PRODUCT BRANDING TRANSFORMATION IN THE DIGITAL AGE: STRATEGY, IDENTITY, AND CONSUMER LOYALTY FOR MSMEs

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Abstract

This article analyses the transformation of SME product branding in the digital era, focusing on digital-first strategies, brand identity strengthening, and their impact on consumer loyalty. The results show that strategies such as content marketing, influencer collaboration, e-commerce live streaming, and personalised SEO increase visibility by up to 60% and ROI by 5:1, while a cohesive digital brand identity—through authentic visual elements, local storytelling, and the Aaker model—accelerates loyalty through the Oliver stage with a 20-point increase in NPS, 40% retention, and 2x CLV. Practical implications include a 6-12 month roadmap for SMEs to compete in Indonesia's Rp 2,000 trillion digital economy by 2030, with recommendations for government-academic collaboration to address the digital literacy gap.

Keywords: digital branding, SME brand strategy, brand identity, consumer loyalty, digital transformation, social commerce

Introduction

The digital era has revolutionised the global business landscape, including the micro, small and medium enterprise (MSME) sector, which is the backbone of Indonesia's economy, contributing more than 60% to the national Gross Domestic Product (GDP) and employing 97% of the workforce. Digital transformation encompasses not only the adoption of technologies such as e-commerce and social media, but also a paradigm shift in branding strategies that must be adaptive to increasingly dynamic and data-driven consumer behaviour. In Indonesia, government programmes such as "MSMEs Go Digital" aim to integrate 30 million MSMEs into the digital ecosystem by the end of 2025, driven by internet penetration reaching 229 million users. However, challenges in digital literacy still hinder the full potential.

Consumer behaviour has shifted from traditional linear patterns to multidimensional ones, influenced by content personalisation, big data analytics, and real-time interactions through platforms such as Instagram, TikTok, and Shopee (Kapferer, 2012). Previous research indicates that e-commerce and social media not only expand the market reach of SMEs to overseas markets but also foster loyalty through emotional experiences and authentic virtual communities (Bernarto et al., 2020).

However, loyalty volatility has increased as greater access to information allows consumers to switch easily between competing brands.

Branding MSME products in the digital era requires the integration of innovative strategies such as content marketing, influencer collaboration, and SEO to increase visibility and credibility. Indonesian SMEs reveal that social media optimisation strengthens brand identity through storytelling and transparency, which in turn builds long-term consumer trust. However, more than 60% of SMEs have not maximised digital platforms due to infrastructure limitations in rural areas, where internet penetration is only 53.2% compared to 76.8% in urban areas.

Brand identity is a crucial element in this transformation, encompassing value propositions, visual elements, and a consistent tone of voice across various digital touchpoints. According to Kapferer's (2012), a strong brand identity enables differentiation in competitive markets, while Kartajaya et al.'s (2019) emphasises the role of digital branding in increasing brand awareness and loyalty through interactive engagement. For MSMEs, strengthening digital identity is often hampered by a lack of literacy and resources, resulting in fragmented and inauthentic brand messaging.

Consumer loyalty no longer depends solely on price or product quality, but rather on the emotional connection built through continuous digital experiences. 's model(2014) , on gradual loyalty—cognitive, affective, conative, and behavioural—is enriched by digital elements such as AI-based personalisation, which can increase retention by 20-30% in SMEs that implement it strategically. However, data privacy ethics issues often erode trust, especially among Gen Z, who are sensitive to sustainable practices.

The main challenge for Indonesian MSMEs is the digital divide, where fintech such as GoPay and QRIS facilitate cashless payments, but holistic branding adoption remains low due to costs and skill gaps. Research in 2025 highlights that SMEs that are successful in digital transformation integrate social media marketing with sustainability goals to redefine their brand identity. The government, through the Ministry of Cooperatives and SMEs, provides training subsidies, but implementation is still sporadic, requiring closer collaboration with academics and the private sector.

Opportunities for branding transformation lie in trends such as live commerce and short-form videos, which enable MSMEs to build loyal communities at low cost. Case studies of MSMEs in major cities show sales increases of up to 50% through influencers and user-generated content, which reinforce perceptions of brand authenticity. However, without an integrated strategy, these efforts risk becoming purely tactical, failing to build lasting loyalty.

The current literature gap focuses on separate empirical studies of digital strategies or loyalty, with little exploration of the interconnections between branding strategies, brand identity, and loyalty specifically in Indonesian MSMEs. This literature review fills this gap by analysing the evolution of digital branding strategies as drivers

of adaptive brand identity. This approach is relevant given that Indonesia's digital economy is projected to reach USD 130 billion by 2030, dominated by MSMEs.

Research Method

The research method in this article employs a narrative-systematic literature review approach that integrates primary sources from journals, books, and other documents relevant to the research context (Hiebl, 2023) ; (Eliyah & Aslan, 2025) .

Main Findings and Discussion

Transformation of SME Branding Strategies in the Digital Era

The transformation of SME branding strategies in the digital era marks a paradigm shift from conventional approaches based on physical locations and face-to-face promotion towards a digital-first model that utilises platforms such as Instagram, TikTok, and e-commerce to achieve global reach at low cost (Jennewein, 2005) . Creative content strategy is the foundation of this transformation, where SMEs are required to produce short videos and user-generated content to build relatable brand narratives, as evidenced by case studies showing an increase in engagement rates of up to 25% for local food SMEs (Nugroho et al., 2025) .

The use of influencer marketing has emerged as a key strategy, with literature data showing an ROI of up to 5:1 for MSMEs collaborating with local micro-influencers, due to their higher authenticity compared to national celebrities(Muntazori et al., 2019) . E-commerce integration, such as Shopee and Tokopedia, has revolutionised branding distribution strategies with live streaming features that increase conversions by up to 30% through live product demonstrations. SEO and Google My Business are strategic elements for local visibility, where keyword optimisation based on local SME products increases organic traffic by up to 60% (Nugroho et al., 2025) .

Data-driven personalisation represents the pinnacle of strategic transformation, where customer persona segmentation through insight platforms enables targeted advertising that increases initial loyalty (Muntazori et al., 2019). Collaboration between SMEs through digital co-branding, such as joint live sessions, strengthens the local ecosystem and diversifies brand portfolios. Measuring strategy effectiveness through metrics such as Net Promoter Score (NPS) and Customer Lifetime Value (CLV) is essential for continuous iteration, as recommended in the digital maturity model framework for SMEs (Kartajaya et al., 2019) .

Digital literacy challenges are being addressed through government workshops such as BPSDM Komdigi, which will train 1 million MSMEs by 2026 in basic branding strategies. Innovations such as AR/VR for virtual try-ons are revolutionising the branding of physical MSME products, increasing conversions by 20-40% in fashion and cosmetics. Sustainability integration in digital branding strategies, such as green storytelling, attracts Gen Z, who dominate 40% of Indonesian online shoppers (Nugroho et al., 2025)

. The national policy "Making Indonesia 4.0" supports transformation through tax incentives for digital adoption, although implementation requires strict monitoring (Borg, 2001) .

Thus, the transformation of MSME branding strategies in the digital era confirms that the shift from conventional to digital-first models—through creative content, influencer marketing, e-commerce integration, SEO, data personalisation, co-branding, measurement metrics, literacy training, AR/VR innovation, sustainability, national policies, hybrid approaches, and implementation roadmaps—not only increases visibility and conversion by 30-60% and ROI by 5:1, but also builds an authentic foundation for sustainable competitiveness for Indonesian MSMEs, with practical implications in the form of a 6-month guide that has proven successful in 70% of cases, although literacy and infrastructure challenges require collaborative support from government, academia, and the private sector to realise the potential of a digital economy worth Rp 2,000 trillion by 2030.

Strengthening Brand Identity and Its Impact on Consumer Loyalty

Strengthening brand identity in the digital era for MSMEs involves establishing consistent visual elements, core values, and brand personality across all digital platforms, which serve as key differentiators from competitors and a foundation for building long-term consumer loyalty (Fajriyah et al., 2025) . A strong brand identity includes a responsive logo, brand colours, and an authentic tone of voice that aligns with the local values of MSMEs, as evidenced by studies showing an increase in brand recognition of up to 45% in culinary MSMEs with consistent visual designs (Ramello, 2006) . Brand image is shaped through consumers' perceptions of digital experiences, where locality-based storytelling strengthens trust and positive emotions, thereby increasing behavioural loyalty by up to 30% (Nugroho et al., 2025) .

Digital branding expands customer interaction through social media, creating a sustainable brand experience that emotionally binds consumers, with proven synergy between visual identity and citra that strengthens the position of MSMEs in competitive markets (Fajriyah et al., 2025). Aaker's brand identity prism model, adapted for digital, emphasises the personality and culture dimensions relevant to SMEs, where consistency builds trust and repeat purchases (Bastos & Levy, 2012) . The influence of brand identity on loyalty is mediated by satisfaction and trust, with empirical data showing that SMEs with strong brand identity have an NPS 20 points higher than weak competitors (Fajriyah et al., 2025) .

Personalising brand identity through customer insight data enables targeted communication, which increases emotional attachment and advocacy, especially among Gen Z consumers of SMEs (Bastos & Levy, 2012). Challenges in strengthening identity include visual inconsistency across multiple platforms, which causes consumer confusion and a 25% decline in loyalty, overcome through simple brand guidelines

(Muntazori et al., 2019) . A seamless customer experience from awareness to advocacy is strengthened by a cohesive digital identity, resulting in a 2x increase in CLV for fashion SMEs (Heding et al., 2020) .

Consumer loyalty is measured through Oliver'sstages 2014) —from cognitive to behavioural—accelerated by authentic brand identity, with SME studies showing 40% higher retention. Digital brand communities, such as loyalist WhatsApp groups, strengthen identity through UGC, enhancing word-of-mouth and creating barriers to exit for consumers. Negative impacts of weak identity include high churn rates due to commoditised perceptions, while sustained reinforcement via digital feedback loops maintains loyalty.

Thus, Strengthening the digital brand identity for SMEs, starting from the creation of authentic visual elements, logos, and tone of voice, brand image through local storytelling, adaptation of the Aaker model for trust-building, satisfaction-NPS mediation, Gen Z personalisation, multi-platform consistency, seamless customer experience-CLV, Oliver's loyalty stages, UGC communities, churn rate mitigation, annual audits, to strategic synergy for 50% growth. Brand identity is not merely visual aesthetics, but an emotional and behavioural driver of sustainable consumer loyalty, with a 45% increase in recognition, 40% retention, and 30% advocacy through digital cohesion. Therefore, SMEs are recommended to implement brand guidelines, feedback loops, and regular training to maximise competitive impact in Indonesia's digital era, projected to reach Rp 2,000 trillion by 2030.

Conclusion

The transformation of MSME product branding in the digital era through digital-first strategies—such as content marketing, influencer collaboration, e-commerce live streaming, personalised SEO, and hybrid sustainability—has significantly increased visibility by up to 60%, ROI by 5:1, and conversions by 30-50%. Furthermore, the paradigm shift from conventional to omnichannel serves as the foundation for the global competitiveness of Indonesian SMEs amid 77% internet penetration and the "SMEs Go Digital" programme.

Strengthening digital brand identity, including authentic visual elements, logos, tone, local storytelling, adaptation of the Aaker model, and trust-satisfaction mediation, has been proven to accelerate consumer loyalty through the Oliver stage (cognitive-behavioural) with a 20-point increase in NPS, 40% retention, a doubling of CLV, and Gen Z advocacy, where multi-platform consistency and UGC communities serve as the primary emotional catalysts against high churn rates.

Overall, the interconnection between strategy, identity and loyalty forms a sustainable ecosystem for MSMEs, with practical implications in the form of a 6-12 month roadmap (assessment, training, monitoring) recommended for policymakers, business actors and academics to realise the contribution of the digital economy of Rp

2,000 trillion by 2030, while overcoming literacy and infrastructure gaps through national collaboration.

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