

**DIGITAL MARKETING TRANSFORMATION IN THE AI-FIRST ERA: A LITERATURE REVIEW
ON INTERACTIVE VIDEO, SOCIAL COMMERCE, AND MULTI-SURFACE SEARCH
OPTIMIZATION FOR INDONESIAN SMES**

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Abstract

This study aims to examine digital marketing transformation in the AI-first era through a literature review focusing on interactive video, social commerce, and multi-surface search optimization for Indonesian small and medium-sized enterprises (SMEs). The rapid development of artificial intelligence, short-form video platforms, social commerce ecosystems, and AI-assisted search has changed how SMEs build visibility, engage consumers, and compete in digital markets. This study employs a qualitative library research method to analyze recent scholarly literature on AI-driven marketing, SME digital transformation, interactive video marketing, social commerce, search optimization, and digital competitiveness. The findings indicate that interactive video strengthens consumer engagement through visual storytelling, product demonstration, emotional connection, and real-time interaction. Social commerce enables SMEs to integrate promotion, communication, trust-building, and transaction within social media-based ecosystems. Meanwhile, multi-surface search optimization improves SME discoverability across search engines, marketplaces, social media, video platforms, map services, review platforms, and AI-generated search results. The study also shows that AI supports marketing efficiency through customer segmentation, content personalization, chatbot services, campaign automation, and data-driven decision-making. However, Indonesian SMEs still face challenges, including limited digital literacy, weak analytical capabilities, platform dependency, resource constraints, and inconsistent cross-platform branding. This review contributes to the literature by integrating interactive video, social commerce, and multi-surface search optimization into a conceptual framework for AI-first digital marketing to enhance SME competitiveness. The study recommends that Indonesian SMEs develop AI-enabled marketing capabilities, interactive content strategies, social commerce management, and multi-platform search visibility to strengthen sustainable and global competitiveness.

Keywords: AI-first marketing, digital marketing transformation, interactive video, social commerce, search optimization, Indonesian SMEs.

Introduction

Digital marketing transformation in the AI-first era has reshaped the way small and medium-sized enterprises (SMEs) build market visibility, engage consumers, and strengthen competitiveness in increasingly globalized markets. Digital marketing is no longer limited to social media, websites, or online advertising; rather, it has evolved into a data-driven ecosystem shaped by artificial intelligence, automation, predictive analytics, content personalization, and algorithmic transparency. For Indonesian SMEs, this transformation is particularly important because consumers increasingly interact with brands through short-form videos, social commerce platforms, marketplaces, digital search engines, and AI-assisted recommendation systems. Recent literature indicates that digital marketing contributes to SME performance by improving customer engagement, market reach, brand awareness, and adaptive business capabilities (Jadhav et al., 2023; Wu et al., 2024).

The main phenomenon underlying this study is the shift in consumer behavior from passive information-seeking to more interactive, visual, and transaction-oriented digital experiences. Interactive videos, including vertical short videos, live shopping content, and shoppable video formats, have become increasingly influential because they combine entertainment, product education, real-time interaction, and purchase stimulation within a single digital environment. For SMEs, interactive video offers an opportunity to create emotional closeness with consumers without requiring promotional budgets as large as those of major corporations. However, this opportunity also requires new capabilities in content creation, audience analytics, brand storytelling, platform optimization, and the use of AI tools to improve message relevance and campaign efficiency (Dwivedi et al., 2021; Kumar et al., 2024).

In addition to interactive video, social commerce has become a central component of digital marketing transformation, integrating social interaction, product discovery, peer recommendations, consumer reviews, influencer communication, and digital transactions. Social commerce enables SMEs to reduce the distance between promotion and purchase by embedding commercial activities within social media ecosystems. In Indonesia, the rise of social commerce is highly relevant because many SMEs rely on social media platforms not only for branding but also for direct sales and customer relationship management. Nevertheless, the development of social commerce also raises challenges related to platform dependency, algorithmic competition, price pressure, consumer trust, digital payment readiness, and regulatory uncertainty. Therefore, social commerce should be understood not merely as a sales channel but as a strategic digital ecosystem that influences SME competitiveness (Molinillo et al., 2021; Han et al., 2023).

At the same time, digital search strategies have also undergone a significant transformation. Search engine optimization is no longer limited to traditional keyword-based ranking on Google Search; it has expanded to multi-surface search optimization across search engines, marketplaces, social media platforms, video platforms, map-based services, review platforms, and AI-generated search results. This means that SMEs must optimize their visibility across multiple digital surfaces where consumers search, compare, evaluate, and purchase products. In the AI-first era, search visibility is increasingly influenced by user intent, content quality, structured data, platform authority, consumer reviews, and algorithmic relevance. Consequently, multi-surface search optimization has become a critical strategy for SMEs seeking to improve discoverability and compete beyond local markets (Buhalis & Volchek, 2021; Rosário & Dias, 2023).

Despite these opportunities, the research problem lies in the uneven readiness of Indonesian SMEs to adopt AI-driven digital marketing transformation. Many SMEs have used social media, marketplaces, and online advertising, but their strategies often remain fragmented, reactive, and platform-dependent. They may produce short videos without a clear content strategy, engage in social commerce without sufficient customer data management, or apply search optimization without understanding the broader multi-platform discovery journey. The challenges include limited digital literacy, insufficient analytical skills, insufficient financial resources, weak content planning, limited AI adoption, and limited capability to interpret platform algorithms. These limitations may prevent SMEs from fully benefiting from digital marketing transformation and may weaken their competitiveness in global digital markets (Chatterjee et al., 2021; Priyono et al., 2020).

The research gap addressed in this literature review is the fragmented nature of existing studies on digital marketing, AI marketing, interactive video, social commerce, and search optimization in relation to SMEs. Previous studies have often examined digital marketing adoption, e-commerce participation, social media marketing, or AI-enabled marketing separately. However, the literature has not yet integrated interactive video, social commerce, and multi-surface search optimization into a unified framework for understanding SME competitiveness in the AI-first era, particularly in the Indonesian context. This gap is significant because SMEs do not experience digital transformation through isolated technologies, but through interconnected digital touchpoints that shape consumer awareness, engagement, trust, conversion, and loyalty (Dwivedi et al., 2021; Rosário & Dias, 2023).

The novelty of this article lies in its attempt to develop an integrative, literature-based perspective on digital marketing transformation for Indonesian SMEs. First, interactive video is positioned as a visual engagement strategy that strengthens consumer attention, trust, and emotional connection. Second, social commerce is conceptualized as a community-based transaction ecosystem that combines social influence, digital interaction, and commercial activity. Third, multi-surface search optimization is framed as a visibility strategy that enables SMEs to appear across multiple digital discovery points,

including search engines, marketplaces, social media, video platforms, and AI-assisted search environments. This integrated perspective expands the discussion of SME digital marketing from channel adoption to ecosystem-based competitiveness.

The urgency of this study stems from the need for Indonesian SMEs to strengthen their global competitiveness in a digital economy increasingly shaped by AI, automation, algorithmic transparency, and platform-based consumer behavior. Without an integrated digital marketing strategy, SMEs risk becoming passive users of digital platforms rather than strategic actors capable of leveraging data, content, interactions, and search visibility to expand their markets. Therefore, this literature review is important for mapping recent theoretical developments, identifying emerging trends, explaining strategic challenges, and formulating conceptual insights for SMEs, researchers, and policymakers. By examining interactive video, social commerce, and multi-surface search optimization in the AI-first era, this study contributes to a deeper understanding of how Indonesian SMEs can transform their digital marketing practices to achieve sustainable and globally competitive growth.

Literature Review

1. Digital Marketing Transformation in the AI-First Era

Digital marketing transformation refers to the strategic shift from conventional promotional activities to integrated, data-driven, platform-based, and technology-enabled marketing practices. In the AI-first era, digital marketing is increasingly influenced by artificial intelligence, automation, predictive analytics, consumer data processing, and algorithmic personalization. For SMEs, this transformation is not merely about adopting social media or e-commerce platforms, but about developing adaptive marketing capabilities that enable businesses to understand consumer behavior, optimize content, improve customer engagement, and strengthen market competitiveness. Recent literature shows that digital marketing has become an important driver of SME growth, helping smaller firms expand their market reach, increase brand awareness, reduce promotional costs, and improve customer relationships. A systematic literature review on digital marketing in SMEs found that research in this area increasingly focuses on digital capability, customer engagement, innovation, and business performance.

In the context of Indonesian SMEs, digital marketing transformation is highly relevant, as they often operate with limited financial, technological, and human resources. Digital platforms provide opportunities for SMEs to compete beyond local markets, yet these opportunities depend on their ability to use digital tools strategically. The implementation of digital marketing among Indonesian MSMEs has been identified as important for improving competitiveness, visibility, and business sustainability. However, challenges remain in digital literacy, content creation, platform management, and technology adoption. Therefore, digital marketing transformation in the AI-first era should be understood as a combination of technological adoption, organizational readiness, marketing innovation, and strategic use of digital ecosystems.

2. Artificial Intelligence and Marketing Capability

Artificial intelligence has become a key element in modern digital marketing because it enables firms to analyze consumer data, automate marketing processes, personalize communication, predict customer preferences, and improve decision-making. In marketing, AI can be applied to customer segmentation, recommendation systems, chatbots, content generation, campaign optimization, sentiment analysis, and predictive analytics. For SMEs, AI offers an opportunity to overcome resource limitations by supporting faster content production, more accurate targeting, and more efficient customer relationship management. However, AI adoption also requires digital readiness, data literacy, ethical awareness, and managerial capability.

Studies on AI in marketing indicate that AI contributes to innovation, customer experience, and business performance by enabling firms to make more data-informed marketing decisions. A recent systematic literature review on AI for marketing highlights that AI affects various marketing functions, including customer engagement, innovation, personalization, and strategic decision-making. In the context of SMEs, AI can support sustainable competitive advantage when integrated with business models, digital capabilities, and strategic orientation. A systematic literature review on AI-guided sustainable competitive advantage in SMEs argues that AI can strengthen long-term competitiveness when SMEs align AI adoption with organizational capabilities and value-creation processes.

3. Interactive Video as a Digital Engagement Strategy

Interactive video has emerged as an important digital marketing strategy because it combines visual storytelling, entertainment, product information, and user interaction. In the current digital environment, consumers increasingly prefer short, vertical, and interactive content because it is easy to access, emotionally engaging, and compatible with mobile consumption habits. Platforms such as TikTok, Instagram Reels, YouTube Shorts, and live shopping features have changed the way consumers discover, evaluate, and purchase products. For SMEs, interactive video offers a practical way to communicate product value, build brand personality, and stimulate consumer engagement without a large-scale advertising budget.

Literature on short video marketing shows that video content can influence consumer engagement through social sharing, emotional response, and perceived relevance. A study on short video marketing and consumer engagement found that short videos can stimulate social sharing behavior and strengthen consumer engagement. Another study on audiovisual features of short video advertising notes that short videos influence consumers' cognitive processes, brand attitudes, engagement, and consumption behavior. These findings suggest that interactive video is not only a communication medium but also a strategic mechanism for increasing attention, trust, and purchase intention.

For Indonesian SMEs, interactive video is particularly useful, as many rely on social media platforms to introduce products and communicate directly with customers. Through short

videos, live product demonstrations, customer testimonials, behind-the-scenes content, and educational storytelling, SMEs can create more authentic and persuasive brand communication. However, the effectiveness of interactive video depends on content quality, message consistency, audience understanding, platform algorithm awareness, and the ability to convert engagement into sales.

4. Social Commerce and SME Market Expansion

Social commerce refers to the integration of social media interaction and commercial transactions. It allows consumers to discover products, interact with sellers, read reviews, receive recommendations, and make purchases within or through social platforms. Social commerce differs from conventional e-commerce because it relies heavily on social influence, community interaction, user-generated content, influencer credibility, peer recommendation, and trust-building mechanisms. For SMEs, social commerce is highly valuable because it reduces the distance between promotion and transaction while enabling direct communication with customers.

In the AI-first era, social commerce is increasingly shaped by algorithms, personalized recommendations, livestreaming, short video content, social proof, and platform-based consumer behavior. SMEs can use social commerce to increase customer engagement, build communities, and accelerate conversion. However, social commerce also creates new challenges, including dependence on platform algorithms, intense price competition, limited control over customer data, and regulatory uncertainty. In Indonesia, social commerce is especially important because many SMEs use social media as their main business channel. However, the relationship between social media platforms, marketplaces, and regulation continues to evolve. Therefore, SMEs must understand social commerce not only as a sales channel but also as a strategic ecosystem for relationship-building, trust creation, and market expansion.

From a literature perspective, social commerce strengthens SME competitiveness by combining marketing communication and transactional convenience. It enables SMEs to transform followers into customers and customers into brand advocates. However, this requires SMEs to develop capabilities in digital storytelling, customer service, online reputation management, community engagement, and data-driven promotion. When combined with AI-based tools, social commerce can become more personalized, responsive, and efficient.

5. Multi-Surface Search Optimization

Multi-surface search optimization refers to the strategy of improving brand and product visibility across multiple digital discovery points. In traditional digital marketing, search optimization was mainly associated with search engine optimization or SEO on websites. However, in the current digital ecosystem, consumers search for products not only through search engines but also through marketplaces, social media platforms, map applications, video platforms, review sites, and AI-generated search interfaces. Therefore, SMEs need to optimize their presence across multiple digital surfaces where consumers discover, compare, and evaluate products.

SEO remains important because it helps businesses improve online visibility, organic traffic, and conversion potential. A recent study on SEO for SMEs found that optimizing product titles, descriptions, and metadata improved search rankings and increased organic traffic. Another systematic review on SEO and digital marketing for SMEs highlights that SEO tactics can affect website traffic, search ranking, conversion rates, and business growth. However, in the AI-first era, optimization must go beyond websites and encompass discoverability across marketplaces, social media search, video captions, hashtags, local search, customer reviews, and AI-readable content structures.

For Indonesian SMEs, multi-surface search optimization is crucial, as many consumers discover products across different platforms before making a purchase decision. A consumer may first see a product on TikTok, search for reviews on Google, compare prices on a marketplace, check a seller's credibility on Instagram, and finally complete the purchase via WhatsApp or an e-commerce platform. This multi-touchpoint journey requires SMEs to maintain consistent brand information, product descriptions, keywords, visuals, customer reviews, and contact details across platforms.

6. Digital Marketing and SME Competitiveness

SME competitiveness refers to the ability of small and medium-sized enterprises to survive, grow, innovate, and compete in local, national, and global markets. Digital marketing contributes to competitiveness by increasing market access, improving customer engagement, strengthening brand positioning, and enabling data-driven decision-making. In the digital economy, competitiveness is no longer determined only by product quality and price, but also by digital visibility, responsiveness, trust, customer experience, and platform adaptability.

For Indonesian SMEs, digital marketing transformation can support global competitiveness by helping firms reach international consumers, participate in cross-border e-commerce, and build stronger digital brands. However, competitiveness depends on SMEs' ability to integrate multiple digital marketing strategies. Interactive video can attract attention and build engagement; social commerce can convert interactions into transactions; and multi-surface search optimization can improve discoverability across digital platforms. When AI supports these strategies, SMEs can improve targeting, content personalization, customer service, and campaign evaluation.

Nevertheless, the literature also indicates that limited resources, lack of digital skills, insufficient strategic planning, and low technological readiness often constrain SME digital transformation. Therefore, SME competitiveness in the AI-first era requires not only access to digital platforms but also the development of digital marketing capabilities, managerial awareness, and continuous learning.

7. Synthesis of the Literature

Based on the reviewed literature, digital marketing transformation in the AI-first era can be understood as an integrated process involving technology, content, commerce, and search visibility. AI strengthens the intelligence layer of digital marketing by enabling personalisation, automation, prediction, and optimisation. Interactive video functions as

an engagement layer that attracts attention and stimulates consumer interaction. Social commerce acts as a transaction and relationship layer that connects social influence with purchasing behavior. Multi-surface search optimization serves as a visibility layer, ensuring SMEs are discoverable across various digital platforms.

The literature suggests that these dimensions should not be studied separately. In practice, SMEs experience digital marketing through interconnected consumer journeys. Consumers may encounter a brand through a short video, evaluate it through social proof, search for additional information across platforms, and complete a transaction through social commerce or marketplace channels. Therefore, an integrated literature review is needed to explain how interactive video, social commerce, and multi-surface search optimization collectively shape SME competitiveness in the AI-first era.

Research Method

This study applies a library research method, using a qualitative literature review, to examine digital marketing transformation in the AI-first era, particularly in relation to interactive video, social commerce, and multi-surface search optimization for Indonesian SMEs. Library research is appropriate because this study does not collect primary field data, but instead analyses, compares, and synthesises previous scholarly works, journal articles, books, conference papers, and relevant institutional reports. The main sources used in this study are recent academic publications from the last five years, especially articles indexed in reputable databases such as Scopus, Web of Science, ScienceDirect, Emerald, Springer, Taylor & Francis, and Google Scholar. The literature selection focuses on studies discussing AI-driven marketing, SME digital transformation, social commerce, interactive video marketing, search engine optimisation, platform-based marketing, and digital competitiveness.

The data analysis process is conducted through several stages: identifying relevant literature, screening sources based on topic suitability and publication quality, classifying findings according to major themes, and synthesising the results into an integrative conceptual discussion. The selected literature is analysed using content analysis to identify key concepts, theoretical patterns, research trends, gaps, and strategic implications for SMEs. The review emphasises how interactive video functions as an engagement strategy, how social commerce supports digital transactions and consumer trust, and how multi-surface search optimisation strengthens brand visibility across platforms. Through this method, the study aims to build a comprehensive conceptual understanding of how Indonesian SMEs can transform their digital marketing practices in the AI-first era to improve competitiveness, market reach, and sustainable growth.

Results and Discussion

1. AI-First Digital Marketing Strengthens SME Strategic Capability

The literature indicates that digital marketing in the AI-first era has moved beyond basic online promotion toward a more intelligent, data-driven, and adaptive marketing system.

AI enables SMEs to analyse customer behaviour, automate communication, personalise offers, optimise campaign performance, and predict market trends more efficiently. This finding shows that AI is not merely a supporting technology, but a strategic marketing capability that can help SMEs improve customer acquisition, customer retention, and business performance. Wu (2024) found that innovativeness, proactiveness, and managerial capability play a significant role in the adoption of digital marketing strategies and that digital marketing adoption has a positive effect on organisational performance. For Indonesian SMEs, this result is highly relevant because many SMEs already use digital platforms but often lack structured strategies for data utilisation, content optimisation, and customer segmentation. AI can help SMEs reduce resource limitations by supporting content generation, chatbot-based customer service, social media analytics, and personalised marketing communication. However, AI adoption among SMEs still depends on infrastructure readiness, organisational culture, compatibility, regulation, and knowledge capability. A systematic review by Ayinaddis (2025) shows that AI adoption in SMEs is influenced by infrastructure, culture, compatibility, and regulatory factors. Therefore, SMEs need not only technological access but also managerial readiness and digital literacy to transform AI into competitive advantage.

2. Interactive Video Increases Engagement and Purchase Intention

The review also finds that interactive video, especially short-form vertical video, has become one of the most influential digital marketing tools in the AI-first era. Short videos are effective because they combine visual storytelling, entertainment, product demonstration, emotional appeal, and social sharing. In the SME context, interactive video allows businesses to present products in a more human, authentic, and persuasive way. This is important because consumers increasingly prefer content that is simple, visual, mobile-friendly, and directly connected to product experience.

Recent studies support this finding. Short video marketing has been shown to stimulate social sharing and strengthen consumer engagement, particularly when the content is relevant, attractive, and easy to share. Shen (2024) also found that users' perception of short video content influences purchase intention through psychological and behavioural responses. These findings imply that interactive video is not only useful for increasing awareness but also for influencing consumer attitudes and buying decisions. For Indonesian SMEs, interactive video can be used through TikTok, Instagram Reels, YouTube Shorts, live shopping, product tutorials, testimonials, and behind-the-scenes storytelling. However, the effectiveness of interactive video depends on content quality, consistency, platform algorithm understanding, and the ability to convert engagement into sales. SMEs that only produce viral content without a clear brand message may gain temporary attention but fail to build long-term competitiveness. Therefore, interactive video should be integrated with product positioning, customer education, brand identity, and call-to-action strategies.

3. Social Commerce Converts Digital Interaction into Transactions

The literature shows that social commerce plays a central role in transforming digital interaction into actual transactions. Unlike conventional e-commerce, social commerce relies on social influence, consumer reviews, peer recommendations, influencer credibility, live interaction, and community-based trust. This makes social commerce highly suitable for SMEs because many small businesses rely on personal relationships, trust, and direct communication with customers.

In the AI-first era, social commerce becomes more powerful because platform algorithms can recommend products based on user behaviour, preferences, location, and interaction history. This creates opportunities for SMEs to reach highly targeted audiences without depending entirely on expensive advertising. He (2024) found that customer engagement in short-video commerce is shaped by social learning, customer attitude, and relationship norms, showing that consumers are influenced not only by product information but also by social interaction and perceived relational value.

For Indonesian SMEs, social commerce is especially important because many businesses use Instagram, TikTok, Facebook, WhatsApp, and marketplaces as their main marketing and sales channels. Through social commerce, SMEs can combine product promotion, customer interaction, order-taking, customer service, and community building. Nevertheless, the challenge is that SMEs may become highly dependent on platform algorithms, price competition, and changing platform regulations. Therefore, SMEs need to build stronger digital assets, such as customer databases, consistent brand identity, customer reviews, and cross-platform presence.

4. Multi-Surface Search Optimisation Improves SME Digital Visibility

Another key result is that search optimisation has expanded from traditional SEO into multi-surface search optimisation. Consumers no longer search for products only through search engines. They also search through TikTok, Instagram, YouTube, marketplaces, Google Maps, review platforms, and AI-assisted search tools. This means SMEs must ensure that their products, brand names, descriptions, images, videos, reviews, and location information are discoverable across multiple digital surfaces.

This finding is important because visibility is one of the main determinants of SME competitiveness in digital markets. A product with good quality may remain unnoticed if it is not optimised for search and discovery. Studies on SEO and SMEs show that search optimisation can improve ranking, organic traffic, conversion rates, and digital business growth. In the AI-first era, optimisation must include not only keywords but also content relevance, structured information, product descriptions, user reviews, video captions, hashtags, local search, and platform-specific ranking factors.

For Indonesian SMEs, multi-surface search optimisation is highly strategic because consumers often move across different platforms before making purchase decisions. For example, a consumer may first see a product on TikTok, search for reviews on Google, compare prices on Shopee or Tokopedia, check credibility on Instagram, and finally contact the seller through WhatsApp. Therefore, SMEs must manage consistency across platforms to build trust and reduce consumer uncertainty.

5. Integration of AI, Video, Social Commerce, and Search Builds Competitiveness

The results suggest that AI-first digital marketing should not be understood as a collection of separate tools. Instead, AI, interactive video, social commerce, and multi-surface search optimisation form an interconnected digital marketing ecosystem. AI supports data analysis and personalisation; interactive video attracts attention and engagement; social commerce converts engagement into transactions; and multi-surface search optimisation ensures that SMEs can be discovered across digital platforms.

This integrated approach is important because consumer journeys are increasingly non-linear. Consumers may discover a product through short video, evaluate it through reviews, compare it through marketplaces, and complete the transaction through social commerce or direct messaging. Therefore, SMEs need to shift from fragmented platform usage to integrated digital marketing strategy. Research on e-commerce and social media adoption indicates that integrated and strategic use of digital platforms can significantly improve MSME competitiveness, although challenges remain in digital skills, capital, cybersecurity, and ecosystem support.

In this context, competitiveness is not only determined by the ability to sell products online, but also by the ability to manage digital visibility, consumer trust, engagement, data, and platform-based relationships. SMEs that can integrate these elements are more likely to strengthen brand awareness, expand market reach, improve customer loyalty, and compete beyond local markets.

6. Challenges Faced by Indonesian SMEs

Although the literature highlights many opportunities, several challenges remain. First, many SMEs still have limited digital literacy and may use digital platforms only for basic promotion rather than strategic marketing. Second, SMEs often lack analytical capability to interpret customer data, campaign performance, and platform algorithms. Third, financial and human resource limitations restrict their ability to invest in professional content production, advertising, AI tools, and digital training. Fourth, SMEs face platform dependency, where changes in algorithms, regulations, or commission systems can directly affect their sales performance.

AI adoption also creates ethical and operational challenges. SMEs need to understand data privacy, transparency, content authenticity, and responsible use of AI-generated content. If AI is used without a strategy, SMEs may produce generic content that lacks authenticity and weakens brand differentiation. Therefore, the use of AI should support human creativity, customer understanding, and strategic decision-making rather than replace the relational and cultural strengths of SMEs.

7. Strategic Implications for Indonesian SMEs

The findings imply that Indonesian SMEs need to develop four strategic capabilities. First, they need AI-enabled marketing capability, including the ability to use AI tools for content creation, customer segmentation, chatbot service, campaign analysis, and market trend prediction. Second, they need interactive content capabilities, especially the ability to produce short videos, live-selling content, tutorials, testimonials, and storytelling-based

product communication. Third, they need social commerce capability, including trust-building, community engagement, customer service, and conversion management. Fourth, they need search visibility capabilities, including SEO, marketplace optimization, hashtag strategy, local search, video search, and review management.

These capabilities can help SMEs move from passive platform participation to active digital competitiveness. Indonesian SMEs should not only follow digital trends but also build a consistent strategy that connects content, commerce, customer data, and search visibility. In this way, digital marketing transformation can support sustainable growth, stronger market positioning, and global competitiveness.

Conclusion

This literature review concludes that digital marketing transformation in the AI-first era has become a strategic necessity for Indonesian SMEs to strengthen their competitiveness in increasingly dynamic and platform-driven markets. The development of artificial intelligence, interactive video, social commerce, and multi-surface search optimisation has changed the way SMEs communicate with consumers, build brand awareness, generate engagement, and convert digital interaction into business performance. Digital marketing is no longer limited to online promotion, but has become an integrated ecosystem involving data, content, algorithms, consumer experience, and digital visibility.

The findings show that interactive video plays an important role in increasing consumer attention, emotional engagement, and product understanding through short-form video, live shopping, tutorials, testimonials, and visual storytelling. Social commerce strengthens the relationship between SMEs and consumers by integrating social interaction, trust-building, recommendation, and transaction within digital platforms. Meanwhile, multi-surface search optimization helps SMEs improve discoverability across search engines, marketplaces, social media, video platforms, maps, and AI-assisted search environments. These three elements, when supported by AI-based marketing capability, can create a more adaptive and competitive digital marketing strategy.

However, Indonesian SMEs still face several challenges, including limited digital literacy, weak data analytics capability, lack of human resources, dependence on platform algorithms, limited understanding of AI tools, and inconsistent cross-platform branding. Therefore, SMEs need to move from fragmented digital platform use to a more integrated, strategic approach. This requires the development of AI-enabled marketing, interactive content, social commerce, and search visibility capabilities.

Overall, this study highlights that Indonesian SMEs can improve their global competitiveness by adopting an integrated AI-first digital marketing strategy. The novelty of this review lies in combining interactive video, social commerce, and multi-surface search optimization into one conceptual framework for understanding SME digital competitiveness. Future research is recommended to conduct empirical studies on Indonesian SMEs to test the relationship between AI-based marketing practices, digital engagement, search visibility, and business performance.

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