is Marketing 4.0, which was developed by Kotler (2017) and popularized by Van Nes (2013), both of which are responses to the world of branding in the age of digital phenomena demonstrated in Figure 1.4.

1.2.3 The Rise of Marketing 4.0

Marketing 4.0 represents the evolution of marketing practices in response to rapid advancements in digital technologies and shifts in consumer behavior, emphasizing the integration of online and offline channels, data-driven marketing, multichannel engagement, and human-centric marketing (Kotler, Kartajaya, & Setiawan, 2016). This concept acknowledges the importance of meeting the needs of increasingly empowered and connected consumers by prioritizing strong relationships and personalized experiences (Kotler et al., 2016). As part of this paradigm, businesses must blend traditional and digital marketing efforts, harness the power of data analytics and artificial intelligence, engage with customers across multiple platforms, and focus on human values and genuine connections (Chaffey & Ellis-Chadwick, 2019; Vargo & Lusch, 2016). To thrive in the era of Marketing 4.0, organizations must adopt customer-centric strategies, data-driven decision-making, and agile marketing practices that promote innovation and adaptability (Baker & Hart, 2018).

It is the latest marketing method that refers to the '5A' framework of customer behavior patterns in the digital era, which encompasses Aware, Appeal, Ask, Act, and Advocate. The 5A framework has been designed to upgrade the old 4A structure (Awareness, Attitude, Act, and Act Again). Consumer purchase decisions were significantly influenced by marketing channels before everything became as interconnected as it is now (the average corporation continues to employ the 4A structure). The 4A framework, on the other hand, is no longer regarded as relevant and must be updated to stay adaptive. We live in a connected society today which allows consumers to be more linked to their peers, and they regularly seek their opinions before making a purchasing decision. Consumers are also heavily relying on product ratings and reviews found on the internet. A product's appeal is strengthened or weakened depending on the quantity of favorable or negative views, reviews, and suggestions posted on the internet.

1.2.4 The Emerging of Dynamic Identity

When it comes to visualizing brand identity, dynamic identity is a new way that was developed in reaction to the phenomenon of digital media. Whereas the logo is gradually being replaced with a more "live brand character" that brings life to a dynamic identity since the logo is still the focal point of the brand identity. The significant change produced by digital media also influenced the change in how brand logos are displayed in the digital world. Currently, the appearance of symbols during the digital interactions between brands and their customers is often not visible anymore. Logos are more often seen as limited to social media icons owned by brands. Because of its increasingly limited appearance, a new system in logo design was developed, namely dynamic identity, where the logo elements became more fluid and flexible and tended to be more integrated with the character of the brand itself. These changes impact how, ultimately and appropriately, brands need to be created and visualized.

However, there is also a positive impact that is influenced by digital media, namely the creation and production that is easier and cheaper. Digital media such as social media or digital advertisements have opened up opportunities for SMEs because they are deficient in cost and can adapt to the capabilities of brand owners. In this digital era, brands are facilitated by marketing their products through digital channels. Besides being cheaper, digital marketing can also be directed as more targeted, with a wider audience reach, assessment, and evaluation. Nevertheless, on the other hand, the brand's role becomes crucial where the encounter of the brand logo as a "brand identity" with the customer is becoming increasingly rare. Instead, engagement and activity between the brand and the customers are critical. This change certainly transforms the perspective of how digital brands need to prepare and build their brands to gain build their own brand identity. If branding was focused on creating logos in the past, now new brands have to focus more on creating brand "character".

Consequently, making a brand is becoming more expensive because it requires a more extended treatment, process, and effort. Limitations to the digital world as faced by Indonesian SMEs discussed in the previous section will make it increasingly difficult for SMEs to compete in the digital world. The branding transformation also affects how a brand and brand identity is built. The brand is an intangible value that has no form. Still, the function of brand identity is to manifest the brand into a tangible one. The relationship between brand identity and media is very close because the media provides the channel with which the brand identity can be realized.

The approach to design a logo that is tending in today's digital era is the Dynamic identity approach. Previously, the format that was common practice to maintain the brand identity was that a logo cannot be changed in shape, color, or stretch because it would affect the logo's meaning and symbol. But now the perspective has been changed regarding branding as mentioned by Van Nes:

“Learning companies are dynamic and should, therefore, have a dynamic identity that is flexible enough to meet all these changes, to incorporate and reflect them. An identity should be as organic as the company it is designed for; it should speak its language, grow with it, and adapt to its environment.”

(Van Nes. 2013)

This branding transformation is justified since the media that existed in the past were mostly printed media like newspapers, magazines, etc., with a static shape and approach. Meanwhile, digital media where the logo can be in the LED screen allows it to change shape, color, and stretch. This, of course, considered as a logo violation since the logo was previewed to be a brand identity with symbols to impact the audience with a static and long-lasting impression.

However, this can be done in the context of dynamic identity because the meaning of the logo is not in its form but in the changes that occur (dynamic). This digital transformation further enforces SMEs to adapt to the current digital market environment but since SMEs are not supported by readiness, SME entrepreneurs will find it increasingly challenging to develop their business in such a competitive environment. This is further exacerbated by the difficulty to design their brand and logo. The skill factor in using software and the ability to design are the main reasons SME businesses can finally ignore the importance of having good branding for their products.

But on the other hand, skilled person or students specializing in the graphic designing domain are not interested in joining hands with SMEs which build a gap between SMEs growth and human resource management. However, in recent years, there has been a phenomenon, especially in the eastern part of Java, where many graphic design agencies have emerged that focus on creating an identity for SMEs. What is even more impressive is that these agencies are not big institutions and they are also small-scale SMEs that are mostly self-taught and replicate the common marketing practices without considering the competitiveness of the digital market. So the SMEs either cannot afford the marketing agencies and if they can locate a few budgets to marketing, agencies replicate common practices to market the product but in the longer run, they fail to establish the brand's identity which ultimately a loss to the SMEs. To improvise digital branding and empower SMEs, it is important to analyze why are the number of SMEs that have a brand identity and are ready for the digital era still relatively low? Himawan (2019) states that brand identity service providers for SMEs are still relatively few. And young people like fresh graduates of graphic design with advanced knowledge of branding and technology, have less interest in working on SME brands.

To confirm this statement and understand the conditions in the field, a Preliminary Investigation is carried out, aiming to measure the interest of graphic design fresh graduates with better knowledge of branding to work on SME brands, so that the gap which is faced by the majority of SMEs in branding can be fulfilled to empower country's economy. Dynamic identity branding, Marketing 4.0, and digital branding are interconnected concepts that emphasize the importance of adaptability, personalization, and digital engagement in the contemporary marketing landscape (Kotler et al., 2016). Dynamic identity branding involves creating a fluid and flexible brand identity that evolves with changing market conditions, audience preferences, and trends to ensure brand relevance and engagement (Landa, 2019). Marketing 4.0, as described by Kotler et al. (2016), focuses on engaging customers through digital channels and data analytics to create personalized experiences, utilizing digital platforms such as social media, mobile marketing, and content marketing. Digital branding is the process of managing a brand's online presence and creating a consistent brand experience across digital touchpoints, contributing to brand awareness, loyalty, and trust (Rowles, 2018). These concepts collectively emphasize the necessity for businesses to adopt flexible brand identities, leverage digital channels, and implement data-driven strategies to create personalized, engaging customer experiences and drive brand success in the rapidly evolving digital landscape (Kotler et al., 2016; Landa, 2019; Rowles, 2018).

1.2.5 SME Scaled Branding Agencies for SMEs

The procurement of training programs for SME owners about design and branding will not establish a robust brand, they require third-party support to get branding and services to achieve professionalism in marketing.

The occurrence of small SME-scale agencies that provide branding and logo development services to SMEs, as well as the provision of services to SME entrepreneurs by individuals and small SME-scale businesses, is a phenomena that happens concurrently. This occurrence is widespread in Indonesia, particularly on Java's eastern coast. This tendency is shown by the centre in the city of Sidoarjo, which is renowned as the hub of SMEs in Indonesia (Sari, N.P. 2020). Considering the difficulties of branding in the digital world and the need for low-cost and effective SME branding, this phenomena has a decent amount of promise. So that this occurrence may be investigated and serve as an example, allowing it to have a wider influence in a larger globe. In contrast, based on observations made in the early stages of this study in other regions, such as the capital city of Jakarta or the western part of Java Island, this type of business model is uncommon, and the majority of brand agencies there are primarily focused on medium- or large-sized businesses. This disparity is disappointing, given the need and potential for this business model have the capacity to provide bigger returns.



Figure 1.5 Markaz Design's Office at Sidoarjo City one of the SME Scaled branding agencies providing services for SMEs

1.3 Preliminary Investigation (PI)

A preliminary investigation is procured to figure out the gap in a collaboration of SMEs with skilled graphic designers or human resources to cope with advanced branding strategies required in a highly competitive digital market. This issue is significant since empowering SMEs further elevates the economical strength of the Economy as discussed in the previous section. To reveal the reason for the gap, a survey is conducted on the prospective of final year University students majoring in Graphic Design or Visual Communication Design (DKV in Indonesian) that were interested in becoming entrepreneurs in the field of agency branding that would eventually take a shape of SMEs in Indonesia. **Only 35 graphic design students out of 400 from several universities in Bandung were interested in launching a design firm for SMEs.** Whereas 365 for the most part showed interest to work for an advertising agency or a more established multinational design firm, which is quite significant. In contrast, the remainder who opt to be entrepreneurs were generally motivated by the prospect of starting their own business or brand and becoming entrepreneurs. The majority believe that the expenditures associated with starting a firm are high and the rewards or gains are comparatively minor due to crowdsourcing as being demonstrated in eastern Java. While the 35 respondents were motivated by a desire to assist SMEs and several of them were working for SME enterprises, they believed that the availability of such services can aid branding for SMEs which is beneficial not only for SMEs themselves but also for the country's economy. This problem of the gap can be turned into a potential if a feasible approach is provided to eliminate the barrier considering the perspective of graphic designers and the need of SMEs.

1.4 Problem Statement

According to the research background and preliminary investigation, the problem can be stated as follows: SMEs in Indonesia must embrace digital technology to survive and grow. However, to compete in the digital era, SME brands must have a strong brand and brand identity. Fortunately, entrepreneurs who run design businesses that provide branding services to SMEs are an excellent resource for resolving SME issues, particularly in terms of branding. However, the number of brand design agencies specializing in SMEs continues to distribute unevenly throughout Indonesia resulting in crowdsourcing in one region and shortage in other, making the influence and effect insignificant. Additionally, they struggle to establish a strong brand at a low cost, which discourages many agencies from working on SME companies. As a result, the primary issue is that building a high-tech and competitive brand identity in the digital era is an extremely expensive process, which in turn makes “designing an SME brand” an unattractive job for many designers in Indonesia. Therefore, a cost-effective yet strong design tool is required to increase the number of designers providing branding services to SMEs so that SMEs can survive in the highly competitive digital era. **Thus, this research is attempt to develop a new model and strategy for simplifying the process of developing a new brand in this digital era with a target to bring down the manufacturing costs while enhancing efficacy.**

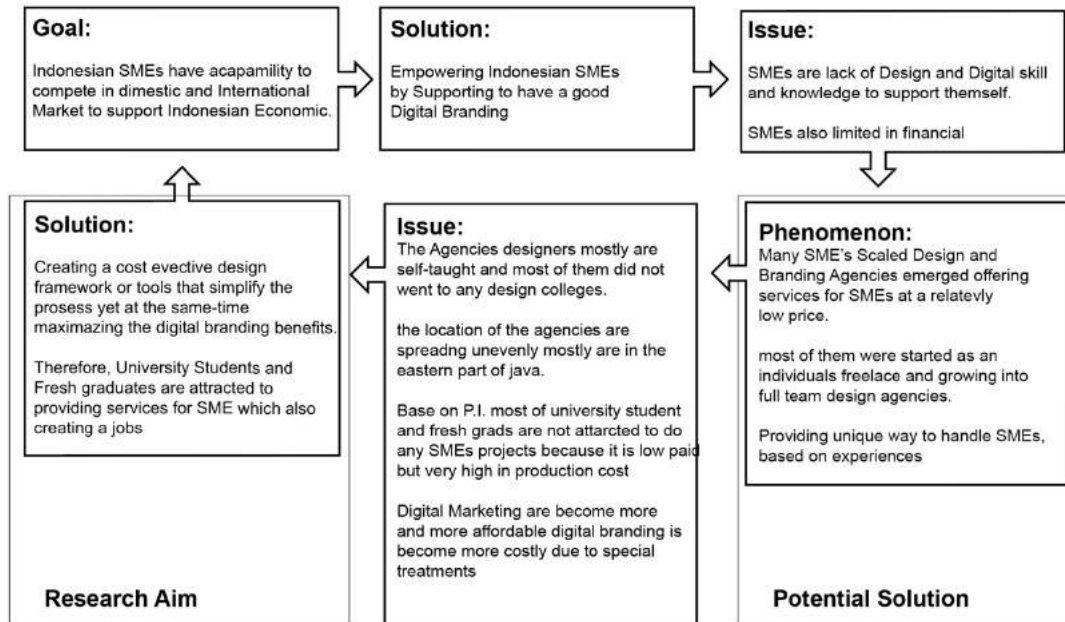


Figure 1.6 How problem are constructed towards research aims

It is expected that this step will further contribute to an increased number of new agencies that interested in focusing on SME brands, particularly recent graduates from graphic design universities. As a result, the primary issue is that building a high-tech and competitive brand identity in the digital era is an extremely expensive process, making designing a SME brand an unattractive job for many designers in Indonesia.

Therefore, a cost-effective yet strong design tool is required to increase the number of designers providing branding services to SME in order for them to survive in the digital era. Thus, this research attempt to develop a new model and strategy for simplifying the process of developing a new brand in the digital era. so that manufacturing costs can be further reduced while enhancing efficacy. It is hoped that an increasing number of new agencies be interested in focusing on SME brands, particularly recent graduates from graphic design universities.

1.5 Purpose Of Study

According to Tambunan (2008), the limiting capital ability of SMEs is a characteristics of SMEs, thus decreasing costs in the brand identity of SMEs while improving quality in accordance with the digital era is a feasible option. While the reference to the Preliminary Investigation (PI) on the other hand, Graphic Design students and Fresh Graduates are considered to manage SME projects due to the cost aspect, but the production process demands tremendous work. Consequently, this study tries to address the issue of digital SME branding by harnessing the potential of graphic design students and recent graduates. The objective of this research is to develop a system capable of bridging the needs of many stakeholders. While Some othe countries such as, South Korea, Taiwan, and Germany have successfully supported their SMEs through tailored approaches. South Korea focused on financial support, R&D, and market access, establishing agencies like the Small and Medium Business Administration (SMBA) and the Korea Technology and Innovation Foundation (KOTEF) to offer services such as technology transfer and management consulting, resulting in innovative and competitive SMEs (Chang, S., & Park, H., 2018). Taiwan emphasized financial support, innovation, and internationalization, creating the Small and Medium Enterprise Credit Guarantee Fund (SMEG) and institutions like the Industrial Technology Research Institute (ITRI) to provide R&D support, leading to SME growth in industries like electronics and machinery (Huang, Y., & Wang, Y., 2018). Germany's Mittelstand approach prioritized vocational training, innovation, and finance, with targeted programs like the Kreditanstalt für Wiederaufbau (KfW) and institutions such as the Fraunhofer Institutes to foster applied research, maintaining SME competitiveness and driving economic growth (Welter, F., & May-Strobl, E., 2018).

These countries adopted tailored approaches while maintaining comprehensive and coordinated support. South Korea focused on financial support, R&D, and market access (Chang, S., & Park, H., 2018); Taiwan emphasized financial support, innovation, and internationalization (Huang, Y., & Wang, Y., 2018); and Germany prioritized vocational training, innovation, and finance (Welter, F., & May-Strobl, E., 2018). Indonesia can learn from these models to develop a customized strategy for its SME sector, ensuring coordinated and comprehensive policies and programs. Numerous studies and reports have highlighted the importance of implementing a systematic ecosystem approach to support Small and Medium Enterprises (SMEs) in Indonesia. The World Bank (2018) emphasized the need for a cohesive SME support ecosystem to improve the overall business environment for Indonesian SMEs. Similarly, the Asian Development Bank (2019) identified key challenges facing Indonesian SMEs and provided recommendations for a more comprehensive and coordinated approach to develop the SME sector.

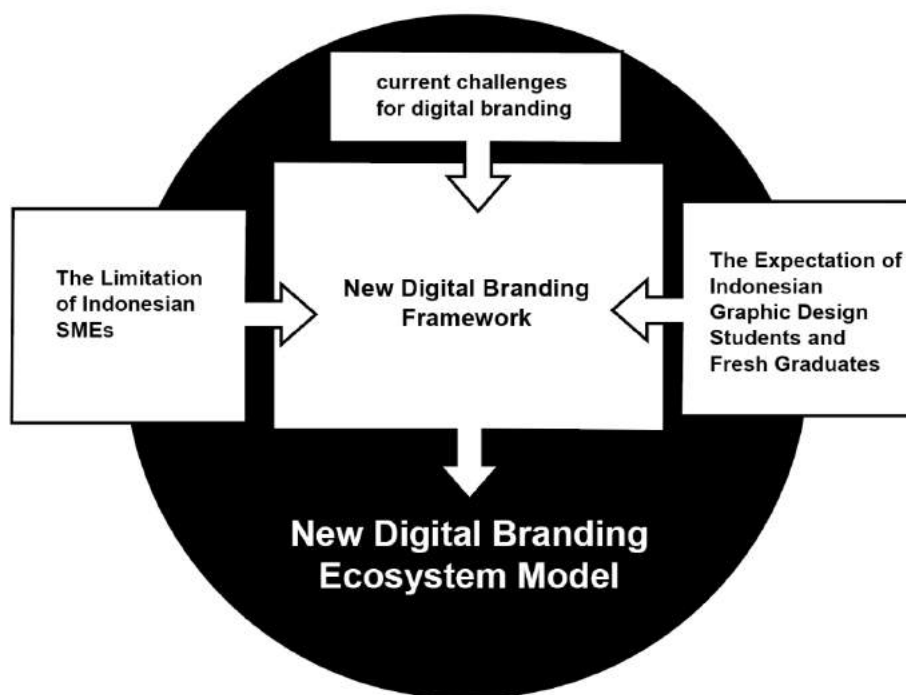


Figure 1.7 How the new digital branding ecosystem model support the new digital branding framework

The Organisation for Economic Co-operation and Development (OECD) conducted a detailed policy review (2020) that analyzed the strengths and weaknesses of the SME and entrepreneurship ecosystem in Indonesia, offering valuable recommendations for improving the policy framework and support programs for SMEs. The United Nations Development Programme (UNDP) (2018) also underlined the need to develop a more systematic approach to SME support, particularly regarding value chain development and access to markets. Furthermore, the International Labour Organization (ILO) (2017) highlighted the importance of fostering an innovative ecosystem for SMEs in Indonesia and provided policy recommendations for enhancing SME competitiveness. Taken together, these studies demonstrate a strong consensus on the need for a systematic ecosystem approach to support the growth and development of SMEs in Indonesia, addressing critical areas such as access to finance, innovation, value chain development, and market access. Significantly, the recommended model assists designers in running their businesses in a more professional and concise approach, which may be faster, cheaper, and easier to afford in terms of client desires, brand potential, and designer comprehension. In addition, this model intends to encourage recent graduates and very young designers with extensive branding experience to start a business in the field of brand design focusing in small and medium-sized enterprises (SMEs) that are able to adapt to the design industry's shifting ecosystem. This action can ultimately empower Indonesian small and medium-sized enterprises, which contribute significantly to the country's economy and growth.

An ecosystem refers to the complex interplay of living organisms and their environment. In the context of business and innovation, ecosystems consist of various entities, such as startups, established firms, academic institutions, investors, and customers, that collaborate and compete within a shared environment (Moore, 1996).

This perspective allows organizations to better navigate the challenges of rapidly evolving markets, technological advancements, and increasing global competition (Adner, 2017). Ecosystem thinking emphasizes the importance of collaboration for fostering innovation, as seen in the concept of open innovation (Chesbrough, 2003). Platform ecosystems, characterized by network effects, play a critical role in the development and diffusion of digital platforms (Parker, Van Alstyne, & Choudary, 2016). By adopting an ecosystem perspective, organizations can better understand the dynamics of business and innovation, enabling them to leverage complex interdependencies among various stakeholders.

The concept of open innovation, introduced by Chesbrough (2003), highlights the importance of ecosystem thinking in fostering innovation. Open innovation posits that organizations should actively collaborate with external partners to tap into the wealth of knowledge and resources available beyond their boundaries. This collaborative approach enables organizations to develop and commercialize innovations more efficiently and effectively (Chesbrough, 2003). Ecosystems also play a critical role in the development and diffusion of digital platforms, which serve as technological foundations for multi-sided markets (Parker, Van Alstyne, & Choudary, 2016). Platform ecosystems are characterized by network effects, where the value of the platform increases as more users and partners join the ecosystem, thus creating a virtuous cycle of growth and innovation (Rochet & Tirole, 2003).

1.6 Research Questions

The Research questions for this study are formulated considering the objectives and the preliminary investigation to highlight the gap. Therefore, the main aim of this study is to overcome the barrier of digital marketing faced by SMEs to improvise their business growth in this digital era.