

Research Article

Competitive Advantage of SMEs through Differentiation and Digitalization : A Case Study of Ash Scarf

Rita Anggraini Rahayu^{1*}, Sudarmiati²

¹ Student of the Doctoral Program in Management Faculty of Economic and Business, Universitas Negeri Malang, Indonesia; e-mail : rita.anggraini.240139@student.um.ac.id

² Faculty of Economic and Business, Universitas Negeri Malang, Indonesia; e-mail : sudarmiati.fe@um.ac.id

* Corresponding Author : Rita Anggraini Rahayu

Abstract: This article discusses the concept of competitive advantage and its application in SMEs, with a case study on Ash Scarf, an SME in the hijab fashion industry. This study analyzes how Ash Scarf builds competitive advantage through differentiation and digitalization strategies. By referring to theories from Michael Porter and other experts, this research evaluates how Ash Scarf utilizes product uniqueness, customer service, and digital technology to compete in a competitive market. The research findings indicate that product differentiation and the effective use of digital platforms enable Ash Scarf to achieve a strong position in the market. This study also identifies the challenges SMEs face in implementing these strategies and provides recommendations for future development.

Keywords: Case Study; Competitive Advantage; Differentiation Strategy; Digitalization, SMEs.

1. Introduction

Intense business competition requires Micro, Small, and Medium Enterprises (SMEs) to develop effective strategies to achieve a competitive advantage. In Indonesia, SMEs play a significant role in the economy, including in the rapidly growing Muslim fashion sector. This sector is characterized by rapid growth, continuous product innovation, and increasing consumer demand for high-quality and fashionable Muslim fashion products. In this context, the ability of SMEs to compete and maintain market position is crucial.

This research focuses on Ash Scarf, an SME in Malang that has successfully built a competitive advantage through product differentiation and digitalization strategies. Ash Scarf has demonstrated the ability to adapt to market changes and utilize digital technology to expand market reach and improve operational efficiency. This study aims to analyze in-depth how Ash Scarf achieves its competitive advantage and how these strategies can serve as an example for other SMEs in similar sectors. In addition, this research will also identify the critical factors that influence Ash Scarf's success and the challenges it faces in implementing differentiation and digitalization strategies.

2. Preliminaries or Related Work or Literature Review

Competitive Advantage: The concept of competitive advantage has been a central focus in the strategic management literature for several decades. Porter (1985) emphasized the importance of cost leadership, differentiation, and focus as generic strategies to achieve competitive advantage. Cost leadership involves a company's efforts to achieve lower production costs than competitors, enabling the company to offer more competitive prices. Differentiation, on the other hand, emphasizes creating unique and valuable products or services for customers, allowing the company to charge a premium price. The focus strategy involves selecting a narrow market segment and serving the needs of that segment well.

Barney (1991) developed the resource-based view (RBV), which highlights the importance of a company's internal resources in achieving competitive advantage. According to RBV, companies that possess valuable, rare, inimitable, and non-substitutable (VRIN) resources can achieve sustainable competitive advantage. These resources can be in the form

Received: April 16, 2025

Revised: May 01, 2025

Accepted: May 15, 2025

Published: May 17, 2025

Curr. Ver.: May 17, 2025



Copyright: © 2025 by the authors.

Submitted for possible open

access publication under the

terms and conditions of the

Creative Commons Attribution

(CC BY SA) license

([https://creativecommons.org/li](https://creativecommons.org/licenses/by-sa/4.0/)

[censes/by-sa/4.0/](https://creativecommons.org/licenses/by-sa/4.0/))

of physical assets, organizational capabilities, human resources, or intangible resources such as brand and reputation.

Differentiation and Digitalization in SMEs: Product differentiation and the utilization of digital technology are important factors for SMEs to compete in an increasingly complex market. In this digital era, SMEs have access to various digital tools and platforms that can help them create unique products, reach a wider market, Product differentiation enables SMEs to distinguish themselves from competitors and attract customers who value uniqueness and quality. This can be achieved through various means, such as innovative product design, the use of high-quality raw materials, additional features that are valuable to customers, or superior customer service.

Digitalization, on the other hand, opens up new opportunities for SMEs to enhance their competitiveness. E-commerce platforms, social media, and digital marketing tools enable SMEs to reach global markets at a relatively low cost. In addition, digital technology can also be used to improve operational efficiency, such as supply chain management, customer relationship management, and market data analysis.

This research will explore in-depth how Ash Scarf implements differentiation and digitalization strategies to achieve competitive advantage. This study will also analyze how other SMEs in the Muslim fashion sector can learn from Ash Scarf's experience in developing effective strategies to compete in a competitive market.

3. Proposed Method

This study uses a qualitative approach with a case study on Ash Scarf. The case study approach was chosen because it allows researchers to conduct an in-depth analysis of complex phenomena within their real-world context (Yin, 2018). In this research, the case study is used to comprehensively understand how Ash Scarf develops and implements differentiation and digitalization strategies to achieve competitive advantage.

3.1. Data was collected through various methods, including:

In-Depth Interviews: In-depth interviews were conducted with the owner and management of Ash Scarf to gain a deep understanding of their business strategies, decision-making processes, and the challenges they face. These interviews were semi-structured, allowing researchers to explore relevant information while remaining flexible to issues that emerged during the data collection process.

Observation: Direct observation was conducted on Ash Scarf's business operations, including production, marketing, and sales processes. This observation helped researchers understand how differentiation and digitalization strategies are implemented in practice.

Document Analysis: Various relevant documents were analyzed, including financial reports, marketing materials, and Ash Scarf's social media content. This document analysis provided additional insights into Ash Scarf's business performance and how they communicate their product value to customers.

Data analysis was performed thematically, by identifying patterns and themes that emerged from the collected data. Data from various sources were triangulated to enhance the validity and reliability of the research findings.

4. Results and Discussion

Ash Scarf builds competitive advantage through a combination of effective differentiation and digitalization strategies. Here is an in-depth analysis of how Ash Scarf implements these strategies:

Product Differentiation: Ash Scarf offers premium hijab products with exclusive designs and high-quality materials. The company focuses on creating unique products that differ from competitors, with great attention to detail and quality. Several important aspects of Ash Scarf's product differentiation strategy include:

Exclusive Design: Ash Scarf has an internal design team responsible for creating unique and innovative hijab designs. The company regularly launches new collections with different themes, following the latest fashion trends while maintaining a distinctive brand identity.

High-Quality Materials: Ash Scarf uses premium materials such as silk, high-quality cotton, and other imported materials that provide comfort and a luxurious look. This careful selection of materials distinguishes Ash Scarf's products from other hijab products that may use cheaper and lower-quality materials.

Quality Craftsmanship: Ash Scarf pays close attention to the quality of workmanship of each product. The production process is carried out with high standards, involving skilled workers experienced in producing high-quality hijab products.

Focus on Market Segment: Ash Scarf targets a specific market segment, namely consumers who value quality and unique design. The company understands that not all consumers have the same preferences for hijab products. Therefore, Ash Scarf focuses on a more specific market segment, namely consumers who are willing to pay a premium price for high-quality and exclusive products. By focusing on the right market segment, Ash Scarf can be more effective in meeting customer needs and expectations and building strong brand loyalty.

Digitalization: Ash Scarf utilizes digital platforms extensively to market its products, interact with customers, and expand market reach. Several digital platforms used by Ash Scarf include:

- a. **Instagram:** Instagram is used as the main platform to showcase Ash Scarf's products, build the brand, and interact with customers. Ash Scarf regularly uploads attractive and high-quality product photos, as well as other content relevant to the interests of their target market. The company also uses Instagram features such as Instagram Stories and Instagram Live to interact directly with customers and build more personal relationships.
- b. **E-commerce:** Ash Scarf has its own online store that allows customers to purchase their products easily and conveniently. This online store is equipped with features that make it easy for customers to shop, such as a complete product catalog, detailed information about products, and various payment options.
- c. **Marketplace:** Ash Scarf also sells its products in various online marketplaces to reach a wider market.

The utilization of these digital platforms enables Ash Scarf to overcome the resource limitations often faced by SMEs. By using digital platforms, Ash Scarf can market its products to a wider audience at a relatively low cost, as well as manage customer relationships more efficiently.

These strategies enable Ash Scarf to differentiate itself from competitors and build customer loyalty. Product differentiation creates added value for customers, while focusing on the right market segment ensures that Ash Scarf's products are relevant to the needs and preferences of their target market. The use of digital platforms allows Ash Scarf to reach a wider market and build closer relationships with customers.

5. Conclusions

The case study of Ash Scarf demonstrates that SMEs can achieve competitive advantage through a combination of differentiation and digitalization strategies. Unique products, focus on the right market segment, and the effective use of digital technology are important factors in achieving success in a competitive market. This research provides valuable insights for other SMEs on how to develop effective strategies to enhance their competitiveness.

5.1. Research Implications:

This research has several important implications for SMEs, particularly in the Muslim fashion sector:

SMEs need to develop a strong differentiation strategy to distinguish themselves from competitors. This can be achieved through product innovation, superior quality, or outstanding customer service.

Digitalization is key to expanding market reach and improving operational efficiency. SMEs need to utilize digital platforms such as social media and e-commerce to market their products, interact with customers, and manage their businesses more effectively.

Focusing on the right market segment is important to ensure that SME products and services are relevant to customer needs and preferences.

5.2. Research Limitations and Suggestions for Further Research:

This research has several limitations that need to be acknowledged. First, this research only focuses on one case study, namely Ash Scarf. Therefore, the findings of this research may not be generalizable to all SMEs in the Muslim fashion sector. Future research could be conducted with a larger and more diverse sample to increase the generalizability of the findings. Second, this research uses a qualitative approach, which provides an in-depth

understanding of Ash Scarf's business context, but may be less suitable for measuring the causal relationship between the variables studied. Future research could use a quantitative approach to test hypotheses related to the influence of differentiation and digitalization on the competitive advantage of SMEs.

Future research could also explore other factors that influence the competitive advantage of SMEs, such as innovation, market orientation, and managerial capabilities. In addition, future research could compare the strategies used by successful and unsuccessful SMEs to identify best practices that can be adopted by other SMEs.

References

- [1] J. Junedi, "Entrepreneurship Keunggulan Bersaing: Identitas Merek, Inovasi Produk, dan Orientasi Pasar Studi UMKM Hijab di Kabupaten Bekasi," **J. Ekon. dan Kewirausahaan**, vol. 22, no. 1, pp. 45–56, 2022.
- [2] N. Karnowati, A. Wibowo, and S. Utami, "Moderating competitive advantage on factors affecting MSMEs business performance in the time of Covid-19," **J. Ekon. dan Kewirausahaan**, vol. 21, no. 1, pp. 45–58, 2023.
- [3] M. E. Porter, **Competitive Advantage: Creating and Sustaining Superior Performance**. New York: Free Press, 1998.
- [4] R. Sulistyawati and Munawir, "Membangun keunggulan kompetitif melalui platform e-commerce: Studi kasus Tokopedia," **J. Manaj. Bisnis Indones.**, vol. 16, no. 2, pp. 120–132, 2024.
- [5] J. Barney, "Firm resources and sustained competitive advantage," **J. Manage.**, vol. 17, no. 1, pp. 99–120, 1991.
- [6] J. Hemsley-Brown, T. C. Melewar, B. Nguyen, and E. Wilson, "Exploring brand identity, meaning, image, and reputation (BIMIR) in higher education: A special section," **J. Bus. Res.**, vol. 69, no. 8, pp. 2913–2916, 2016.
- [7] M. E. Porter, **Competitive Advantage: Creating and Sustaining Superior Performance**. New York: Free Press, 1985.
- [8] M. E. Porter, "Anlisis faktor-faktor pengaruh inovasi produk yang berdampak pada keunggulan bersaing UMKM makanan dan minuman di wilayah Harjamukti di Kota Cirebon," **J. Logika**, vol. XVIII, no. 3, Dec. 2016.
- [9] A. Wahyudin, "The Influence Of Market Orientation and Product Innovation On The Competitive Advantage and Its Implication Toward Small and Medium Enterprises (UKM) Performance," **Int. J. Sci. Eng. Invention**, vol. 4, no. 8, pp. 1–8, 2015.
- [10] S. Handayani and M. A. Putra, "Digital marketing strategy for improving MSMEs competitiveness in Indonesia," **J. Bus. Innov.**, vol. 10, no. 1, pp. 22–30, 2023.
- [11] D. Ramadhani and L. Fitria, "Pengaruh inovasi produk dan kualitas layanan terhadap keunggulan bersaing UMKM," **J. Ilm. Manaj. Bisnis**, vol. 9, no. 2, pp. 101–110, 2022.
- [12] I. A. Sari, "Transformasi digital UMKM dalam menghadapi era industri 4.0," **J. Ekon. dan Teknol.**, vol. 5, no. 1, pp. 55–63, 2021.
- [13] B. Santoso and R. N. Amelia, "Strategi diferensiasi dan loyalitas pelanggan pada UMKM sektor fashion," **J. Manaj. dan Kewirausahaan**, vol. 14, no. 2, pp. 89–98, 2022.
- [14] Y. Nugroho, "Peran teknologi informasi dalam meningkatkan keunggulan bersaing UMKM di Indonesia," **J. Teknol. dan Informasi Bisnis**, vol. 6, no. 3, pp. 70–78, 2023.
- [15] L. Hartini and M. Ciptaningrum, "Pengaruh orientasi pasar dan kapabilitas dinamis terhadap keunggulan kompetitif UMKM," **J. Riset Manaj. dan Bisnis**, vol. 15, no. 1, pp. 45–54, 2022.