



BUILDING DIGITAL CAPABILITIES OF CHILDREN'S FASHION SMES TOWARD INTERNATIONALIZATION: A QUALITATIVE CASE STUDY ON AK WEAR SMES

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ABSTRACT

Digital capabilities have now become a crucial prerequisite for Micro, Small, and Medium Enterprises (MSMEs) to survive and grow in the technology-driven global competition. This research aims to analyze the forms of digital capabilities possessed by AK Wear, a children's fashion MSME, and examine how these capabilities contribute to internationalization and export readiness. Additionally, this research identifies the challenges and opportunities in building digital capabilities toward the global market. The method used is a qualitative approach with a single case study design on AK Wear, where data was collected thru in-depth interviews and analyzed thematically. The research findings indicate that AK Wear has built a digital foundation thru intensive live selling practices, affiliate programs, and a presence on various platforms such as TikTok Shop, Shopee, and Instagram. However, there are significant obstacles such as low digital literacy among human resources, limitations in inventory management systems, and a strong dependence on platform algorithms. As a solution, this research proposes a phased strategic plan that includes internal strengthening in the short term, omnichannel integration in the medium term, and acceleration of exports and global brand strengthening in the long term. The results of this study provide practical implications for fashion SMEs in consolidating systems and digital competencies to achieve sustainable internationalization.

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1. INTRODUCTION

Digital capabilities are increasingly recognized as a crucial prerequisite for SMEs to survive and grow amidst global competition driven by technology. (Hidayat, 2025). Various studies show that digitalization can expand market access, improve operational efficiency, and strengthen brands, while also opening opportunities for MSMEs to enter the export market thru the use of social media, marketplaces, and export websites (Yuniati, 2024). In the context of Indonesia, the utilization of digital platforms such as TikTok Shop, Instagram, and e-commerce has become one of the main avenues for MSMEs to increase product visibility and reach consumers across regions, as these platforms have proven to help expand audiences, boost sales, and strengthen brand presence in the digital market (Priyono, 2023). However, many MSMEs still face serious challenges such as low digital literacy, limited infrastructure, and dependence on ever-changing platform algorithms, so their digital capabilities have not yet been systematically developed to support business internationalization (Suyanto et al., 2023).

On the other hand, the target of internationalizing Indonesian SMEs is becoming stronger with the development of various digital-based export empowerment initiatives and business meetings that bridge small business actors with international buyers (Nurwidyatmoko, 2023). Recent studies emphasize that the integration of digital strategies with product innovation and organizational capacity building is key for SMEs to penetrate international markets sustainably. In this framework, the readiness for internationalization is not only determined by product quality but also by the ability of SMEs to build and manage digital capabilities relevant to global market standards and dynamics, including the ability to manage omnichannel sales channels and build long-term relationships with international customers (Bank Indonesia [BI], 2024). AK Wear, as a children's fashion SME actively utilizing TikTok Shop, Instagram, and marketplaces, illustrates an interesting example of how small business actors in the fashion sector build digital capabilities while preparing for the export market. This business has developed various digital practices such as intensive live selling, affiliate programs, and the use of inventory management tools, but at the same time still faces gaps in digital literacy among human resources, limitations in CRM systems, and a strong dependence on platform algorithms. Based on this context, this research has the first objective of analyzing the forms of digital capabilities possessed by AK Wear in utilizing TikTok Shop and other digital channels. The next objective is to examine how these digital capabilities contribute to the internationalization readiness and export potential of fashion SMEs. The final objective is to identify the challenges and opportunities faced in the process of building digital capabilities toward the global market thru a qualitative case study on AK Wear in the TikTok Shop era.

2. LITERATURE REVIEW

Digital capabilities in MSMEs

The development of digital technology has transformed the competitive landscape, making digital capabilities a strategic resource for MSMEs to enhance performance and competitiveness (Septiani et al., 2026). Digital capabilities are generally understood as the organization's ability to integrate digital technology with business processes, human resources, and business models to generate sustainable value and innovation (Candraningrat et al., 2025). Various studies affirm that the adaptation of digital business models and the strengthening of digital capabilities have a positive and significant impact on the competitiveness of SMEs, especially in the fashion sector, which is highly sensitive to market dynamics and consumer preferences. In the context of the Resource-Based View and Dynamic Capabilities theories, digital capabilities are positioned as a combination of internal resources and dynamic abilities that enable SMEs to respond to opportunities and threats in the digital environment more quickly and accurately (Candraningrat et al., 2025).

In the fashion sector, digital capabilities are reflected in the ability to manage digital catalogs, utilize social media, integrate marketplaces, and use stock and transaction management applications for operational efficiency. Research on Indonesian fashion SMEs shows that the enhancement of digital competencies among owners and employees, the utilization of live shopping, and the strengthening of visual branding on digital platforms contribute to increased revenue and market expansion. However, several studies also found that many MSMEs are still in the early stages of digital transformation, with limited digital literacy, non-integrated systems, and dependence on certain platform algorithms, resulting in digital capabilities that are partial and not yet fully supporting long-term strategies.

Digitalization and MSME Exports Digital

Transformation is seen as one of the main drivers for MSMEs to expand their markets to the international level (Pratama & Munawaroh, 2025) Bank Indonesia emphasizes that the digitalization of product curation, promotion, transactions, and digital payments opens new opportunities for MSMEs to penetrate the global market thru the utilization of export-oriented e-commerce, social media, and various international promotion platforms. In line with this, various government and private sector programs encourage SMEs to develop websites, utilize global marketplaces, and participate in business matching as an export acceleration strategy in the digital era (Li et al., 2018). Recent studies emphasize that export readiness is not only related to product quality and compliance with technical standards but also to the maturity of digital capabilities that enable SMEs to manage global visibility, communication with buyers, and integration of cross-border sales channels.

In fashion SMEs, digitalization has proven to be an important bridge from the local showcase to the global showcase (Jin & Shin, 2020). The use of visual social media and interactive features such as live shopping has proven capable of building real-time consumer engagement while also serving as an effective channel for delivering product narratives (Wongkitrungrueng & Assarut, 2020). For creative commodities, this digital showcase also exploits digital storytelling to articulate and strengthen local cultural identity as a unique value in the eyes of global consumers (Evans & Sukmana, 2022). Added to this is the integration of marketplaces and increasingly mature cross-border logistics systems (Pratama & Munawaroh, 2025), which provide an inclusive and low-cost global penetration pathway for micro-scale industries (Standard & Al-Sharji, 2023).



However, several studies indicate that the process of moving toward export is often hindered by limited understanding of export procedures, minimal utilization of global market data, and the lack of integration between digital marketing strategies and planned export strategies. This creates a need for research that directly links the formation of digital capabilities at the process and organizational levels with the internationalization readiness of SMEs, especially in the fashion sector, which heavily relies on branding and digital interaction with consumers.

TikTok Shop, omnichannel, and research gap in the case of AK Wear

The emergence of TikTok Shop adds a new dimension to the digital marketing strategy of SMEs thru a combination of entertainment content, live selling, and highly interactive social commerce (Handoko & Kusuma, 2024). The utilization of TikTok Shop and live shopping features can enhance the visibility, engagement, and sales of SMEs, while also encouraging the formation of community and influencer-based business models (Lin et al., 2023). In fashion SMEs, the simultaneous use of TikTok Shop, Shopee, and Instagram reflects the evolution toward omnichannel practices, which is the integration of various online and offline channels to provide a consistent shopping experience. However, the adoption of omnichannel in Indonesian MSMEs still faces challenges, including limited resources, the complexity of system integration, and low dynamic capabilities to reconfigure business processes in response to customer and platform demands (Candraningrat et al., 2025). So far, studies on the digital capabilities of MSMEs and omnichannel transformation in Indonesia have mostly focused on the relationship between digitalization and performance or competitiveness, using a quantitative approach, and there has been little in-depth examination of how digital capabilities are formed at the process and daily practice levels, particularly in children's fashion MSMEs that utilize TikTok Shop and are simultaneously preparing for export.

This is where the research gap that the qualitative case study on AK Wear aims to fill emerges. AK Wear is a children's fashion SME that has developed various digital practices such as intensive live selling, creator affiliate programs, utilization of multi-platforms like TikTok Shop, Shopee, and Instagram, as well as the use of inventory management applications. However, at the same time, it faces limitations in digital literacy among human resources, CRM system integration, and dependence on platform algorithms. This research contributes by examining in depth how digital capabilities are formed and managed in daily practices at AK Wear, how these capabilities relate to internationalization readiness, and the specific challenges that arise in integrating TikTok Shop and other digital channels as part of an omnichannel strategy toward the global market.

3. METHODOLOGY

This article employs a qualitative approach with a single case study design focusing on the children's fashion SME AK Wear as the unit of analysis, as this case represents a business undergoing a digital transformation process while also preparing for steps toward internationalization. The researcher conducted in-depth interviews with the owner of AK Wear to comprehensively explore the experiences, strategies, perceptions, and challenges faced in building digital capabilities and preparing the business for entering the export market. The interview data were then analyzed thematically by identifying, grouping, and interpreting the main themes related to digital capabilities, the use of TikTok Shop and other digital channels, readiness for internationalization, as well as the strategic obstacles and opportunities that arise. The empirical findings from this case study are subsequently used as a basis to formulate a proposed strategic plan for the digital transformation and internationalization of AK Wear, so that the article not only contributes theoretically to the study of digital capabilities and the internationalization of SMEs but also offers practical implications for the development of business strategies for similar fashion SMEs.

4. RESULT & DISCUSSION

SWOT Business Analysis SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats) is used to map AK Wear's strategic position in facing the continuously evolving digital ecosystem. Here are the results of the SWOT analysis based on interview data:

STRENGTHS (Kekuatan)	WEAKNESSES (Kelemahan)
<ul style="list-style-type: none"> • Original design by the owner (wife) • Competitive prices in the children's clothing segment • Monthly revenue of Rp 70–80 million • Active on multiple platforms (TikTok, Shopee, IG, FB) • TikTok live selling model 3x/day (2–3 hour sessions) 	<ul style="list-style-type: none"> • Production capacity is inadequate (often overwhelmed) • Difficulties in recruiting HR/labor • Stitching quality needs consistency improvement • Digital content relies on unstable algorithms • No formal digital stock management system yet • No independent website/digital store yet

<ul style="list-style-type: none"> • TikTok creator affiliate program already running • 9 organized employees 	
OPPORTUNITIES (Peluang)	THREATS (Ancaman)
<ul style="list-style-type: none"> • Sales spike 2–2.5x during Eid & August 17 • Vendor collaboration to cover production gaps • More massive development of creator affiliate programs • Expansion to new marketplaces (Tokopedia, Lazada) • The 1–10 year market segment is still very broad • Opportunities for custom orders/outsourcing from B2B customers 	<ul style="list-style-type: none"> • TikTok algorithm is inconsistent, FYP is unstable • Competition from large garment companies & cheap imported products • Dependence on one main platform (TikTok) • Fluctuation in raw material prices from Jogja/Bandung/Surabaya • Price wars in the children's fashion category on TikTok Shop • Competition from large garment manufacturers & cheap imported products • Dependence on a single main platform (TikTok) • Fluctuation in raw material prices from Jogja/Bandung/Surabaya • Price wars in the children's fashion category on TikTok Shop

Strength

The main strength of AK Wear lies in the original designs created directly by the owner's wife, giving the products a unique visual identity that does not merely follow existing market trends. This advantage becomes an important differentiation amidst the tight competition from large garment manufacturers. In addition, competitive pricing makes AK Wear products affordable for young mothers, who are the main target customers. From a digital perspective, AK Wear has implemented a live selling strategy regularly with 3 sessions per day, each lasting 2–3 hours, especially during the evening to nite hours, which is peak activity time for TikTok users. The affiliate program with content creators is also already running, providing a wider promotional reach without high advertising costs.

Weaknesses

Production constraints have become the most critical internal weakness. The production capacity that is often overwhelmed indicates that market demand has exceeded the current operational capabilities of the business. This is exacerbated by the difficulty in finding human resources willing to work in the sewing field, as well as issues with the consistency of stitch quality on small product details. In the digital aspect, reliance on the frequently changing TikTok algorithm causes content performance and FYP (For You Page) reach to be unstable. The absence of a standalone store website and a digital stock management system makes this business vulnerable to platform policy changes.

Opportunities

Certain seasons such as Eid and the celebration of August 17 become highly potential sales moments, with the potential for revenue increases of up to 2–2.5 times. AK Wear has proven to capitalize on this surge by partnering with other vendors to cover the production capacity gap. On the platform side, the opportunity for expansion into marketplaces like Tokopedia and Lazada is still very open, considering the market segment for children's clothing aged 1–10 years is very large.

Threats

The biggest threat faced by AK Wear is the instability of TikTok's algorithm, which can significantly affect the store's visibility without warning. In addition, the flood of cheap imported products and competition from large garment companies entering TikTok Shop create heavy price pressure. Dependence on a single main platform is a strategic risk that needs to be mitigated thru the diversification of sales channels.

5. DISCUSSION

The discussion of the AK Wear case study results shows that the SWOT analysis is an important starting point in formulating a strategic plan for digital transformation and the internationalization readiness of this MSME. The internal analysis identifies key strengths such as original product design, competitive pricing, intensive digital activities (live selling several times a day), and multi-platform utilization (TikTok Shop, Shopee, Instagram) that provide a strong foundation for the development of digital capabilities and brand awareness. On the other hand, the main weaknesses lie in the limited production capacity, uneven digital literacy among human resources, limitations of the CRM system, and dependence on TikTok's algorithm, which causes fluctuating sales performance. External opportunities include the trend of online children's fashion shopping, support for digitalization and export programs for SMEs, and access to global markets thru platforms and business matching, while threats come from price competition, a flood of imported products, and the dynamics of digital platform policies. These findings align with the literature that positions SWOT



analysis as a crucial initial step in formulating data-driven strategic planning, making the resulting strategies more focused and realistic.

Based on the SWOT analysis, AK Wear's strategic plan can be developed gradually over short, medium, and long-term horizons, each oriented toward strengthening digital capabilities, consolidating operations, and accelerating internationalization. In the short term of 1–2 years, the main focus is to strengthen the internal foundation through enhancing digital literacy among human resources, organizing a more integrated inventory and order management system, and developing a simple customer database and CRM to manage customer relationships more strategically. This step is consistent with previous findings that strengthening internal digital competencies and utilizing customer data are prerequisites for SMEs to optimize platforms like TikTok Shop and other marketplaces.

At this stage, AK Wear also needs to optimize content and live selling patterns, improve product quality consistency, and start testing mini-branding campaigns that highlight design uniqueness and local values as preparation for differentiation in the international market. In the medium term of approximately 3–5 years, the strategy is directed toward a more mature omnichannel integration through the development of an official website, integration of online and offline sales systems, and expansion into national marketplaces and, gradually, global marketplaces. Literature emphasizes that a well-planned omnichannel transformation includes stock synchronization, consistent customer experience, and the utilization of data analytics as an important bridge from the domestic market to the global market for SMEs.

In the long term, AK Wear's strategic plan is oriented toward strengthening its position as an export-ready children's fashion brand with mature digital capabilities and a structured export system. This stage includes the development of a website and product catalog in foreign languages, the adjustment of quality standards and certifications relevant to the target market, as well as active participation in business matching programs and digital export platforms facilitated by the government or private partners. Bank Indonesia and various studies emphasize that SMEs that successfully go global generally already have an integrated digital system, a strong brand identity, and the ability to consistently utilize digital export channels. In the context of AK Wear, the readiness for internationalization is further strengthened when digital strategies such as TikTok Shop, marketplaces, and websites are linked with production management plans, risk management against platform fluctuations, and product innovations that maintain relevance with global trends.

Thus, concretely, the applicable strategies that can be taken include strengthening internal digital literacy and systems in the early phase, building omnichannel integration and a global-ready brand in the mid-phase, and optimizing digital export channels and international networks in the long phase. The current position of AK Wear can be said to already have a promising foundation of digital capabilities, but full readiness for export still requires system consolidation, competency enhancement, and more structured export planning so that the internationalization process of this MSME can proceed sustainably.

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