

Strengthening Branding and Brand Loyalty as a Strategy to Enhance MSME Competitiveness in the Digital Era

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Abstract. *The digital era requires Micro, Small, and Medium Enterprises (MSMEs) to possess high competitiveness through marketing strategies based on brand identity and customer loyalty. From a psychological perspective, branding is not merely a marketing instrument but a symbolic medium through which consumers form emotional attachment, personal identity, and social belonging to a brand. This community service activity aims to improve the understanding and awareness of MSME actors in Gorontalo Regency regarding the importance of branding and brand loyalty in maintaining business sustainability in the digital market. The activities were conducted through interactive training, practical mentoring, and simulations of emotionally driven digital branding strategies, including storytelling, strengthening visual identity, and consistent social media management. The results showed significant improvement in MSMEs' understanding of brand identity, their ability to create meaningful digital content, and increased interaction with consumers on digital platforms. MSMEs began recognizing the unique characteristics of their brands and understanding that customer loyalty directly influences sales growth and business sustainability. This activity confirms that strengthening branding and brand loyalty not only increases digital visibility but also fosters emotional and psychological bonds between brands and consumers.*

Keywords: *Digital Branding, Brand Loyalty, MSMEs, Consumer Psychology, Competitiveness*

Received: January 15, 2026

Received in Revised: February 23,
2026

Accepted: March 17, 2026

INTRODUCTION

Digital transformation has fundamentally reshaped how businesses interact with markets, particularly through data-driven personalization and emotionally intelligent communication (Oumaima & Lamari, 2024; Mittal et al., 2025; Omol et al., 2024; Şenyapar, 2024). In the era of Marketing 5.0, brands are expected to combine technology with human-centered engagement to create meaningful customer experiences (Lemon & Verhoef, 2016; Kulkarni & Jayanthi, 2025; Kothari et al., 2025).

MSMEs, as the backbone of Indonesia's economy, must adapt to this shift to remain competitive in digital ecosystems (Aminullah et al., 2024; Lukiyanto, 2025; Gebrian et al., 2026). With MSMEs accounting for 99% of business units and contributing over 60% to the national GDP, their ability to utilize digital branding becomes a strategic necessity rather than an optional practice (Aprieni et al., 2024; Dwivedi et al., 2021). Despite this urgency, many MSMEs still perceive branding as limited to logos, packaging, and visual symbols rather than as a long-term strategic effort to build perception, trust, and emotional resonance.

Contemporary branding literature emphasizes that brand meaning is formed through cumulative customer experiences across digital touchpoints (Keller, 2016). According to Napoli et al. (2016) and Fritz et al. (2017). Consumers no longer respond solely to functional value but to brands that consistently communicate values, authenticity, and relational messages. This shift requires MSMEs to reconceptualize branding as an experiential and relational process rather than a purely promotional activity (Hollebeek et al., 2019; Zain et al., 2025; Okanga, 2018; Krismajayanti et al., 2026; Chooset & Sukhabot, 2025). From a psychological perspective, branding is strongly associated with how individuals construct and express their identities.

Recent studies in consumer psychology show that consumers prefer brands that reflect their self-image, beliefs, and personal values, especially in digital environments where identity expression is highly visible (Escalas & Bettman, 2017; Stokburger-Sauer et al., 2012). When MSMEs communicate local culture, authenticity, and regional narratives, they create symbolic representations that resonate with consumers' self-concept. This symbolic alignment increases emotional relevance and encourages consumers to internalize the brand as part of their identity (Confente & Vigolo, 2018; Alvarado-Karste & Guzmán, 2020; Malär et al., 2011; Nandan, 2005)). In addition, social identity processes explain why consumers develop strong emotional attachments to culturally meaningful brands.

Individuals naturally seek belonging to social groups, and brands that embody cultural heritage can function as markers of group membership (Lam et al., 2018; Popp & Woratschek, 2017). Incorporating Gorontalo's local wisdom such as karawo embroidery, culinary traditions, and handicrafts into branding allows consumers to feel connected to a broader cultural community (Iqbal, R. M., & Nurhidayah, 2024; Hamzah et al., 2022; Niswatin et al., 2018). This sense of belonging enhances emotional bonds and encourages long-term loyalty beyond transactional motives (Glaveli, 2021; Schau et al., 2009).

Customer loyalty, therefore, is not merely transactional but deeply psychological and relational. Recent research highlights that loyalty is formed through emotional attachment, trust, and perceived shared values between consumers and brands (Glaveli, 2021). Digital interactions that consistently communicate brand stories, values, and authenticity foster repeated positive experiences, strengthening affective commitment. As a result, customers become less sensitive to price competition and more inclined to engage in repeat purchases and positive word of mouth (Dessart et al., 2016; Hollebeek & Macky, 2019).

Furthermore, branding among MSMEs also functions as a form of social empowerment and collective identity formation. When local businesses promote shared cultural narratives through digital platforms, they create a sense of brand community that fosters mutual support and collaboration (Kamboj et al., 2018). This collective branding effort not only enhances visibility but also reinforces social cohesion among MSME actors and consumers. In this sense, branding becomes a psychological bridge connecting economic activity with cultural pride and social belonging in the digital era (Widodo et al., 2023; Pera et al., 2016).

METHODS

This activity used a qualitative case study approach conducted offline through participatory learning that integrated education and training on branding concepts, brand identity, and loyalty strategies. Participants engaged in practical mentoring sessions focused on storytelling-based content creation, visual identity design, and social media management to strengthen their digital presence and communication skills. The program also incorporated structured evaluation and reflection phases through pre-test, post-test, focus group discussions, and in-depth interviews to examine cognitive and behavioral changes after the intervention. Data were collected using Focus Group Discussion techniques (Yayeh, 2021; Scheelbeek et al., 2020) alongside psychological scale assessments to measure shifts in understanding of branding principles and digital behavior patterns among participants. This design allowed researchers to explore participants' experiences holistically while capturing contextual insights into how mentoring influenced their practical application of branding knowledge. The case study strategy supported an in-depth

exploration of real-world learning processes and enabled triangulation across multiple data sources to enhance credibility and trustworthiness of findings (Cleland et al., 2021; Schlunegger et al., 2024; Farquhar et al., 2020; Jonsen & Jehn, 2009). Furthermore, reflective discussions encouraged participants to articulate challenges and strategies in adopting digital branding practices, providing nuanced evidence of learning transformation and engagement. Overall, the approach emphasized experiential learning and collaborative knowledge construction to support sustainable improvements in branding literacy and digital communication competence within the community context studied for small businesses.

RESULTS AND DISCUSSION

The training attended by 25 MSME actors significantly improved their understanding of digital branding practices. Initially, most participants were unable to clearly define their core brand identity or maintain consistency in visual and verbal communication. After the training, 84% demonstrated a clearer understanding of message alignment, visual consistency, and brand positioning across digital platforms. This improvement reflects the effectiveness of experiential learning and guided practice in developing practical branding skills among small business actors (Hollebeek et al., 2019; Dwivedi et al., 2021). The effectiveness of storytelling observed during the mentoring process can be explained through recent developments in narrative-based marketing and consumer psychology.

Storytelling enables brands to communicate values, struggles, and authenticity in ways that resonate emotionally with audiences, making messages more memorable than conventional promotions (Lundqvist et al., 2017; Fog et al., 2019). Through stories about their business origins and local cultural elements, MSMEs were able to create meaningful narratives that helped consumers connect with their brands at a deeper psychological level. Social media engagement among participants doubled after the mentoring phase. This phenomenon can be understood through the concept of emotional transmission in digital communication, where emotionally rich content stimulates audience reactions and interactive behavior (Dessart et al., 2016; Barger et al., 2016).

Content expressing pride, passion, and authenticity encouraged followers to respond, comment, and share, thereby strengthening emotional attachment to the brand and increasing digital visibility. Several MSMEs reported a 15–20% increase in sales within one month of applying consistent digital branding strategies. This outcome aligns with contemporary studies showing that repeated positive digital interactions foster emotional attachment and trust toward brands, reducing customers' sensitivity to price competition (Rather & Hollebeek, 2021; Chaudhuri & Holbrook, 2001). Once consumers develop favorable perceptions, they tend to maintain consistent purchasing behavior and actively recommend the brand to others. Furthermore, MSMEs began engaging in collaborative promotions, supporting one another through shared digital campaigns. This reflects the development of brand communities where shared values and collective identity foster cooperation and mutual growth (Kamboj et al., 2018).

Table 1. Quantitative Results

| Assessment Aspect | Pre-Test (%) | Post-Test (%) |
|------------------------------------|--------------|---------------|
| Understanding branding concepts | 28 | 84 |
| Ability to create visual identity | 20 | 78 |
| Understanding digital storytelling | 18 | 80 |
| Social media engagement | 25 | 75 |
| Awareness of customer loyalty | 22 | 82 |

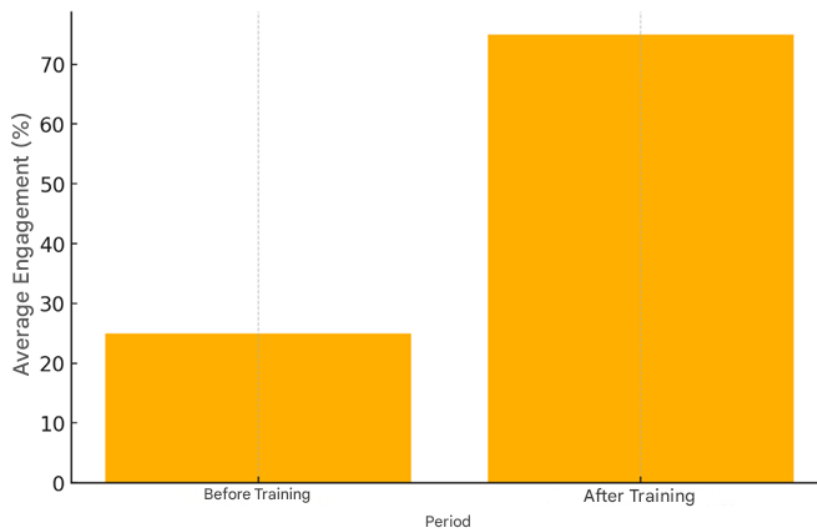


Figure 1. Comparison of MSMEs' Social Media Engagement Before and After

CONCLUSION

This community service program demonstrates that strengthening branding and brand loyalty is not merely a marketing enhancement for MSMEs, but a strategic and psychological process that directly contributes to business competitiveness in the digital era. The training and mentoring activities conducted with MSME actors in Gorontalo Regency significantly improved participants' understanding of brand identity, visual consistency, storytelling practices, and social media engagement. These improvements were reflected in measurable behavioral changes, including more consistent digital communication, stronger emotional narratives in content creation, and increased interaction with consumers. From a psychological perspective, the findings confirm that branding functions as a medium for building emotional attachment, self-identity alignment, and social belonging between consumers and brands. Storytelling, emotional expression, and cultural narratives proved effective in fostering deeper customer engagement and loyalty. The emergence of collaborative promotion among MSMEs also highlights that branding can serve as a tool for social cohesion and community empowerment, not only commercial communication. Furthermore, the reported increase in sales after implementing consistent digital branding strategies indicates that customer loyalty built through emotional and meaningful brand experiences has tangible economic impact for MSMEs. Overall, this activity successfully shifted MSME perspectives from short-term promotional thinking toward long-term brand development as a sustainable competitive strategy in digital markets.

SUGGESTION

Despite the positive outcomes, several challenges remain, particularly in terms of digital literacy, consistency in implementing branding strategies, and access to ongoing support. Therefore, it is recommended that future programs include continuous mentoring, periodic monitoring, and the establishment of digital branding literacy centers to assist MSMEs in sustaining their branding practices. Collaboration between universities, local governments, MSME communities, and digital platforms should be strengthened to provide integrated support, including training, technological assistance, and market access. Future research and community service initiatives are also encouraged to explore the long-term psychological impact of branding on customer loyalty and MSME resilience in different regional contexts.

ACKNOWLEDGMENT

The author would like to express sincere gratitude to Universitas Muhammadiyah Malang for the institutional support that made this community service activity possible. Appreciation is also extended to the local government of Gorontalo Regency and the MSME community who actively participated in the training, mentoring sessions, and evaluation process. Their openness,

enthusiasm, and commitment were essential to the success of this program. Special thanks are given to all facilitators, moderators, and student assistants who contributed to the implementation of the training and data collection activities. The author also acknowledges the valuable insights gained from discussions with MSME actors, which enriched the understanding of branding practices in local business contexts. This activity would not have been successfully conducted without the collaboration, support, and shared commitment of all parties involved.

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