Digital Service Operations: Process Innovation and Quality Management in SME Marketing Solutions

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Abstract
The fast development of digital economy in Indonesia leads to the creation of a structural paradox, despite the fact that the digital advertisement market is expected to increase to USD 3.23 billion (2025) to USD 4.51 billion in 2031, most micro, small, and medium enterprises (MSMEs) are underserved since professional agency services are oriented on large corporate customers. Marketix Lab is a digital marketing agency established by students of Telkom University Bandung located in 2024, which is going to fill this gap since it offers high quality services at 55-82 percent of the cost of traditional agencies. However, being a bootstrap company in a competitive market, agencies experience three internal constraints which include lack of scalability in their operations because of lack of written SOPs, lack of portfolio credibility, and lack of human resource governance. This paper is the qualitative case study that works with four phases of analysis, situational analysis with the help of the Resource Based View, the Five Forces, and the PESTLE; the root of the problem is identified with the help of the Fishbone Diagram (Ishikawa); the solution is developed with the help of the TOWS Matrix; and formalized with the help of Business Model Canvas. The Operational Hybrid Strategy, which has AI based process standardization, model of flexible resource allocation, building portfolio, and KPI governance systems received the top score of 4.90 out of the possible 5.00 in the weight scorecard appraisal. The strategy is expected to yield a monthly revenue of IDR 31,289,000 on the fifth month of execution, and this confirms that process innovation enables startups with limited resources to have a sustainable scalability without external funding.

Keywords: digital agency, process standardization, bootstrapping, integration of AI, MSME marketing.

I. INTRODUCTION

The need to digitize MSMEs is becoming more urgent due to the fact that the digital economy in Indonesia is approaching a robust growth stage. By 2025, the digital advertising sector in Indonesia will be USD 3.23 billion, and by 2031, its size will be USD 4.51 billion at a 5.70% CAGR (Mordor Intelligence, 2026). The cause of this phenomenon is usually based on orientation of technical output (video editing) instead of on the production of core customer value (Levitt, 1960). This generates an operational capability gap that is a strategic hiccup in closing the digital gap of Indonesian MSMEs. Structural mismatch in the service industry adds to this gap. Most of the MSMEs have not been served effectively due to the fact that the digital marketing sector is more interested in serving large corporate clients with huge budgets and MSMEs have limited resources, poor digital literacy and access to cheap professional services (Rahayu & Day, 2015).

This situation complicates establishing a credible online presence and competing with large businesses because of this condition by MSMEs. In this regard, Marketix Lab was developed in 2024 as a digital marketing agency that would specifically target the failures of the market. Following the slogan of Where Creativity and Strategy Unite, Marketix Lab is set to empower MSMEs by providing accessible outcome-oriented solutions. However, as a new company that functions in a competitive environment, Marketix Lab is confronted with some serious issues, including the challenge of client acquisition, brand recognition, and constant expansion. This paper explores the internal business obstacles that do not allow bootstrap agencies such as Marketix Lab to serve this big and underserved market. There are three main interconnected problems that do not allow Marketix Lab to take advantage of these opportunities: (1) weaknesses in HR governance-informal student arrangements have no clear accountability measures as team commitments tend to be uneven; (2) the bootstrap model with zero capital reserves leads to severe vulnerabilities to cash flows; and (3) inefficiencies in the operations due to the absence of standard processes and below-optimal utilization of available technology, even though it invested in AI tools and professional software.

II. LITERATURE REVIEW

A solid theoretical background is needed in formulation of sound business solutions. This chapter reviews the studies concerning digital transformation in emerging economies, resource management in a small entrepreneurial economy, dynamic between B2B service quality and organizational behavior in digitally-focused firms. A. The Indonesian MSMEs Digital Adoption Paradox. The dialogue on the adoption of digital marketing in emerging economies has now shifted out of the inquiries of infrastructure availability to the more complex questions of organizational preparedness. Rahayu and Day (2015) draw a vital line between early adoption, i.e. opening a social media account, and institutionalization, i. e. systematics application of digital tools and creation of value, which is integrated into the routine business processes. They find that although the Indonesian MSMEs have a high rate of penetration with basic digital tools, the willingness of organizations to manage the tools professionally and in a manner that is strategically consistent is still immature.

This observation is supported by research on Indonesian consumer behavior related to digital marketing. As it is shown by Utami and Saputri (2020), social media marketing has a direct and significant effect on customer engagement and brand loyalty, and Instagram as a broadcasting platform can be viewed as a platform that builds trust as well. In the case of Marketix Lab, these data provide the following strategic implications: in the short term, the creation and production of content on Instagram of a professional and consistent character is not only an aesthetic choice, but a quantifiable contributor to client performance. There is also an additional complexity to the behavioral aspect of adoption of digital services. A study on customer satisfaction as a service variable indicates that the perceived quality of services, the price appropriateness, and the congruence of the marketing strategies are important contributing factors to the continuity of engagement of clients with the service providers (Maulana & Saputri, 2024). In the case of agencies with budget-sensitive MSMEs, these results provide a clear benchmark of performance, they should create work that is both creative and perceptually valuable when compared to its cost-point.

B. Resource Based View, Bootstrapping, and Strategic Resource Management

Resource Based View (RBV) provides an important theoretical perspective in the analysis of internal limitations of startups such as Marketix Lab. Barney (1991) believes that a firm can attain sustainable competitive advantage by managing resources that are Valuable, Rare, Inimitable and Non-substitutable (VRIN). However, the conventional RBV literature mostly presupposes the existence of financial capital as the precondition of obtaining strategic resources- provision that cannot be evaluated in the case of student businesses that are not financed by external sources. The current studies have redirected towards the concept of Financial Bootstrapping as a valid resource acquisition behavior. Winborg and Landstrom (2001) do not view resource limitations as an inseparable loss, but as an opportunity to be creative and innovative in the acquisition of resources.

Studies of MSMEs in Indonesia prove that internal resource influences on the performance of small businesses are also considerable, particularly human resource competence, entrepreneurial skill, and innovation orientation (Anggadwita & Mustafid, 2014). In the case of Marketix Lab, creative competence, entrepreneurial drive and knowing the context of the market, which lies within the founding team is the most valuable strategic resource, rather than camera software or equipment. The success of sustainable competitive advantage in this respect is further enhanced by the Dynamic Capabilities framework. According to Teece, Pisano and Shuen (1997) dynamic capabilities refer to the capability of firms to integrate, construct and redesign internal and external competencies to respond to a dynamic environment that changes at a very fast rate. The competitive advantage of an AI-based agency lies not in the mastery of a specific tool, but in its ability to restructure production processes as new capabilities are introduced in a relatively short time (Teece, 2007).

C. Quality of Service (SERVQUAL) in B2B

The SERVQUAL model created by Parasuraman, Zeithaml and Berry (1988) has five dimensions of service quality measurement, such as Tangibles, Reliability, Responsiveness, Assurance and Empathy. These dimensions are not equally important in the context of B2B digital services. According to Gounaris (2005), client business people attach the Reliability dimension as the most important as it refers to the capability of delivering on the services promised in relation to doing so accurately and within a stipulated time. This is unlike B2C consumers who might lay more emphasis on tangibles like visuals.

These facts demonstrate a vital lack of consistency in the way Marketix Lab was initially functioning. The quality of creative output is naturally emphasized in the creative background of the founding team as the main measure of service excellence, and this orientation, which makes sense, is nevertheless incomplete in the case of B2B services. To bridge this gap, systematic institutionalization of process standards to in-house consistency of delivery in the organizational infrastructure by SOPs, automated tracking of tasks, and explicit accountability mechanisms should be practiced.

D. Innovation of Business Models and Digital Organizational Culture

According to Osterwalder and Pigneur (2010), a business model is a core logic, in which an organization generates value to its customers and transfers that value to its customers via operational system and collects some of that value in form of revenues. According to Christensen (2013), the market entry strategy of Marketix Lab is the Low End Disruption that focuses on untapped layers of the customer base by providing relatively good service at a significantly lower price than the existing market players. Pradana, Silvianita, and Hendayani (2022) show that an agile work environment is a direct driver of absorptive capacity within the team of team members and this allows organizations to achieve the efficiency gains inherent in AI tools. Moreover, Kastelli et al. (2022) concluded that absorptive capacity is a mediating variable between the digital capacity and the performance outcomes of a company. In the case of Marketix Lab, purchasing ChatGPT Plus, Grok AI, CapCut Pro, and n8n is only the initial step with a more significant move being the incorporation of SOPs, training guidelines, and weekly audit procedures that entail the integration of these tools into the production lines as a company standard.

III. RESEARCH METHODOLOGY

This study adopts a qualitative case study methodology, which is diagnostic and prescriptive and it proceeds sequentially through four stages of analysis to ensure that it identifies issues in a rigorous manner and comes up with solutions that can be implemented to address the problems. The initial one is Situational Analysis. This step evaluates the internal resources and capabilities of the agency through the Resource Based View framework and the external market forces through the Porter's Five Forces and the PESTLE analysis. The second one is Problem Identification by the Root Cause Analysis. The finding of the results of the situational analysis is synthesized to help in identifying the major strategic challenges. The primary diagnostic instrument is called the Fishbone Diagram (Ishikawa), this tool divides the root cause into six dimensions: Man, Method, Machine, Material, Market, and Management. Strategic Formulation is the third stage, which is Solution Development. This level entails the creation and analysis of other business solutions using the TOWS Matrix.

Three options were evaluated on the basis of such criteria as effectiveness, efficiency, financial sustenance, level of risk, and compatibility with bootstraps. All alternatives are evaluated based on a weighted scorecard that puts into consideration the strategic priorities that are identified in the situational analysis. The fourth step is the Implementation Planning. The last step is the translation of the chosen solution into a feasible implementation plan with a step-by-step schedule of activities, precise team roles, a system of twelve indicator KPIs to monitor the implementation process, and suggestions of how the agency should develop not only within the first six months of the implementation but also beyond that time frame. The sources used to gather data included actual operational performance of Marketix Lab between May-December 2025 and academic literature.

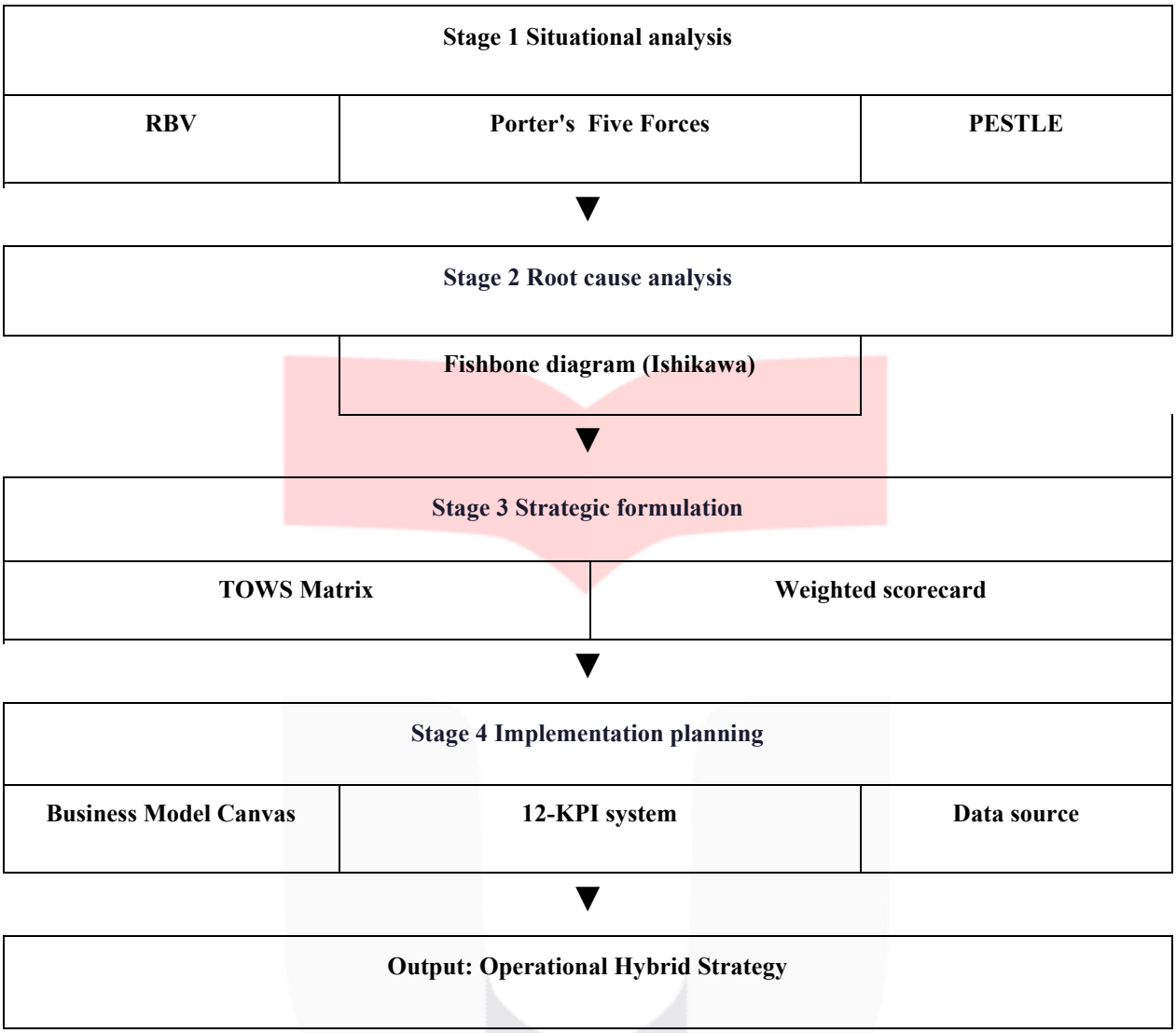


Figure 1. Research methodology framework, the four-stage qualitative case study design.

This paper follows a qualitative case study approach suggested by Robert K. Yin (2003), and is organized into four phases of analysis. The initial step is the situational analysis whereby internal and external business situations are analyzed through the Resource Based View by Jay Barney (1991), the Porter's Five Forces by Michael E. Porter (1980) and the PESTLE Analysis by Gerry Johnson et al. (2008). The second phase involves root cause analysis based on the Fishbone Diagram that was developed by Kaoru Ishikawa (1968) and classifies problems in six dimensions: man, method, machine, material, market and management. The third stage focuses on strategic alternatives, which are developed and analyzed using TOWS Matrix as proposed by Heinz Weihrich (1982) and weighted scorecard method as introduced by Robert S. Kaplan and David P. Norton (1992) to select the best solutions. Lastly, the chosen strategy is codified in the implementation planning phase with the Business Model Canvas developed by Alexander Osterwalder and Yves Pigneur (2010) with a specified KPI system and six months roadmap. This developed plan eventually results in a hybrid strategy that is operational with a weighted score of 4.90 out of 5.00 and an estimated revenue of IDR 456 million in 2026.

IV. RESULTS AND DISCUSSION

A. Situational Analysis and Identification of Strategic Problems

RBV's analysis showed that Marketix Lab had a good net profit margin of 63-69% in the May-July 2025 timeframe and that the financial model itself was sound. However, the competitive advantages of the agency, including the creative competence of the founding team, understanding of the needs of MSMEs by their own context, as well as the network ecosystem of the campus are personal and not institutionalized in a replicable organizational system. Through the Fishbone Diagram (Ishikawa), four main root causes are identified: (1) Limited Operational Scalability-The inability to document SOPs results in production quality and delivery speed wholly reliant on individual judgment of the members in the team; (2) Portfolio Credibility Gap-Completed client work is not systematically converted into case studies; (3) AI Adoption Gap-Agencies subscribe to AI production tools but the AI adoption is not consistent across team members; and (4) HR Governance Deficiencies-CCOs have a disproportionate oversight burden of all ten stages of service delivery. Porter's five force analysis shows that the competition is high in the MSME segment, the buyer bargaining power is high, with zero switching costs, the threat of new entrants is moderate to high and the threat of substitution from rapidly growing self-service AI platforms. PESTLE's analysis confirms the government's strong support for the digitalization of MSMEs through the Rp20 trillion Labor Intensive Investment Credit program by 2025, which offers a favourable environment for the demand for digital marketing services.

Dimensions	Internal Findings	External Implications
Operational Capacity	There are no SOPs; 8 team members manage all clients	High competition demands fast and consistent delivery
Financial Model	Margins 63–69%; Full variable cost structure	High bargaining power of buyers; Newcomers continue to value lower
Portfolio & Credibility	Limited case studies and testimonials	Trust is the main barrier to conversion in the MSME market
Technology & AI	AI tools are subscribed but adoption is inconsistent	AI self-service platforms are becoming the fastest substitution threat
HR Governance	Flat structure; Interpersonally-Mediated Accountability	Delivery failure damages reputation disproportionately

Table 1. Synthesis of Internal and External Analysis

B. Evaluation of Alternative Business Solutions

Based on the synthesis of situational analysis, three alternative solutions were evaluated: (1) AI-Based Process Standardization institutionalization of AI-powered workflow systems in all service delivery processes, projecting a 40–50% reduction in production manhours per project; (2) Flexible Resource Allocation Model, strategic activation of freelance talent networks to expand production capacity on a per-project basis; and (3) Aggressive Portfolio Building through Subsidized Pilot Projects—offering trial packages at a 20–30% discount to student startups to produce at least 5 case studies and 10 verified client testimonials.

Evaluation through the weighted scorecard showed a Hybrid Strategy that combined the three alternatives in sequence achieved the highest score of 4.90 out of 5.00, surpassing the three individual alternatives. The choice of AI-Based Process Standardization as a key pillar is justified by its fundamental role; without SOPs, neither freelance networks nor pilot projects can provide consistent quality.

Evaluation Criteria	Weight	Alt. 1	Alt. 2	Alt. 3	Hybrid
Effectiveness of root cause solving	25%	5	3	3	5
Resource utilization efficiency	20%	5	4	2	5
Financial sustainability	20%	3	5	2	5
Risk level (lower is better)	15%	4	5	3	4
Bootstrap model compatibility	10%	5	5	3	5

Speed builds credibility	10%	3	2	5	5
WEIGHTED TOTAL	100%	4,15	3,90	2,80	4,90

Table 2. Weighted Solution Evaluation Scorecard

C. Operational Hybrid Strategy: Four Strategic Pillars

The Operational Hybrid Strategy is structured on the four strategic pillars that function in a certain order. The first pillar is AI-Based Process Standardization which includes documentation of the SOPs for all 10 stages of service delivery and adoption of AI tools as mandatory production standard. The second stratagem is Flexible Resource Allocation Model by recruiting 8-12 trained student freelancers from Telkom University entrepreneurial community. The third pillar is Portfolio Development in terms of a subsidized pilot project with 3-5 student startup clients through Months 1-2. The fourth pillar is the HR and KPI Governance System which runs as a continuous accountability mechanism from Week 2 onwards and aims at an increase in timeline compliance from below 60% to above 90%. This approach reflects the principle of Dynamic Capabilities (Teece et al., 1997) which states that organizational transformation in a rapidly changing environment requires both the ability to reconfigure multiple dimensions of internal configuration simultaneously in a concerted sequence. Strategy doesn't attempt to solve all the problems at once through parallel initiatives with the same priorities - it sequences the four pillars of strategy such that each succeeding pillar is supported by the infrastructure built by the previous pillar.

D. Business Model Canvas and Financial Projections

The value of Marketix Lab, its value-creation logic, is formalised into nine building blocks in the Business Model Canvas. The basic value proposition is the agency equivalent quality at a freelance equivalent price point (55-82% lower than conventional agencies) made possible through a Hybrid Production Model supporting professional DSLR production coupled with AI-driven post production workflows. The financial projections are made on the basis of actual performance data for the May-December 2025 period with suitable conservative assumptions for bootstrap companies. Based on the level strategy that is implemented, the total annual revenue in 2026 is expected to reach IDR 456,000,000 which is an increment of 364% compared to the total from May-December 2025 of IDR 98.2 million. Average monthly revenue grew from IDR 28,000,000 during Q1 to IDR 48,000,000 in Q4 2026. The cash position is expected to increase from IDR 60.4 million (December 2025) to IDR 258.8 million (December 2026) which amounts to a 328% growth.

Revenue Component	Q1 2026	Q2 2026	Q3 2026	Q4 2026
Pendapatan Retainer	IDR 72,000,000	IDR 90,000,000	IDR 108,000,000	IDR 126,000,000
Project Revenue	IDR 12,000,000	IDR 15,000,000	IDR 15,000,000	IDR 18,000,000
Quarterly Total	IDR 84,000,000	IDR 105,000,000	IDR 123,000,000	IDR 144,000,000
Monthly Average	IDR 28,000,000	IDR 35,000,000	IDR 41,000,000	IDR 48,000,000
Profit Margin	55%	41,4%	45,4%	48,8%

Table 3. Quarterly Revenue Projections (2026)

It is indicated in the projections of profitability when the social media managers should be hired; it will start in Q2. Interim margins declined in Q1 to 41.4% in Q2–new payroll costs were first consumed to completion before full benefits of revenue would be felt--but this was a conscious, planned squeeze and not a failure of operation. In Q3 and Q4, margins had restarted to 45.4 and 48.8 percent as increased team capacity made it possible to achieve more revenue. The net income is projected to grow to IDR 215,760, 000 annually with an average margin of 47.3 so growth-oriented strategies are capable of ensuring good returns as it develops the organizational capacity.

V. CONCLUSIONS AND SUGGESTIONS

This paper affirms that the operational discrepancies of Marketix Lab, which is based on inadequate documentation of Standard Operating Procedures, financial susceptibility attributed to the size of the client base served, and the lack of credibility created by a limited number of documented portfolios, drag the company back. The proposed Operational Hybrid Strategy, consisting of AI-Based Process Standardization, Flexible Resource Allocation Model, Aggressive Portfolio Building, and HR Governance System and KPIs has the best weighted score in the scorecard of 4.90 out 5.00. The strategy justifies the concept of bootstrapping (Winborg and Landstrom, 2001) based on all subscriptions to the current AI tools, campus networks, and systematic intellectual reconfiguration, as opposed to the outsourcing of funds. In practice, AI processes standardization is forecasted to help to drop average production manhours per project to 4-6 hours compared to 8-12 hours, further cutting the production of a given agency by two without an equivalent price raise. In terms of service quality, the fact that SOPs are institutionalised directly handles SERVQUAL Gap 3 (Parasuraman et al., 1988) and the consistency of delivery has turned into a property of an organizational system that can be measured, audited and continuously ameliorated. The study provides value to the field of digital entrepreneurship by revealing that startups that are not well-equipped may also gain sustainable scalability by introducing new processes and adopting AI technologies without involving external funds. To continue the development, the recommendations are to introduce paid ad management and web designing services and register a formal legal entity in the 7th-12th months and install a simple CRM system to facilitate the development of the long-term retainer customer base. This model can be replicated to other cities in Indonesia where secondary education is practiced to ensure the validity of the results.

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