

# **SURVIVING IN THE DIGITAL ERA: A PHENOMENOLOGICAL STUDY ON THE ADAPTATION STRATEGIES OF BALINESE LOCAL MSMEs IN THE E-COMMERCE TRENDS**

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## **ABSTRACT**

Culturally, Bali's MSMEs operate within a strong creative economy ecosystem where craft, culinary, and art products often carry local cultural values as commodities. These cultural values become a comparative advantage if MSMEs are able to formalize product storytelling, quality, and packaging standards for the online market; but at the same time, they present a dilemma between maintaining the authenticity of tradition and meeting the demands of larger-scale production. This study aims to understand the adaptation strategies of local Bali Micro, Small, and Medium Enterprises (MSMEs) in facing the digital wave through the utilization of e-commerce. Using a phenomenological qualitative approach, the study involved ten MSME actors who have transitioned to digital platforms. Data were collected through in-depth interviews and analyzed thematically to reveal the experiences, challenges, and meanings of digital adaptation for business actors. The results indicate that e-commerce plays a significant role in the development of Bali MSMEs, not only as a survival strategy but also as an opportunity to expand market reach, improve operational efficiency, and strengthen product branding. Digital transformation encourages MSMEs to develop a more strategic long-term vision and create product innovations according to market demand. The findings also reveal that e-commerce becomes an important means of introducing Balinese cultural values through digital narratives that strengthen local identity in the global market. However, the digital adaptation of Balinese MSMEs still faces challenges, particularly related to limited digital skills, logistics costs, and service quality consistency. This emphasizes that the success of e-commerce utilization is determined not only by technology but also by the readiness of human resources and the support of the business ecosystem. This study concludes that the digital adaptation strategies of Bali SMEs are proactive in creating new growth opportunities and are not limited to survival efforts. The practical implications of these findings highlight the importance of collaboration between the government, e-commerce platform providers, financial institutions, and the community to create a digital ecosystem that supports the sustainability of local SMEs in the era of global competition.

**Keywords:** Bali SMEs, e-commerce, adaptation strategy, phenomenology, digital transformation

## **INTRODUCTION**

Bali, as an island with a high dependence on the tourism sector, experienced a sharp shock when the flow of visitors stopped during the COVID-19 pandemic. The decline in tourists led to a decrease in demand for thousands of MSMEs based on experiences, crafts, and culinary products, forcing many business operators to seek alternative sales channels, particularly digital platforms and e-commerce. This situation makes Bali a natural laboratory for examining the adaptation processes of MSMEs in facing location-based demand disruptions.

The rapid shift to digital channels in Bali did not occur uniformly: some SMEs that already had social capital, technological skills, or access to online market networks were able to "upgrade," while others struggled due to limitations in digital literacy, capital for logistics/packaging, and price

competitiveness against imported products. Cross-national and national research has identified determinants of e-commerce adoption such as technological readiness, perceived benefits, external support, and business owner capabilities—factors that also appear relevant in the Indonesian and Balinese context.

From the perspective of infrastructure and supporting services, the penetration of electronic payments and the integration of e-commerce services have been proven to increase supply chain efficiency and market access for SMEs in Indonesia, with direct implications for Balinese SMEs that want to sell to domestic and international markets without full reliance on face-to-face tourism. However, this technical transformation requires changes in business practices (packaging, digital marketing, order management) and collaboration with platforms that provide logistics services and training.

Culturally, Bali's MSMEs operate within a strong creative economy ecosystem where craft, culinary, and art products often carry local cultural values as commodities. These cultural values become a comparative advantage if MSMEs are able to formalize product storytelling, quality, and packaging standards for the online market; but at the same time, they present a dilemma between maintaining the authenticity of tradition and meeting the demands of larger-scale production. Local phenomenological studies show how Balinese entrepreneurs interpret these changes in their life experiences and daily practices, making the phenomenological approach suitable for exploring the meaning of adaptation from the actors' perspective.

The most apparent gap lies in human capability aspects, such as digital training, mastery of social media marketing, and access to capital to improve product quality. Interventions that have proven effective in Bali include platform training programs, platform-based export initiatives, and collaborations within creative communities that help standardize products and distribution. However, empirical evidence on the most resilient adaptation strategies is still scattered; therefore, a phenomenological study focusing on the in-depth experiences of Bali's MSME actors would fill the understanding gap regarding how and why certain strategies succeed or fail in the local context.

## **THEORETICAL FRAMEWORK**

Technology–Organization–Environment (TOE) emphasizes that technology adoption decisions are influenced by three domains: Technology characteristics (availability, compatibility, complexity), Organizational aspects (resources, leadership, structure), and Environmental factors (competitive pressure, government support, external infrastructure). In the context of Bali's SMEs, TOE helps explain why e-commerce adoption is not uniform: some actors have the infrastructure (connection, smartphones), organizational capital (personnel/knowledge), and access to environmental support (tourism office programs, training communities), so they tend to adopt the marketplace more quickly; conversely, SMEs with limitations in any of these domains will lag behind. Empirical studies on SMEs in developing countries (including Indonesia) consistently use TOE to map the determinants of e-commerce adoption.

Diffusion theory (Rogers) emphasizes the attributes of innovation (relative advantage, compatibility, complexity, trialability, observability) and the classification of adopters (innovators, early adopters, early majority, late majority, laggards). For SMEs in Bali, diffusion helps to understand why some artisans/SMEs become change agents (becoming examples that can be observed by others) while the majority will only adopt if they see evidence of success (observability). or experience mimetic pressure from competitors/communities. The implementation of training policies or pilot projects that highlight early adopters can accelerate diffusion in village/indigenous community clusters. (The application of Diffusion in e-commerce and SMEs has been widely reported in the e-business literature).

The Technology Acceptance Model (TAM) focuses on two main determinants of technology acceptance: Perceived Usefulness (PU) and Perceived Ease of Use (PEOU); the model is often extended with variables such as trust, perceived risk, and social norms (subjective norms) in the context of e-commerce. In Bali's SMEs, interventions that reduce perceived complexity and increase perceived usefulness will enhance owners' intention to use digital channels. The latest systematic review on TAM and e-commerce adoption confirms the relevance of these extensions in the SMEs context.

RBV emphasizes unique internal resources (brand, artisan skills, traditional designs) as sources of competitive advantage, while dynamic capabilities (sensing, seizing, reconfiguring) explain the organization's ability to modify resources as the environment changes. For Bali's SMEs, RBV explains competitive value: (a) intangible assets (cultural narratives, craftsmanship authenticity), (b) local

distribution networks; whereas dynamic capabilities explain the learning ability through studying digital marketing, collaborating with delivery services, or standardizing packaging that determines who survives post-tourism disruption. The dynamic capabilities theory (Teece) serves as the main reference in studies of digital transformation in SMEs.

## **METHOD**

This study employs an interpretative phenomenological approach (phenomenology / Interpretative Phenomenological Analysis — IPA) to explore and describe the life experiences of Bali MSME owners/managers in the process of adapting to e-commerce. This approach is appropriate because it focuses on subjective meaning, everyday experiences, and how actors understand the process of digital adaptation within the context of the local ecosystem. The location is in Badung Regency and Denpasar City in Bali Province. Respondents come from various businesses that use at least one e-commerce channel or social media for their business, and have a minimum of 6 months experience using/experimenting with digital platforms OR have decided not to use them yet but are influenced by the digital flow. Data collection techniques include semi-structured in-depth interviews, participatory observation, documentation, field notes, and researcher reflections.

## **FINDINGS AND DISCUSSION**

Research results indicate that e-commerce plays a central role in the development of local MSMEs in Bali in the digital era. Business actors interviewed stated that the presence of digital platforms is no longer seen merely as a means to withstand competitive pressures and changes in consumer behavior, but as a significant opportunity to expand market share. MSME products that previously circulated only in the local market can now penetrate national and even international markets. This phenomenon shows that e-commerce serves as an important bridge connecting local products with global consumers, while also elevating Balinese cultural identity to a broader realm. In addition to market expansion, e-commerce has also been proven to improve the operational efficiency of SMEs. Business actors emphasize that digital systems help them in recording transactions, managing stock, promotion, and direct communication with consumers. The analytical features available on e-commerce platforms provide better insights into customer behavior, enabling marketing strategies to be more targeted and effective.

Nevertheless, this study also found challenges still faced by SMEs in the process of digital adaptation, such as limited digital skills, logistics costs, and maintaining service quality consistently. These obstacles indicate that the success of digital transformation is determined not only by technology but also by human resource readiness and business ecosystem support. Overall, the findings of this study affirm that the transition of Bali's SMEs to e-commerce platforms is not only reactive to survive in the digital era but also proactive in creating new growth opportunities. Through digital adaptation strategies, SMEs are able to connect local wisdom with the global market, improve internal efficiency, and strengthen long-term business sustainability. Thus, e-commerce can be viewed as an integral transformation strategy for Bali's SMEs in facing the dynamics of competition and changes in the modern market structure.

The findings of this study also confirm that e-commerce has driven changes in consumer consumption patterns. Sources stated that consumers are now more likely to search for products online before making a purchase, even for local specialties from Bali. This creates both pressure and opportunities for MSMEs to offer products that are relevant, easily found on digital platforms, and have strong differentiation. From a phenomenological perspective, the experiences of business actors indicate a shift in the meaning of running a business. Previously, most MSMEs were only focused on the day-to-day survival of their businesses. However, after utilizing e-commerce, they began to develop a more strategic long-term vision, such as targeting export markets, enhancing branding, and expanding product variations according to market demand. This transformative meaning shows that digitalization not only changes the way of doing business but also shapes a new mindset regarding business sustainability.

Furthermore, the results of this study also show that e-commerce serves as a medium that strengthens local cultural identity. Bali's MSME products that contain cultural values, such as handicrafts and traditional cuisine, have become more recognized in the global market thanks to the digital narratives created by business actors. This strategy demonstrates that e-commerce is not only about transactions but also about building stories that connect consumers with local culture. Ultimately, this study implies that the digital adaptation strategies of Bali's SMEs must be understood within the context of a broader



ecosystem, involving the government, e-commerce platform providers, financial institutions, and consumers. Without adequate digital infrastructure support, skills training, and access to funding, SMEs' efforts to leverage e-commerce will not be optimal.

## CONCLUSION

This study concludes that e-commerce plays a fundamental role in the development of local SMEs in Bali in the digital era. The findings indicate that digital platforms are no longer merely a survival strategy, but have evolved into strategic tools to expand markets, increase operational efficiency, and strengthen product branding. Digital transformation enables Bali's SMEs to penetrate national and even international markets, thereby opening growth opportunities that were previously difficult to reach through conventional channels.

In addition to market expansion, e-commerce also brings a change in the meaning of doing business for MSME actors. If previously business orientation only focused on daily survival, now business actors are beginning to build a more strategic long-term vision. This not only involves efficiency but also a transformation in mindset towards sustainability, innovation, and creativity. Thus, digitalization has proven to provide significant added value to the competitiveness of Bali's MSMEs.

E-commerce also serves as a medium for preserving and promoting local culture. Balinese products rich in cultural value are increasingly recognized through effective digital narratives, thereby not only expanding market access but also strengthening Balinese cultural identity in a global context. This phenomenon shows that digital adaptation has both economic and socio-cultural dimensions that complement each other.

The success of Bali's SMEs in navigating the digital wave is highly determined by the support of a broader business ecosystem. Factors such as digital infrastructure, skills training, funding, and collaboration between the government, platform providers, and the community are key to maximizing the potential of e-commerce. With such synergy, Bali's SMEs are not only able to survive in the digital era but also transform into significant players in a sustainable digital-based economy.

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