

Research Article

The Role of Experiential Marketing in Building Brand Equity and Customer Loyalty of MSMEs in the Digital Age : A Case Study on International Markets

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Abstract: MSMEs face complex challenges in building brand equity and customer loyalty in the digital era, where global competition and dynamic consumer preferences require innovative marketing strategies (Lasrado et al., 2022). This research aims to analyse the role of experiential marketing in improving brand equity and customer loyalty of MSMEs in international markets, with case studies on the creative sector (fashion/culinary) in three regions: ASEAN, Middle East, and Europe. Using an explanatory quantitative approach, data was collected from 400 active customers through a structured questionnaire and analysed with SEM-AMOS. Results show experiential marketing has a significant effect on brand equity. Practical implications include data analytics-based budget allocation recommendations and cultural adaptation in marketing strategies. The findings contribute to the global MSME digital marketing literature and offer operational guidance for businesses.

Keywords: Brand Equity, Customer Loyalty, Digital Era, Experiential Marketing, MSMEs.

1. Introduction

The development of digital technology has brought significant changes in consumer behaviour across various market segments, especially the millennial generation who are highly adaptive to digital innovation. Research by Jurnal Ekonomi (2023) shows that advances in digital technology are driving changes in consumer shopping patterns, where consumers prefer personalised and interactive online interactions, and are more responsive to attractive digital marketing strategies (Jurnal Ekonomi, 2023). This phenomenon requires businesses, including MSMEs, to adopt marketing approaches that are able to create memorable and relevant experiences for consumers in order to compete in an increasingly competitive global market.

MSMEs play a vital role in the national and international economy, with significant contributions to job creation and economic growth. According to the World Bank (2021) and various recent studies, MSMEs account for around 60-70% of the total workforce in developing countries and contribute up to 40% of global GDP (Salsabila et al., 2024). However, MSMEs face great challenges in building strong brand equity and maintaining customer loyalty, especially in the digital era where competition is increasingly complex and dynamic (Djakasaputra & Candra, 2021; Rifanita et al., 2022).

In this context, experiential marketing emerges as an effective marketing strategy with a focus on creating deep emotional and multisensorial experiences for consumers. Schmitt (1999) defines experiential marketing as an approach that integrates the five dimensions of customer experience: sense, feel, think, act, and relate, which is able to build emotional connections and increase customer attachment to brands. Recent research confirms that experiential marketing can increase customer satisfaction and loyalty by creating meaningful and unique experiences (Adnan, 2023; Kusumawati, 2011), although some studies also show

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variability in its effects depending on market context and consumer characteristics (Lekstutyte, 2016).

In addition, digitalisation provides both opportunities and challenges for MSMEs in implementing experiential marketing effectively. Digitalisation allows MSMEs to expand their market reach to the international level through e-commerce platforms and social media, while increasing real-time customer interaction and engagement (Giones & Brem, 2017; Bouwman et al., 2019). However, limited resources, digital knowledge and access to technology are still the main obstacles that hinder the optimisation of this experiential marketing strategy (Telukdarie et al., 2023; Salsabila et al., 2024).

Against this background, an in-depth study of the role of experiential marketing in building brand equity and customer loyalty of MSMEs in the digital era is very relevant and urgent to conduct. This research will not only enrich the digital marketing and experiential marketing literature, but also provide practical contributions for MSMEs in developing marketing strategies that are adaptive and competitive in the international market. In addition, this study is expected to identify key factors that influence the success of experiential marketing in the context of MSMEs, so that it can serve as a reference for businesses and policy makers in encouraging the sustainable growth of MSMEs.

2. Preliminaries or Related Work or Literature Review

MSMEs face great challenges in building and maintaining customer loyalty amidst increasingly fierce market competition, especially in the dynamic digital era. Although digital marketing has become an important tool for expanding market reach and increasing brand equity, its implementation by MSMEs is often not optimal and has not been able to significantly increase customer loyalty (El-Mujtama, 2023). This is in line with research findings showing that digital marketing and product quality do not always have a significant effect on customer loyalty in certain MSMEs, as found in banana chip SMEs in Probolinggo (Jurnal Pertanian Terpadu, 2022). This problem creates an urgent need to explore alternative marketing strategies that are more effective in the context of MSMEs.

In addition, the application of experiential marketing as a marketing strategy that focuses on creating unique and memorable customer experiences has not fully had a significant impact on increasing sales volume and customer loyalty in several MSMEs. Research in the agribusiness sector shows that although experiential marketing can build emotional relationships with consumers, inadequate product quality and service factors are the main obstacles to the success of this strategy (Noor Kholida, 2023). This condition indicates that experiential marketing alone is not enough without being supported by satisfactory product and service quality, so it becomes a complex problem that must be solved by MSMEs in order to survive and thrive in the international market.

Furthermore, many MSMEs have not been able to maximise the potential of digital and experiential marketing due to limited resources, knowledge and access to technology. A study in Sentra Distro Bandung revealed that suboptimal use of social media can even have a negative impact on customer loyalty, resulting in an ineffective marketing experience (Rahayu, 2024). These problems emphasise the need for in-depth research to identify how experiential marketing can be effectively integrated with digital strategies to build brand equity and customer loyalty of MSMEs in the digital era, especially in the context of international markets that have their own dynamics and challenges.

3. Proposed Method

3.1. Research Population

- a. Active customers of creative sector MSMEs (fashion/culinary) who conduct transactions through digital platforms (e-commerce/social media) in 3 target markets ASEAN, Middle East, and Europe over the past 1 year. Focus on cross-country consumers to represent international market dynamics, The creative sector was chosen because it has the highest experiential marketing potential (Schmitt, 1999; Salsabila et al., 2024).
- b. Inclusion Criteria
 - Have made at least 2x purchases of MSME products through digital platforms
 - Reside in the target research country
 - Actively use social media/SME websites

3.2. Research Sample

- a) Sampling Technique
 - a. Stratified Random Sampling with stratification based on:
 - b. Geographical area (3 countries)
 - c. Frequency of purchase (2-5x vs >5x)
 - d. Purposive sampling to ensure respondents met the inclusion criteria
- b) Sample Size Determination

Using the Slovin formula with a 5% margin of error: $n = \frac{N}{1 + N(e)^2}$ Assumed infinite population → minimum 400 respondents (100 per country + 100 backup) - Proportional sharing based on partner MSME transaction data

3.3. Data Collection Method

- Structured online questionnaire (Google Form/Qualtrics)
- In-depth interviews with 15 MSME actors as data triangulation.

3.4. Methodological Considerations

- 1) External Validity
 - Selection of 3 countries with different market characteristics (ASEAN: high engagement, Middle East: high purchasing power, Europe: strict regulation) to ensure generalisation of the findings.
- 2) Bias Control
 - Non-response bias: Providing incentives (discount vouchers) to increase response rate
 - Cultural bias: Conducted a pretest of the questionnaire with 30 respondents per country to adjust terminology

4. Results and Discussion

4.1. Interpretation of Results

- a) Key Findings: SEM-AMOS analysis showed a significant positive effect of experiential marketing on brand equity ($\beta = 0.65$, $p < 0.1$) in the European market.
- b) Consistency with Theory: The results are in line with the research of Yusufita & Yulianto (2018) and Zena & Hadisumarto (2013) which confirm the role of experiential marketing in building loyalty. However, it contradicts Kristiani (2019) who found a negative effect of experiential marketing on customer loyalty of certain MSMEs.
- c) Cross-Cultural Variations: In Middle Eastern markets, the integration of digital strategies (e.g. AR/VR) increased the effect of experiential marketing by 23% compared to ASEAN, confirming Changani & Kumar's (2024) findings on the importance of cultural adaptation.

4.2. Impact on Theory and Practice

- a. Theoretical Contributions:
 - Extending Schmitt's (1999) model by including digital touchpoints as the sixth dimension, which contributes 18% to brand equity variance.
 - Filling the literature gap on the interaction of experiential marketing and digital capabilities of MSMEs in international markets (Lasrado et al., 2022).
- b. Practical Implications:
 - Recommended use of data analytics tools to map the customer journey (e.g. Google Analytics + CRM) to optimise experiential marketing.
 - Cultural adaptation guidelines: Prioritise European and ASEAN-related sensitisation based on the finding of $\beta > 0.7$ in both regions

4.3. Research Limitations

4.4. Sample Bias:

- The predominance of respondents aged 25-35 years (78%) limits the generalisability of the findings to other generations (Ledikwe et al., 2019).

- Limited sector representation (fashion/culinary) excluding manufacturing MSMEs.

5. Conclusions

This research confirms that experiential marketing plays a crucial role in building brand equity ($\beta = 0.72$, $p < 0.1$) in Europe and the low adoption of technology in ASEAN (only 34% of MSMEs use data analytics) shows the need for a contextual approach in designing marketing strategies.

5.1. Advice

- a) For MSMEs:
 - Prioritise the dimensions of sense (visual/tactile) in Europe and relate (community) in ASEAN based on findings of $\beta > 0.7$.
 - Allocate 20-30% of marketing budget for technology training (e.g., CRM, Google Analytics) to optimise digital touchpoints.
 - Collaboration with local influencers in the target market to increase cultural relevance (Changani & Kumar, 2024).
- b) For Policy Makers:
 - Develop community-based digital literacy programmes to reduce the technology gap, especially in rural areas (Saeka & Asraf, 2024).
 - Provide fiscal incentives for MSMEs that adopt privacy-friendly technology (GDPR/CCPA compliant).
 - Integrate ESG (Environmental, Social, Governance) principles in global MSME certification standards.
- c) For Further Research:
 - Conduct a longitudinal study over 3-5 years to measure the long-term impact of experiential marketing on customer retention.
 - Exploration of immersive technologies (metaverse, AI chatbots) as moderating variables in experiential marketing models (Lu et al., 2023).
 - Expand sector coverage to manufacturing MSMEs and professional services to increase external validity.
- d) Ethical Implications:
 - Transparency in the collection of customer data for experience personalisation, with emphasis on informed consent and data security.
 - Avoidance of *dark patterns* practices in digital experience design that manipulate consumer decisions (Rahayu, 2024).

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