

Implementation of Digital-First Strategy on Small Businesses in Responding to Global Market Dynamics

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Abstract

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Digital-first strategies have become a key approach for small businesses in the face of the dynamics of a global, increasingly fast, competitive, and digitalized market. This study aims to evaluate how the implementation of digital-first strategies can increase the competitiveness of SMEs, expand market reach, and encourage business process efficiency. This study uses a literature study method by examining 11 scientific publications that are relevant to the topic of digitization of SMEs and the global market. The results of the analysis show that the digital-first strategy, when implemented in an integrated manner through the use of technology such as e-commerce, CRM systems, and cloud-based platforms, is able to have a positive impact on the performance of SMEs. However, there are still challenges such as low digital literacy, cybersecurity risks, and reliance on external digital platforms. Therefore, cross-sectoral support is needed in building an inclusive, secure, and sustainable digital ecosystem. Digital-first strategies are proven to be not just a technological tool, but the foundation of small business transformation towards economic resilience in the digital era.

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1. Introduction

Digital transformation has become a fundamental need in the modern business world, especially amid the acceleration of global change that has occurred over the past few years. The year is a crucial point where the business world, including small and medium businesses (SMEs), is faced with increasingly complex global challenges, ranging from geopolitical fluctuations, changing consumer preferences, supply chain disruptions, to accelerating technological innovation. In this uncertain landscape, a digital-first approach is emerging as a key strategy for maintaining relevance, expanding markets, and increasing competitiveness (Julyanthry et al., 2022).

Digital-first strategy refers to a new paradigm in business management, where the entire process, from operations to customer service, is prioritized in a digital format. For SMEs, this approach is no longer an option, but a necessity in responding to market pressures that demand speed, efficiency, and cross-border connectivity. According to Mattila et al. (2021), the shift in consumer preferences towards digital services, both in transactions, communication, and after-sales services, requires SMEs to carry out a comprehensive transformation in their work structures and systems. Other research also shows that SMEs that successfully implement digital-first strategies often show significant improvements in productivity and customer satisfaction.

The application of digital-first to SMEs is becoming increasingly important considering the very strategic position of SMEs in the national economy. However, this dominance has not been comparable to the digital readiness of this sector. Many

SMEs still rely on conventional business models that are vulnerable to disruption. Challenges such as low digital literacy, limited infrastructure, and lack of strategic support are often major obstacles to the application of technology. As a result, SMEs are the most affected group when there are drastic changes in the global market.

The COVID-19 pandemic is a clear example that shows the urgency of digitalization. When mobility is limited and consumer behavior shifts to the online realm, only SMEs that already have digital readiness are able to survive and even grow in the midst of a crisis. This reinforces the argument that digital-first is not just a technical approach, but a future-oriented business sustainability strategy. Kmecová et al. (2021) emphasized that the success of SME digitalization is highly dependent on the integration of business strategies, digital technology, and human resource empowerment. In addition, collaboration with digital ecosystems such as e-commerce and marketplaces has been proven to accelerate technology adoption and expand the reach of the SME market (Hasan & Mardhani, 2021).

It is undeniable, digital-first strategies are not barrier-free. In the context of SMEs, digital transformation is not only about adopting new technologies, but also involves changing mindsets, business models, and adapting to the global digital ecosystem. Depaoli et al. (2020) explained that many SMEs have difficulty developing a holistic digital strategy due to the lack of access to information and practical guidance. Therefore, digital-first must be understood as a long-term process that requires synergy between business owners, governments, and technology providers. Another study highlights that government support through training

programs and fiscal incentives can significantly reduce financial and knowledge barriers in the process of digitizing SMEs (Elvlyn & Marhaen, 2022).

Responding to these dynamics, this study aims to systematically explore how digital-first strategies are implemented by small businesses in response to global market dynamics. This study uses a literature study method, by analyzing scientific articles that are relevant to the themes of digital transformation, SMEs, and global business strategies. The main objective of this study is to develop a conceptual and practical understanding of the implementation of digital-first strategies, their supporting and inhibiting factors, and their impact on the competitiveness and growth of SMEs.

The results of this research are expected to make a theoretical contribution to the development of strategic management science and digital transformation, as well as become a practical reference for stakeholders involved in SME empowerment. By identifying best practices, key barriers, and mitigation strategies, this paper is expected to provide a comprehensive overview of the importance of digital-first adoption in strengthening the position of SMEs in an increasingly competitive global value chain.

2. Literature Review

2.1. Concept and Principles of Digital-First Strategy

A digital-first strategy is a strategic approach that puts digital technology at the center of all business processes and organizational decision-making. This approach is different from partial digitization which only converts one or two

business functions into a digital format. In contrast, digital-first requires a complete repositioning of the company's vision, mission, and operations, where all activities must first be designed for the digital environment. This strategy not only relies on digital tools, but also builds an agile, data-adaptive, and cross-platform work ecosystem. In the context of SMEs, digital-first is not just a presence on social media or marketplaces, but concerns the transformation of business models to be faster in responding to market demand, streamlining supply chains, and strengthening customer relationships through the use of data.

As explained by Ravi et al. (2022), digital-first strategies in SMEs include the integration of cloud-based inventory management systems, consumer behavior analytics, and scalable digital marketing. The advantage of this strategy lies in its ability to turn data into a strategic asset. With technologies such as Customer Relationship Management (CRM), analytics dashboards, and Enterprise Resource Planning (ERP), SMEs can gain real-time customer insights, monitor the effectiveness of promotions, and adjust product offerings. Julyanthry et al. (2022) added that digital-first strategies also encourage sharper customer onboarding, as they allow for more precise market segmentation and personalized communication.

The study by Elvlyn and Marhaen (2022) also emphasizes that digital-first adoption significantly improves operational efficiency and reduces overhead costs for SMEs. Nevertheless, digital-first principles must be followed by organizational cultural readiness and human resource digital capabilities. Without the support of a digital mindset and adequate training, technology adoption has the potential to be cosmetic with no significant impact on productivity. Therefore, the digital-first

strategy needs to be implemented holistically, paying attention to aspects of technology, human resources, and the work ecosystem.

2.2. Global Market Dynamics and Their Impact on SMEs

The post-pandemic global market is undergoing a major restructuring, characterized by accelerated technology adoption, supply chain fragmentation, and rising geopolitical uncertainty. The year marks a new chapter in global trade, where business actors of all sizes are required to prioritize speed, connectivity, and flexibility in responding to market demands. SMEs that previously only played in the local sphere are now encouraged to participate in a digital, competitive, and dynamic global arena. However, this market transformation brings great challenges for SMEs. Structurally, many SMEs are not ready to face global market pressures due to limited resources, technological infrastructure, and small scale of operations.

In addition, obstacles in export regulations, differences in international payment systems, and lack of understanding of foreign consumer preferences are additional barriers. In this condition, digitalization is an important means to close the competitiveness gap. Digital-first strategy helps SMEs overcome geographical limitations and open access to foreign markets through e-commerce channels, international digital platforms, and cross-border digital campaigns. The ability to run a business across borders without having to open a physical branch is one of the most significant advantages of digital-first. It also allows SMEs to more quickly respond to changing demands, adjust product offerings, and improve global customer satisfaction.

A study by Attaran (2020) confirms that SMEs that integrate digital technology in their supply chains have succeeded in improving logistics efficiency and reducing shipping costs, making them more competitive in international markets. Not only in the marketing and distribution aspects, the dynamics of the global market also demand high efficiency in logistics and inventory management. Digital platforms allow for real-time integration between sales, stock of goods, and shipping, which is crucial in maintaining the reputation of the service. Therefore, SMEs that adopt digital-first strategies have a greater chance of surviving and even growing in an increasingly competitive global market.

2.3. Digitalization as a Factor to Strengthen the Competitiveness of SMEs

Digitalization, when implemented strategically, provides a substantial competitive advantage for SMEs. In a data-driven and fast-paced business world, SMEs can no longer rely on the advantages of traditional locations or relationships. On the other hand, product differentiation, service efficiency, and customer engagement are the main keys in building competitiveness. Digitalization answers this need through automation, system integration, and higher value creation for consumers. Research by Julyanthry et al. (2022) shows that SMEs that implement a comprehensive digital strategy experience an increase in productivity of up to 40% compared to those that still rely on conventional methods. Not only cost efficiency, but also increased customer interaction and market expansion become easier to achieve. Digitalization also allows for real-time monitoring of business performance, which makes it easier to adjust strategies as market conditions change. On the other hand, digitalization also opens access to collaboration and strategic partnerships.

Digital platforms such as cloud-based ERP, SaaS tools, and marketplaces allow SMEs to build business ecosystems that are connected to other actors in the value chain. This strengthens the bargaining position of SMEs against suppliers, distributors, and even end consumers. Kmecová et al. (2021) emphasized that SMEs that have implemented digitalization well have a higher level of adaptability and innovation. A study by Hasan and Mardhani (2021) added that SMEs that utilize e-commerce platforms have a greater chance of surviving and growing in a competitive market due to wider market access and lower operational costs. However, digitalization also brings risks. Reliance on technology presents potential vulnerabilities to system disruptions, cybersecurity breaches, and reliance on external platforms that have their own algorithmic controls. Therefore, it is important for SMEs to not only adopt technology, but also build digital literacy, develop risk mitigation capabilities, and continuously update their digital strategies to stay relevant in the ever-changing market landscape.

3. Method

This research uses a qualitative approach with the literature study method (library research) as the main foundation. This approach was chosen because it allows researchers to explore, compare, and analyze various ideas and academic findings related to the implementation of digital-first strategies in the small and medium enterprises (SMEs) sector in the face of global market dynamics. Literature studies provide flexibility in exploring theoretical concepts, empirical practices, and

global dynamics simultaneously and in-depth without direct intervention on field subjects.

The main sources of data in this study were obtained from indexed scientific publications such as accredited national journals, conference proceedings, research reports, and scientific books published in the 2018–2022 time frame. The inclusion criteria of the article are (1) the relevance of the topic to digital-first strategies, the digitalization of SMEs, and the global market; (2) academic sources that are verified and can be accessed openly or through higher education institutions; and (3) focus on empirical, theoretical, or a combination of both studies that can strengthen thematic analysis. Articles that do not meet academic standards or are not substantially relevant to the context of this study are systematically eliminated.

In the data collection process, the researcher uses a purposive sampling approach to literature that is considered credible and has an impact in relevant fields of study. The data that has been collected is then analyzed using thematic analysis techniques. This process is carried out through three stages: first, reading and understanding each article thoroughly to identify the main themes that emerge; second, to categorize findings that are relevant to the research question; and third, synthesize the information into an integrated narrative that describes the relationship between digital-first strategies, global market dynamics, and the role of SMEs in it.

The validity of this study is maintained through triangulation of sources, i.e. by comparing findings from several different literature that discuss the same or interrelated aspects. In addition, the researcher also cross-checks between conceptual references and empirical data to ensure the consistency and accuracy of

interpretation results. Methodological transparency is maintained through complete citation recording and the use of direct citations from original sources to strengthen arguments.

The main objective of using this method is to present a complete conceptual understanding of how digital-first strategies are adopted by small businesses in response to the transformation of the global market, as well as to identify the factors that support or hinder its success. Through this approach, the research results are expected to be able to provide meaningful academic contributions, as well as practical guidance for stakeholders, including SMEs, governments, and digital solution providers, in formulating future-oriented business transformation policies and strategies.

4. Results

The implementation of digital-first strategies in small businesses has become a major highlight in the global economic landscape, where digital transformation is a strategic imperative due to accelerating technology, changing consumer behavior, and increasingly competitive cross-border competition. The results of literature studies from various academic sources between 2018 and 2022 show that the digital-first approach is not just a trend, but has transformed into a necessity for the sustainability of small businesses in the face of the complexity of the rapidly changing global market.

A digital-first strategy in the context of SMEs refers to a business model that prioritizes all interactions, processes, and systems through digital channels first. This

means that strategic decisions are made assuming that all business activities will occur digitally. This approach is different from partial digitization which is reactive or simply trend-following. In digital-first, digital transformation is carried out comprehensively and becomes the main foundation of the business model. This strategy includes the integration of e-commerce platforms, planned use of social media, digital payment systems, and cloud-based customer and inventory management software. Research by Julyanthry et al. (2022) shows that more than 60% of digitally active SMEs experience increased turnover, customer reach, and operational efficiency within one year of adopting this approach.

In the face of global market dynamics, digital-first strategies are an important catalyst in increasing the competitiveness of SMEs. The change in consumer behavior post-pandemic that favors online interactions, fast service, and personalized customer experiences requires businesses to adapt their business models digitally. Mattila et al. (2021) notes that customers tend to be more loyal to brands that are able to provide a consistent and interactive digital experience across multiple platforms. Therefore, digital-first implementation allows SMEs to integrate all customer touchpoints from promotions on social media, order processes in e-commerce, customer service communication via chatbots, to real-time shipment tracking.

The positive impact of the digital-first strategy is also seen in the expansion of market reach. Many SMEs who previously only focused on the local market are now able to sell products outside the region, even abroad, without a physical presence. By utilizing platforms such as Shopee International, Tokopedia Global,

and Amazon Marketplace, SMEs can break through geographical boundaries at a relatively low cost. Ravi et al. (2022) noted that this digital expansion model is more flexible and risk-effective compared to conventional physical expansion approaches. In addition to promotion and distribution, the digital-first strategy also brings changes in the internal management of SMEs. Administrative processes such as accounting, stock management, and financial statements can now be automated and monitored in real-time through a cloud-based platform. This improves decision-making accuracy, lowers the potential for error, and accelerates responses to market dynamics. Julyanthry et al. (2022) added that data-driven analytics capabilities are a significant differentiating factor between fast-growing and stagnant SMEs.

However, the results of the literature review also reveal that not all SMEs can adopt digital-first strategies optimally. The level of digital readiness among SMEs varies greatly. Some SMEs already have a strong digital foundation, while others are still in their infancy. The most common obstacles often originate from within the organization itself, particularly the conservative mindset of business owners who still consider technology investment as a financial burden rather than a strategy for growth. Small and medium enterprises with limited digital literacy frequently end up adopting digital solutions only in part, leading to systems that are fragmented and not well integrated. As a result, these businesses fail to gain the full advantages that technology adoption can actually provide.

Another interesting finding in the results of the literature study is the importance of strategic partnerships in supporting the success of SME digital transformation. Collaboration between SMEs and government agencies, technology

platforms, universities, and the digital community has proven to be effective in accelerating the digitalization process. Depaoli (2020) said that forms of support such as digital training, software subsidies, and digital business incubation are very helpful for SMEs in reducing the risk of technology adoption. In addition, partnerships with technology-based logistics providers allow SMEs to optimize supply chains and delivery of goods with much better efficiency (Akoğlu et al., 2022).

However, digital-first strategies also have weaknesses that cannot be ignored, one of which is the dependence on external digital platforms. When SMEs only rely on one channel, such as a marketplace or certain social media, their business continuity becomes vulnerable to algorithm changes, increased service fees, or new policies that can reduce product visibility. Therefore, digitally mature SMEs usually develop strategies to diversify digital channels, such as building their own websites, creating application-based online stores, and implementing omnichannel marketing. This diversification is important so that SMEs not only become "tenants" of the platform, but also have their own digital assets that can be fully controlled.

On the consumer side, the implementation of a digital-first strategy has a significant impact on the quality of customer experience. By leveraging customer data, SMEs can craft relevant offers, provide responsive services, and create emotional connections with customers through two-way communication. Customer satisfaction increases drastically when interactions are carried out personally, for example through customized automated messages, segmented promotional emails, and humanistic social media campaigns. This creates stronger customer loyalty and differentiates SMEs from large competitors who tend to be rigid in communication.

Digitalization has also proven to have a strong social impact in expanding economic participation. Digital technology opens up opportunities for business actors in remote areas, women entrepreneurs, and vulnerable groups to run businesses from home or remote locations with equal market access. Asnawan et al. (2022) show that female SMEs involved in digital training tend to experience increased income and confidence in running businesses independently. Therefore, digital-first strategies not only serve as a driver of economic growth, but also as an instrument of social empowerment.

Despite its many benefits, risks to digital security are one of the main concerns in implementing a digital-first strategy. Many SMEs do not understand the importance of cybersecurity and the management of consumers' personal data. This can be a serious weak point in the digital business ecosystem, especially in the event of data theft or cyberattacks that cause financial and reputational losses. Kmecová et al. (2021) suggest that digital security training should be an integral part of the SME transformation program. Data protection efforts should start from simple practices such as the use of two-factor authentication, periodic software updates, to an understanding of phishing and malware.

Moreover, the results of the literature study show that organizational cultural readiness is also a determinant of digital-first success. This strategy requires a new mindset that is more open, collaborative, and innovation-based. Ravi et al. (2022) emphasized that a change in work culture from top-down to agile is necessary so that digital transformation does not just stop at technology, but is truly rooted in the way we work and make daily decisions.

Overall, the results of the study show that digital-first strategies have great potential to help SMEs effectively address global market challenges. This strategy strengthens competitiveness through process efficiency, quick adaptability, personalization of services, and strengthening relationships with customers. However, the success of its implementation is highly dependent on a combination of the internal readiness of SMEs and the support of an external ecosystem that includes regulations, infrastructure, and cross-sectoral partnerships. Digital-first adoption must be understood as a continuous transformation process that requires a long-term commitment and courage to continue learning and adapting. With targeted digital adoption, Indonesian SMEs have great potential to become a resilient and innovative global player amid the pressure of technological disruption. The digital-first strategy, when implemented comprehensively and sustainably, will not only improve business sustainability, but also pave the way for SMEs to become the driving force of an inclusive and highly competitive national digital economy.

5. Discussion

The results show that digital-first strategies have become an effective and adaptive approach in strengthening the position of small businesses amid the current of global market changes. Through this approach, SMEs are able to access digital technology to optimize business processes, reach new markets, and improve customer experience. These findings are in line with the digital transformation thinking framework that emphasizes that competitive advantage in the modern era

no longer comes from physical assets alone, but from the speed of adaptation and data-driven innovation.

The implementation of digital-first drives changes in various business dimensions, ranging from strategic aspects, operations, to organizational culture. This strategy has proven to be able to overcome physical and geographical limitations that have been the main obstacles for SMEs in penetrating the global market. By leveraging global marketplaces, cloud technology, and CRM systems, SMEs can expand their business reach and manage customer relationships more personally and efficiently. However, the effectiveness of this strategy is greatly influenced by digital readiness, both in terms of infrastructure, human resources, and managerial mindset.

The discussion also revealed that the success of a digital-first strategy for SMEs depends not only on technology, but also on external factors such as policy support, access to digital financing, and strategic partnerships. Government programs that encourage the digitalization of SMEs, such as digital training, online marketing assistance, and technology adoption incentives, have had a real impact on digital transformation readiness in this sector. In addition, collaboration with major technology platforms and digital communities is a key factor that accelerates the digitalization process and reduces the burden of transformation costs.

Nevertheless, this discussion also highlighted a number of important challenges. One of the main obstacles is the low level of digital literacy, which is still a serious issue, especially in areas with limited access to technological infrastructure. Many SMEs have difficulty understanding and operating digital systems optimally.

In addition, cybersecurity threats are also a strategic risk that needs to be managed seriously, given the increasing reliance on digital systems in all business processes. A lack of awareness of the importance of data protection and mitigation of cyberattacks can significantly disrupt the sustainability of small businesses.

Furthermore, there is a risk of dependence on third-party platforms. When SMEs rely on only one digital channel such as a marketplace, they become vulnerable to changes in the platform's policies or algorithms. Therefore, an ideal digital-first strategy should include diversifying digital channels and building your own digital assets, such as websites, standalone applications, and internal customer databases.

Conceptually, the digital-first strategy has proven to be able to build the competitiveness of SMEs through efficiency, market expansion, and continuous innovation. However, its implementation requires a supportive ecosystem and the courage to undertake a comprehensive transformation. This approach is not just technology, but a new way of doing business that places speed, connectivity, and flexibility as core values. If implemented correctly, the digital-first strategy will lead SMEs to become major players in the global digital economy.

6. Conclusion

The study concludes that digital-first strategies are a highly relevant and strategic approach for small businesses in the face of increasingly complex and competitive global market dynamics. This approach allows SMEs to place digital technology as a key cornerstone in business operations, marketing, and decision-making. Through comprehensive digitalization, SMEs can expand market reach,

improve operational efficiency, and strengthen customer loyalty through a data-driven and responsive approach to consumer needs. The adoption of digital-first strategies has proven to have a positive impact on the growth and competitiveness of SMEs, especially in terms of flexibility and adaptation to rapid market changes. However, the success of implementing this strategy depends not only on the availability of technology, but also on the readiness of human resources, public policy support, and strategic partnerships in the digital ecosystem.

Despite significant challenges such as low digital literacy, cybersecurity threats, and reliance on external digital platforms, these barriers can be overcome with a targeted and collaborative approach. Therefore, digital-first strategies need to be implemented comprehensively and sustainably, not as a temporary solution, but as a key foundation for the transformation of small businesses towards independence and success in the global marketplace. Thus, digital-first is not only a technological tool, but also a comprehensive transformation strategy that drives innovation, inclusion, and more resilient and sustainable economic growth for SMEs.

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