



# Master's Thesis

**Master's Programme for Strategic Entrepreneurship for  
International Growth, 120 credits**

**Digital Marketing Challenges Face by SMEs in Developing  
Countries: Cross country case studies from Bangladesh and  
Sri Lanka**

Independent project in business administration, 30 credits.

Halmstad, 2023-05-29

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## **Abstract**

**Background and Problem:** Many developing countries place emphasis on small and medium-sized enterprises (SMEs) because of their significant economic contribution. The rapid development of digital marketing has an effect on many different business aspects of SMEs, including changes to the internal and external environments of businesses and customer behavior. However, due to the various challenges that SMEs in developing countries like Bangladesh and Sri Lanka face in adopting and executing digital marketing channels, they were unable to gain the real advantages of digital marketing. Furthermore, it is uncommon to find a consistent identification and classification of these internal and external hurdles to the digital marketing execution of developing countries' SMEs.

**Research purpose:** The primary purpose of this research is to investigate the digital marketing challenges SMEs face in developing countries. The study has been focused on examining both external and internal challenges that SMEs face in executing digital marketing.

**Research question:** To fulfill the goal and justify this study, the following research question is created:

*“What are the digital marketing challenges faced by SMEs in Bangladesh and Sri Lanka?”*

**Research method:** This study used a qualitative case study methodology with a deductive research approach. In order to achieve the study's objective and answer the research question, empirical data was presented based on primary data. Primary data were collected from four in-depth interviews conducted with SMEs in Bangladesh and Sri Lanka. Secondary data has been used as a part of an exploratory study to understand the subject and frame the literature review.

**Findings:** Through the finding of this research have identified different internal and external challenges that SMEs in Bangladesh and Sri Lanka face when they perform digital marketing. The challenges faced by SMEs from both countries are reflected to be common between the two countries. The most highlighted internal challenges described a lack of skilled professionals to perform in-house digital marketing, a lack of knowledge of the owners /managers on digital marketing, and high startup cost. On the other hand, the most highlighted external challenge is the customer's lack of trust and acceptance of digital marketing tools and increased competition.

**Study limitation:** This research is limited to SMEs in Bangladesh and Sri Lanka, and only four case studies have been conducted to gather primary data for the study.

**Keywords:**

SMEs, Digital marketing, Digital marketing channels, Internet marketing, Digital marketing ecosystem, Digital marketing challenges, Social media, Digital marketing in developing countries.

## **Acknowledgment**

We would like to express our deep gratitude and appreciation to our thesis advisor, Venilton Reinert, for his guidance, support, and invaluable insights throughout our research. His input was instrumental in shaping the direction and scope of our research, and his expertise and encouragement were essential to the successful completion of this thesis.

We would also like to thank the members of our thesis committee, Ziad El Awad and Afshin Afsharipour, for their time and efforts in this thesis course.

We are grateful to the faculty and staff of Halmstad University for their academic support during our studies. Their resources, including access to research materials and funding opportunities, were critical to the development of our thesis.

We owe a debt of gratitude to our family and friends, who provided us with emotional support and encouragement throughout our academic journey. Their love and encouragement sustained us during the most challenging moments of our research and writing.

Finally, we would like to express our appreciation to the study participants who generously shared their time and insights with us. This thesis would not have been possible without their willingness to participate in our research.

Thank you all for your contributions to this work!

Syed Rubyat Ahsan & Menu Geethika Nishadi

**Abbreviations:**

SME- Small and medium enterprise

GDP- Gross domestic product

MSME - Micro-, Small-, and Medium-Enterprises

KPI -Key performance indicator

ICT - Information and communication technologies

B2C - Business to Consumers

SEO - Search engine optimization

IT- Information Technology

## **1.0 Introduction**

*The introduction chapter provides the background of the research, the description of the problems, and the aims of the investigation, followed by the research question. The chapter ends with a discussion about the delimitations of the study.*

## **1.1 Background**

Alongside the advancement of technological innovation, organizations are drastically changing in this revolutionary environment, and consumer purchasing habits have also evolved. Marketing professionals were obliged to switch to a digital strategy for marketing or, at the very least, take a cautious initiative due to the rapid rise of social media, mobile applications, internet users, and their millions of daily interactions. Digital marketing promotes goods or services via digital channels like the internet, mobile devices, display ads, and other digital media (Pachbhai, Parmar, & Gadekar, 2022). With the development of technology in the digital platform, the challenges change regularly for small and medium-sized enterprises (SMEs) in developing countries.

SMEs are succeeding in the flow by changing their traditional marketing to digital marketing. As shared by Dunakhe and Panse (2022) that the internet has revolutionized personalized marketing, which brings SMEs more favorable business opportunities. These SMEs have common challenges such as capital management, credit access, inventory management, and reaching potential customers (Rahman, Yaacob & Radzi 2016). These challenges certainly impact the demand for their products and services and cause supply chain disruptions. To overcome these obstacles, numerous SMEs have turned to digital marketing to reach customers and promote their goods and services. However, it was noted that SMEs face challenges in executing digital marketing in their businesses due to several internal and external factors. As a result of that, they have failed to get the full advantage of digital marketing.

In this study, the focus is to study the digital marketing challenges that SMEs in developing countries like Bangladesh and Sri Lanka face. SMEs in Bangladesh play a crucial role in the economy with their significant contributions to tax revenues, employment, wealth distribution across areas and segments, supply of goods and services, and benefits for eradicating poverty (Riaz, Saleh, Abdullah, & Apon, 2022). Similarly, the current government of Bangladesh has strongly emphasized the growth of the SME sector, viewing it as "the driving force for development" (Bank, 2010). In Sri Lanka, SMEs have been recognized as a crucial strategic sector for advancing Sri Lanka's economic and social development. SMEs have come to be widely recognized over time as a significant source of employment, income generating, poverty alleviation, and regional development. Since SMEs account for more than 75% of all businesses, 45% of all employment, and 52% of the country's GDP, the government of Sri Lanka views them as the backbone of the country's economy (SED, 2015). The article by Dasanayaka (2011) cited several factors that limit the development of Sri Lankan SMEs, including inadequate organized big industry, a lack of infrastructure and raw resources, civil unrest, and governance problems.

Among all the regions, Asia Pacific is the most diverse region with a leading digital economy with a population of 4.2 billion and 38 member states where most countries' people are low and middle-income (ITU Publications, n.d.). By 2022 the greater part of the worldwide populace were web and social media clients. In 2022, the total world population will be 7.91 billion. Out of that, 4.95 billion are internet users, and 4.62 billion are active users of social media (ITU Publications, n.d.). However, Bangladesh and Sri Lanka show a slow development rate in internet and social media usage. Although there is no doubt that digital marketing has opened avenues for SMEs in developing countries to develop their business locally and reach international markets, on the other hand, owners or managers need help with growing digitization.

SMEs in developing countries now must deal with more complicated and dynamic marketplaces that are out of their control (Day, 2011). As a result, SMEs must now be aware of these developments and know how to adapt to them. Customers require immediate feedback, well-designed information resources, online conversations, and a personalized approach since they value their time more and more. Customers' expectations for service quality and speed are rapidly increasing. (Shpak, Kuzmin, Dvulit, Onysenko, & Sroka, 2020). While digital marketing has the potential to give robust benefits to the business growth of SMEs in developing countries like Bangladesh and Sri Lanka, there are also several obstacles SMEs face while implementing digital marketing strategies for a business, such as a lack of technical skills and knowledge, high startup costs in digital marketing, attitude toward adopting digital marketing, security risk, lack of trusted payment methods, promotion of minimal goods, access restrictions to the internet for most of the population and intensify competition (Theodore, 2019; Anbumani, 2017; Poorani & Vidhiya, 2021; Das, 2021).

## **1.2 Problem discussion**

In recent years, digital marketing has advanced significantly across all countries. Many businesses now conduct the majority of their marketing activity digitally (Rrustemi, Podvorica, & Jusufi, 2020), which brings advantages and new challenges for SME business owners and managers when they conduct business. On the other hand, digital marketing has given consumers more power by giving them various options from large digital platforms (Mishra, 2020) and also, consumers are altering their purchasing habits in a similar way as businesses by spending more time on social media, which is where they are getting all the information they want and require about all the goods and services that are advertised online. Thus it is essential for SMEs to be aware of the challenges they can face in executing digital marketing strategies in order to avoid them, minimize the negative impacts of the challenges, and get the expected results from digital marketing strategies.

The challenges SMEs face in executing digital marketing can be categorized as internal and external. First, the internal challenges are once firm-specific or resource related. Skills, desire, expertise, and experience are vital firm-related determinants of how SMEs conduct their strategic business decisions, such as using digital platforms to market their product and services



(Barbero, Casillas, & Feldman, 2011; Järvinen, Tollinen, Karjaluoto, & Jayawardhena, 2012). The challenges in adopting digital marketing are connected to multiple elements, Such as a lack of understanding of how to utilize new technologies or digital channels, poor proficiency with them, and failure to recognize the benefits for the growth of the business in the utilization of these channels, as well as the managers' and employees' negative attitudes toward the channels and their desire to use them (Järvinen et al., 2012). The company owner's technological competence and attitude are significant in implementing digital marketing (Chao & Chandra, 2012). Owners who have a lack of understanding of the benefits of digital channels and their functions are not equipped to implement practical digital solutions and support these decisions with investments. Karjaluoto & Huhtamäki (2010) divided resources-related factors into human, financial, and technological resources. They argued that whereas financial and human resources were significant predictors of adoption, technology resources only had a little impact on SMEs. The biggest obstacles to SMEs and larger firms using digital marketing in the industrial setting are lacking human resources, time, and experience (Järvinen et al., 2012). According to Gilmore, Carson, & O'Donnell (2004), SMEs require sufficient human resources, capital, and knowledge to use digital marketing channels effectively.

Secondly, external challenges refer to environmental factors, which include things like the digital infrastructure of the country, competitive environment, industrial sector, consumer/customer behavior, and outside assistance, which are things the business cannot control. Digital media are more effective for communicating certain goods and services (Karjaluoto & Huhtamäki, 2010). Thus, digital channels may not be appropriate to market all types of products in which SME businesses are involved. On the other hand, external factors like competition must be essential for a better market function for SMEs. However, due to the scalability and availability of resources, it is challenging for SMEs to survive in the competition which arises from digital marketing. However, several environmental elements that impact the adoption of digital channels in SMEs have been discovered, the behavior of customers in the market, competition, the need to expand markets, and the availability or need for outside support (Järvinen et al., 2012; Karjaluoto & Huhtamäki, 2010).

SMEs tremendously impact developing countries' economies as they contribute to economic expansion, employment creation, and social and economic cohesion (Keskgn, Ğentürk, Sungur, & Kğrğğ, 2010). Thus combining SMEs with digital marketing would undoubtedly increase its effectiveness and help them to improve their productivity. To effectively target the right consumers and get the benefit out of digital marketing, SMEs need to understand how to use digital marketing properly by successfully facing the challenges which come their way. Even if SMEs in developing countries aim to go digital since the future is about digitization, they are highly uncertain about what to do and how to start down the route of digitalization (Rrustemi et al., 2020). However, despite the fact that digital marketing is emerging in developing countries, it was discovered that many SMEs try to adopt at least one digital marketing method and integrate digital and traditional marketing channels. Moreover, it was noted that it is challenging for many SMEs to conduct their marketing activities totally on digital media due to several challenges they face with digital marketing. In many instances, SMEs from developing countries find traditional channels are more effective and reliable than digital ones

(Bruhn, Schoenmueller, & Schäfer, 2012; Jadhav, Gaikwad, & Bapat, 2023). The field of research was primarily focused on how these digital marketing channels bring advantages to SMEs. However, this research emphasized that it is not always the accurate picture, and SMEs face many obstacles when executing digital marketing channels. Thus through this research, SMEs and academics will be able to have an idea about the possible challenges of digital marketing challenges that could come on their way and be ready and equip themselves to mitigate the losses that can arise from inappropriate digital marketing executions.

For researchers, the idea of digital marketing is evolving, creating a necessity for further research on this topic (Pradhan, Nigam, & Ck, 2018). Past studies clearly show that academics have concentrated on exploring SMEs' digital marketing resources, competencies, and market success in specific geographic and industrial contexts (Phiri, 2020). Further, very little research identifies the difficulties SMEs experience when using digital marketing. However, it is noted that out of these prior studies, researchers have concentrated on particular geographic and industrial contexts. Still, it is being determined whether the results of these studies apply to other or different geographical and industrial settings outside of the study's place of origin. Modern scientific research has extensively investigated the digital marketing tactics used by SMEs (Adam, Ibrahim, Ikramuddin, & Syahputra, 2020; Mogos, 2015). Also, several studies examined how SMEs may enhance their digital marketing plans (Malesev & Cherry, 2021).

According to Leeflang, Verhoef, Dahlström, & Freundt, 2014, there needs to be more research focused on identifying the challenges SMEs face in developing countries in the usage of digital marketing. Thus, researchers of this study are curious about this subject and intent on raising awareness of challenges for SMEs in developing countries by disclosing some discoveries, expecting that it will be helpful for further research for their studies and for new SMEs to identify the challenges and find solutions in advance.

### **1.3 The purpose of the study and research question**

The study's primary purpose is to investigate the digital marketing challenges of SMEs proceeding in developing countries. The study has been conducted by analyzing case studies from two developing countries in Asia which are Bangladesh and Sri Lanka. Hence, there is more prudence in the research based on this cross-country analysis.

***RQ: What are the digital marketing challenges faced by SMEs in Bangladesh and Sri Lanka?***

### **1.4 Delimitation**

The research has several restrictions regarding the scope of the study and geographical perspective. When it comes to digital marketing and SMEs, many topics can be discussed, such as the benefits of digital marketing for SMEs in developing nations, the use of digital marketing channels in SMEs, and digital marketing strategies used by SMEs, among other things. Nevertheless, utilizing case studies from Bangladesh and Sri Lanka, the researchers of this study have only concentrated on identifying digital marketing challenges SMEs encounter in developing countries.

## 2.0 Theoretical framework

The theoretical framework of this research is based on fundamental concepts and knowledge of digital marketing, digital marketing utilization of SMEs in developing countries, including Bangladesh and Srilanka and the challenges they face in implementing digital marketing. This chapter also provides fundamental knowledge on the SMEs in Bangladesh and Sri Lanka and their importance and contribution to the economy.

### 2.1 Digital marketing and digital media usage of SMEs

Digital marketing promotes goods or services through digital technology, primarily the internet, mobile devices, display advertising, and other digital channels (Desai & Vidyapeeth, 2019). Digital marketing is a fresh way of advertising that goes beyond traditional advertising that incorporates digital components. In the last ten years period, digital marketing has become a well-established marketing approach (Schmengler & Kraus, 2010). According to the literature, many digitalization forms favorably correlate with SME growth, performance, and competitiveness (Pradhan et al., 2018). It should be evident that using digital platforms is vital for companies and that SMEs should follow this trend as well if they want to develop and remain competitive. As per Davies, Manuel, Mistry, & Roth, 2021, digital marketing is the primary growth engine for many companies, with the ability to increase by 5-8 % of revenue. Digital marketing has a high potential impact across industries, including financial. Institutions and telcos are shared in Figure 1.

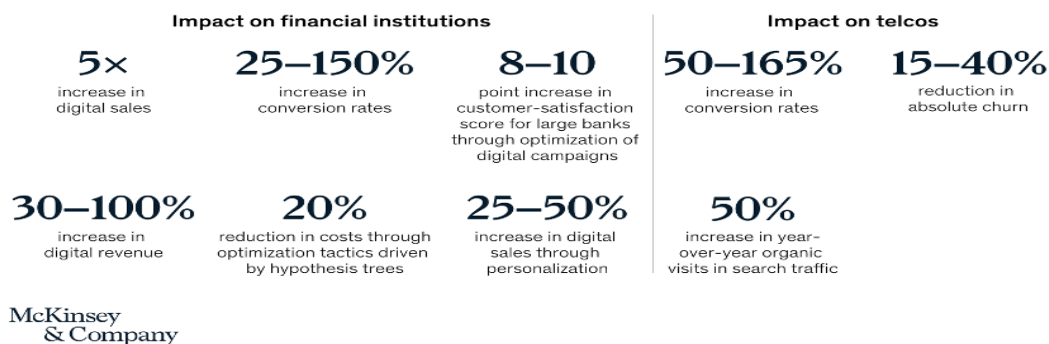


Figure 1: Digital implications across industries, including financial institutions and telcos (Davies et al., 2021).

However, many SMEs fail to fully utilize these new digital capabilities (Gilmore, Gallagher, & Henry, 2007). Since SMEs have quite different marketing realities, it is challenging in some instances it is not possible for SMEs to use advertising theories in their usual cause of business (Reijonen, 2010). According to Gilmore et al. (2004), SME marketing strategies are informal, reactive, and spontaneous. There is a big difference between marketing activity in a typical SME and the best practice promoted by marketing theory. However, there are few commonly used digital marketing methods by SMEs in developing countries. There are numerous ways to categorize digital marketing channels. One method of categorizing the channels is to describe

them from the perspectives of who handles the communications, the business, or the target audience and whether the communications are one-way or two-way.

## 2.2 Digital marketing ecosystem

Due to digital technologies, businesses turn to digital ecosystems (Kopalle, Kumar, & Subramaniam, 2020). Companies can create value and survive in this marketing era by creating a digital economy using effective digital marketing platforms (Kartajaya, Setiawan, & Kotler, 2021). The digital marketing ecosystem refers to the interconnected web of tools, media, and processes businesses constantly interact and connect with their significant audience online. Customers have a "deepening" impact on the Ecosystem, which supports companies to grab their target market faster (Stone, & Laughlin, 2016). Based on the book Digital Marketing Strategy (Kingsnorth, 2022) and Digital Marketing (Chaffey & Ellis-Chadwick, 2019), the below topics will be enlightening about the digital marketing ecosystem.

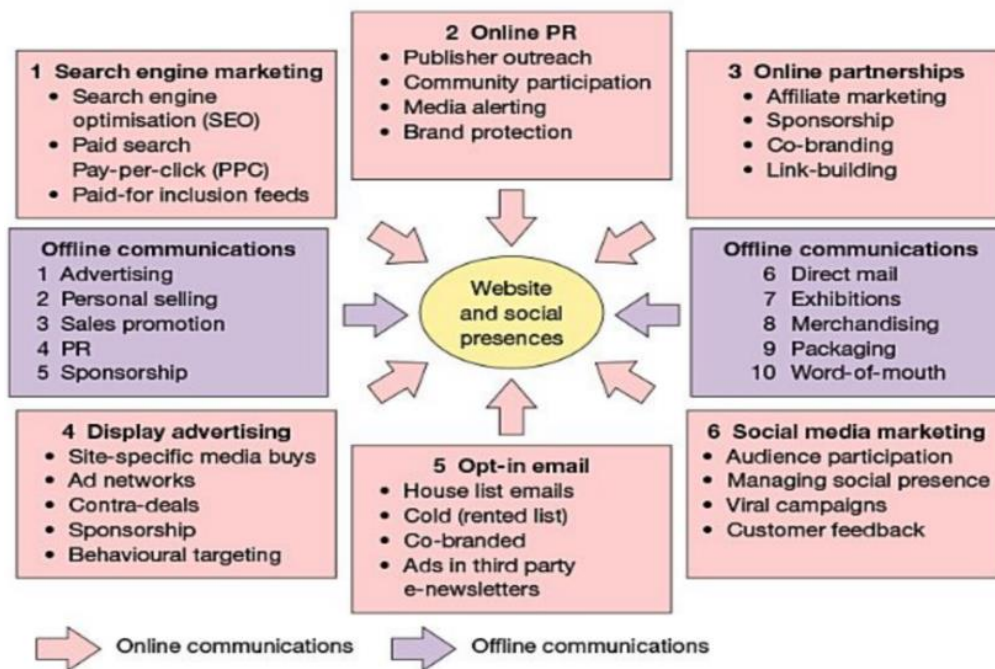


Figure 2: Six categories of digital communication tools. (Chaffey, & Ellis-Chadwick, 2019).

- Paid or organic Search engine optimization (SEO):

As per (Chaffey & Ellis-Chadwick, 2019), it is a natural or organic result approach in search engines to increase the position of the company or its product. In the book "Effective SEO content marketing," the author says that in the SEO world, content is king. It allows the rank of the targeting (Papagiannis, 2020). When customers find and click the website by keyword phrases, only the company can gain visibility in SEO (Chaffey & Ellis-Chadwick, 2019). From the above conversation, it is evident that web optimization aims to expand the amount and nature of traffic to a site from natural or regular web search results.

- Paid or organic advertising:

It is online advertising which includes banners, plain text, media-rich content, or video Ads to impact specific consumers (Bayer, Srinivasan, Riedl, & Skiera, 2020). All kinds of ads, banners, or rich media ads create brand awareness and influence customers to click on the target site (Chaffey & Ellis-Chadwick, 2019). Another article shares that display marketing has a high response in targeting customers and attribution of sales to an individual consumer to specific advertising. Still, it has a medium impact on Brand building and stimulation of immediate response (Bayer et al., 2020)

- Email marketing:

Email is a popular and profitable communication channel that allows for fulfilling empowered customer needs through active, Interactive, and personalized communication (Hartemo, 2016). It is typically for outbound communication to encourage customers to purchase or be aware of the brand by sending the campaign, and it can be automated, event-based, or triggered by email depending on the customer characteristics (Chaffey & Ellis-Chadwick, 2019).

- Social media marketing:

Social media has gradually evolved as a marketing intelligence source, becoming the most strategic marketing area for a competitive advantage and superior performance (Li, Larimo, & Leonidou, 2021). Despite the robust opportunities, there is no clear structure or definition to understand social media marketing strategies (Li et al., 2021). Companies usually participate and advertise within social networks to reach, be aware, and drive responses (Chaffey & Ellis-Chadwick, 2019). Social media has made three major essential shifts: connecting customers and companies more closely than in the past, influencing and interacting with companies and customers, and managing customer relationships better with social media data (Li et al., 2021). The article (Li et al., 2021) also explains that social media ties are essential as this is determined if they are strong or weak. These social media links increase through social networking sites (Facebook), blogging sites (Twitter), and content sites (youtube) to improve marketing outcomes.

- Analytics and tracking:

Web analytics can be qualitative or quantitative analytics, where quantitative analytics is about increasing revenue, reducing cost, and enhancing customer satisfaction (Saura, Palos-Sánchez, & Cerdá, (2017). As per (Welling & White,2006), Google Analytics is mainly used due to its lower price and allows businesses to track and measure the effectiveness of their digital marketing efforts. Another analytics is qualitative analytics which measures direct surveys, interviews, or timely questions by behavior and responses (Saura et al., 2017). KPI is another tracking method that is measurable, achievable, and credible. It must follow the deadlines, but it should handle cautiously, as too much information can create confusion (Saura et al., 2017).

Further, El-Gohary (2013) shared in his book that the social media ecosystem can be divided into three categories which are described below: owned media, paid media, and earned media.

- Owned media – From the company website and blog to Facebook, all media is controlled by the company (El-Gohary, 2013)
- Paid media – The company spend through display ads and paid search TV ads to grab more visitor (El-Gohary, 2013)
- Earned media – Creating communication channels through word-of-mouth activities, sites, blogs, and opinions and maintaining connections with stakeholders (El-Gohary, 2013)

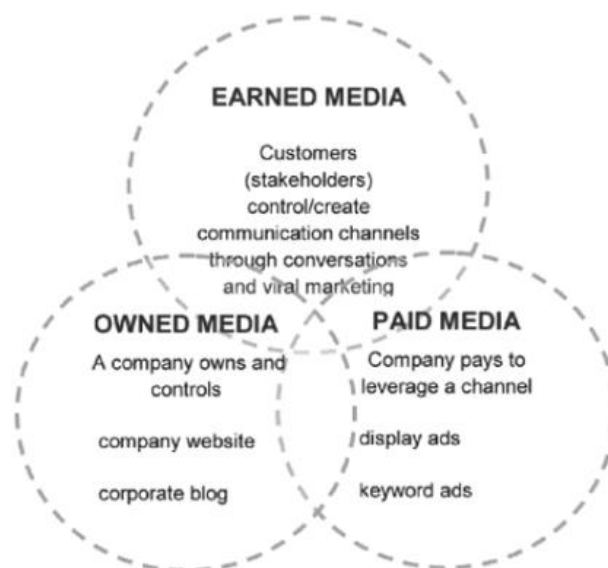


Figure 3: Three categories of social media ecosystem (El-Gohary, 2013)

### 2.3 Digital marketing in developing countries

Digital marketing began in the '90s and rapidly evolved in the 21st century, and it reduces high costs over traditional marketing (Rrustemi et al., 2020). It is foreseen as a powerful element of future business in developing countries to reach their target audiences and grow their customer base. Rrustemi et al. (2020) also share that companies consider digital marketing as making offers, price reconciling, distributing, and promoting to satisfy customers' needs. There are multiple obstacles addressed to make digital marketing effective in developing countries. In South Africa, 31.1 million people can access the internet, and 28.9 million can only access it through mobile (Jonathan, n.d.); the total population is 61 million (worldometers, n.d.). In the Asia Pacific region, internet usage ranges from 90 percent in advanced economies and less than 15 percent in the least developed countries (ITU Publications, n.d.).

Firstly, there is often a lack of access to the internet and technology in some parts of developing countries (Kaur & Sandhu, 2017). Businesses may find it challenging to reach potential clients as a result. In such circumstances, businesses could be forced to rely on traditional marketing methods, such as print advertising or billboards, to reach their target market.

Secondly, digital literacy and education may be limited in developing countries, which can impact the effectiveness of digital marketing (Jonathan, n.d.). Businesses may need to invest in educating their target audience about the benefits of their products or services and how to access them through digital channels.

Thirdly, fear of cybercrime affects privacy (Kaur & Sandhu, 2017). At least developing countries have weak cyber security infrastructure, insufficient ICT knowledge and skills, and compromising customer personal information (Russu, 2022). Businesses should take the challenges and opportunities in each region and tailor their marketing efforts accordingly. Digital marketing is considered to be an alternative business in developing countries to achieve their respective audience and grow their customer base.

## **2.4 Internet and digital media usage in Bangladesh and Sri Lanka**

With the introduction of the internet, information searching online has become more straightforward, and it now supports community development globally, including in developing countries such as Bangladesh and Sri Lanka. According to the Kemp (2022) Global Overview Report, 4.9 billion people, 62.5% of the world's population, use the internet daily.

Bangladesh's internet penetration rate is still very low when compared to its neighbors, despite the country's outstanding economic progress (OOSGA, 2023)(*Figure 4*). According to a Kepios investigation, between 2021 and 2022, the number of internet users in Bangladesh rose by 5.5 million (+11.6%) ( Kemp,2022; Yazdani et al., 2022). To put things into perspective, these user statistics show that 114.5 million individuals in Bangladesh did not access the internet at the beginning of 2022, which translates to 68.5 percent of the population being offline at that time Kemp (2022). Social media usage among the populace has decreased as a result of the low internet penetration. By the end of 2022, Facebook, YouTube, Instagram, IMO (a messaging app), and Messenger were the most popular social media sites in Bangladesh (OOSGA, 2023). It is remarkable that almost everyone who has access to the internet uses social media. As internet infrastructure developed, it was expected that social media usage would significantly expand, but over the past year, usage has actually fallen (OOSGA, 2023). Actual internet user counts, however, may be more significant than these reported estimates imply because COVID-19-related concerns continue to have an impact on studies into internet use.

Further, Sri Lanka continues to have a considerable surge in internet usage, compared many of its other regional counterparts, while experiencing economic hardships as a result of policy failures made during the pandemic and a shrinking economy (OOSGA, 2023)(*Figure 5*). According to Kemp (2022), In January 2022, there were 11.34 million internet users in Sri

Lanka. At the beginning of 2022, 52.6 percent of Sri Lanka's population used the Internet. In January 2022, there were 8.20 million social media users in Sri Lanka, and 38.1 percent of the population used social media as of the beginning of 2022. According to a Kepios investigation, between 2021 and 2022, the number of people who use social media in Sri Lanka rose by 300 000 (+3.8%) (Yazdani et al., 2022). Due to its underdeveloped infrastructure, Sri Lanka is currently in the early phases of social media adoption and lags behind its neighbors, including India. Telecommunications providers were on schedule to increase the coverage of their 4G networks before the crisis in 2022 as they got ready to phase out 3G and introduce 5G (OOSGA, 2023). Since Sri Lankans rely heavily on technology as a source of information and communication (Nawaz & Kaldeen, 2020), IT innovations impact how the community accepts new products. As a result, many businesses realized they needed to enhance their marketing strategy to reach a wider audience of clients. One method to do this is by employing information technology, mainly digital marketing. Digital marketing may directly engage online consumers that are inaccessible to traditional marketing.

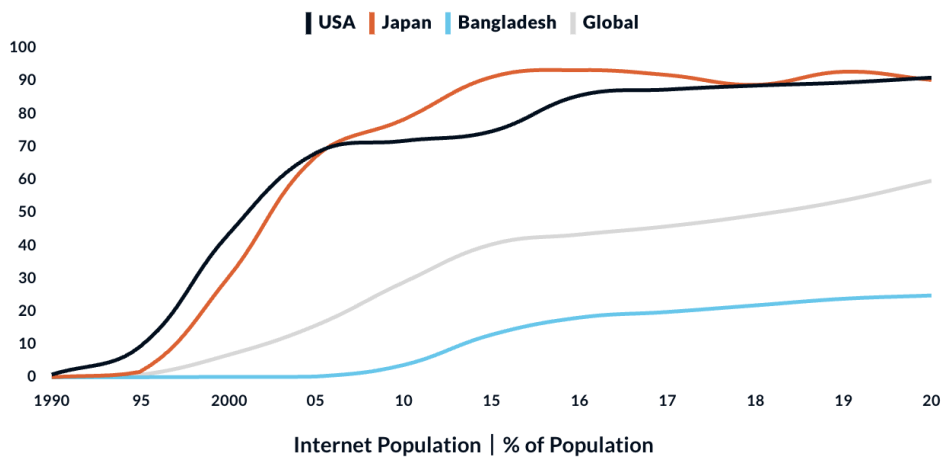


Figure 4: Internet population growth in Bangladesh\_ The Social Social Media in Bangladesh - 2023 Stats & Platform Trends Last (OOSGA, 2023)

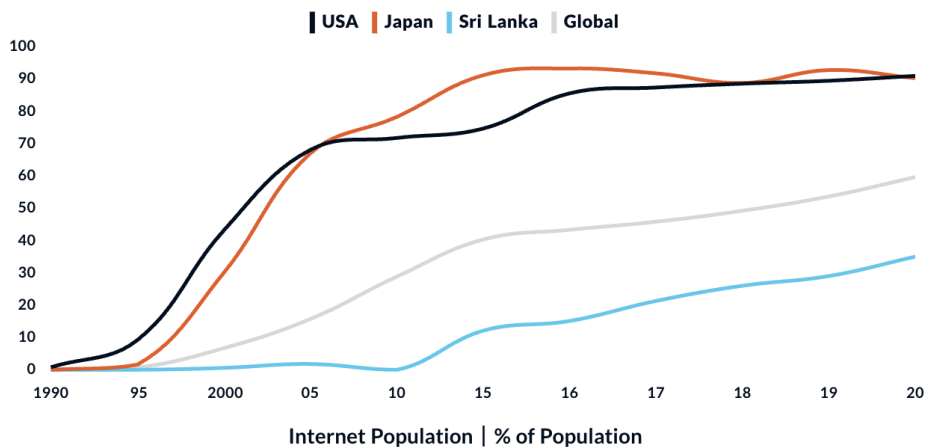


Figure 5: Internet population growth in Sri Lanka\_ The Social Social Media in Sri Lanka - 2023 Stats & Platform Trends Last (OOSGA, 2023)



## **2.5 Digital marketing challenges for SMEs in developing countries.**

According to the literature, many digitalization forms favorably correlate with SME business growth, performance, and competitiveness. SMEs have the potential to engage existing consumers more effectively and draw in new ones thanks to digital marketing and social media. According to studies, SMEs are the slowest adopters of digital channels, which is not surprising given that they are generally at an early stage of adoption (Eriksson, Hultman, & Naldi, 2008); The resources and expertise needed to implement new digital channels and tools successfully are more likely to be available to large businesses (Barnes et al., 2012). However, For SMEs, the firm size and availability of resources significantly impact the adoption of digital marketing tools (Teo, 2007). Notwithstanding its advantages, SMEs in developing countries have a variety of internal and external constraints in internet-based marketing-related activities(Dholakia & Kshetri, 2004).

### ***Internal Challenges for digital marketing adoption for SMEs***

In this section, internal elements that affect an organization's decision to adopt digital marketing channels will be identified. Internal company factors include the company's traits, technology-related experiences, and attitudes it has had in the past, as well as its chosen business strategy.

- Lack of technical skills and knowledge

One of the common obstacles to conducting digital marketing is the lack of technical knowledge and expertise (Kaynak, Tatoglu, & Kula, 2005). Due to problems in hiring and maintaining skilled staff with the necessary skills and experience, most SMEs are still far from realizing significant benefits from internet-based marketing. It might be challenging to create content for SMEs. Digital marketing can be difficult for SMEs since they frequently lack the personnel required to establish and maintain a regular plan for content generation. In light of this, SME firms have a few options. One choice is for the company to employ a content creator in charge of everything from social media to blog posts. Another alternative is to outsource your content creation requirements to a content creation business or a freelancer. On the other hand, software development tools are continuously developing and changing quickly. It might be challenging to combine the internet and marketing tools with some programs and databases already used for SMEs (Kaynak et al., 2005).

- High startup cost in digital marketing

Apart from the aforementioned technical challenges, the high cost involved in some digital marketing channels challenges digital marketing from being widely adopted by SMEs. The startup costs of creating digital marketing in-house constitute a significant consideration for SMEs (Nath, Akmanligil, Hjelm, Sakaguchi, & Schultz, 1998). According to the report by WEBFX(n.d.), for SMEs, the typical price of digital marketing services in 2023 will be between \$2500 and \$12,000 per month, \$50 and \$500+ per hour, and \$1000 and \$7500 per project, which could be 7% -10% of the revenue of the firm.

- Security - hacking risk

In today's changing electronic environment, information privacy is one of the critical issues to consider. The ease with which client data can be shared with other businesses without consent is apparent enough. Additionally, hackers can still access their more sensitive personal information, such as usernames and passwords (Lantos, 2015). When a company conducts its marketing on digital channels or conducts business online, it exposes itself to security concerns. Although privacy protection methods are continually being developed, security and privacy issues are crucial in B2C. One drawback of digital marketing is that a business's advertising strategies are constantly vulnerable to hacking via online channels. Hackers or competing companies may easily hunt down and copy the successful marketing strategies of a well-known organization, using them for their purposes. Security and privacy are among the crucial challenges that firms must handle. Consumer data may be easily exchanged and is not protected from hackers (Lantos, 2015; Bovina, 2020). The client's trust is damaged as a result of this problem, which is a significant barrier to the growth of online marketing.

- Problem of integration

Despite recent increases in internet usage and online marketing (Sledzik, 2014), it appears that many SMEs continue to favor using traditional marketing strategies (Cant & Wiid, 2016). 77% of SMEs still use print advertising, according to Business News Daily, proving that traditional marketing strategies are still effective (Bruhn et al., 2012; Cant & Wiid, 2016). Thus, when they transfer from traditional marketing to digital marketing, the proper integration becomes challenging. Integrated marketing has become a significant subject in the field of marketing (Belch & Belch, 2019). One of the main challenges with integrated marketing is blending a variety of offline marketing channels that SMEs already practice to use and new online marketing channels, including the press, brochures, catalogs, TV, cell phones, email, the internet, and social media, without having a thorough, cohesive marketing structure. A comprehensive strategy that synchronizes many conventional and modern forms of marketing communication as elements of a cohesive structure can address challenges in its process.

### ***External challenges for digital marketing adoption for SMEs.***

External challenges to the adoption of digital marketing can be connected with the environment in which the business is functioning, including competitors and customers and the infrastructure of the country (Dholakia & Kshetri, 2004). These outside variables influence the general and competitive environment in which a specific organization must function, which ultimately influences the success or failure of adopting digital marketing strategies.

- Lack of internet infrastructure

Despite giving businesses a global reach, digital marketing only reaches limited areas or people. The absence of digital infrastructure in the nation is one of the critical external obstacles to digital marketing for SMEs in developing nations. The electronic and telecommunications environment and the business environment in which the company operates impact the extent of an organization's participation in digital marketing activities. According to the estimates of ITU Publications (n.d.), 2.9 billion people worldwide will still need access to the internet, 96% of whom live in developing countries. Many locations around developing countries have limited telecommunications bandwidth. This results in most people in poor countries having limited internet access and consumer coverage of digital marketing. Further, a substantial portion of customers and suppliers do not use the internet because developing nations have less developed internet infrastructure (Walczuch, Van Braven, & Lundgren, 2000). It ultimately results in decreased productivity caused by unnecessary use (Walczuch et al., 2000).

- Intensify competition.

SMEs continue to miss out on the advantages of digital marketing tools despite government measures to encourage their use. Digital marketing threatens SMEs by boosting competition and making non-participants more receptive to more e-enabled businesses. Under the pressure of competition from suppliers and customers, an increasing number of SMEs from developing countries are implementing electronic technology as a method of communication and distribution (Dholakia & Kshetri, 2004). Any repeating strategy or technique will eventually knock the business out of the running due to the pressure from competitors. Digital marketing strategies are getting more and more competitive. As a result, SMEs need to be responsive to and meaningful to their customers.

- Lack of face-to-face contact

Another area for improvement in digital marketing that has been addressed in digital marketing research and literature is the absence of personal touch. (Goldsmith & Goldsmith 2002). Personal ties are highly valued in Asian cultures, and this, along with the transaction backdrop, frequently plays a significant part in assuring the success of monetary negotiations. They prefer to interact with store employees face-to-face, hold the item in question in their hands, and mingle with other customers. A virtual marketplace can only fulfill this offline shopping role if it has interpersonal interaction. To be more precise, digital marketing may be less ideal for the types of products that rely mainly on establishing personal relationships between buyers and sellers, such as the sale of life insurance, and the types of items that require a physical examination ( Kiang & Chi, 2001).

The issue of clients' lack of trust is closely tied to why they need more face-to-face contact with suppliers and has been identified as a significant obstacle to the growth of digital marketing. Nowadays, despite the explosive expansion of online transactions, many consumers continue to have reservations about using electronic payment methods and question whether the products

they have ordered will arrive. Customers now view online purchases negatively or skeptically due to the abundance of internet risks (Bostanshirin, 2014).

## 2.6 Digital marketing strategies in Bangladesh

Digital marketing has had significant importance in digital marketing in recent years (Hasanat et al., 2020). Digital marketing activities and techniques support customers to avail of different kinds of services and product brands running from their home country or worldwide (Hasanat et al., 2020). Bangladesh, as a country, has the vision to make a digital Bangladesh by adopting ICT-based development (BCC, n.d.). Traditional marketing in Bangladesh is slowly taking over by digital marketing as traditional marketing methods are time-consuming (Hasanat et al., 2020). Marketers are also connecting to Facebook, Instagram, Skype, and many digital platforms to get more connections with customers to serve better (Hoque et al., 2020). Bangladesh is focusing on digital transformation in business (BCC, n.d.).

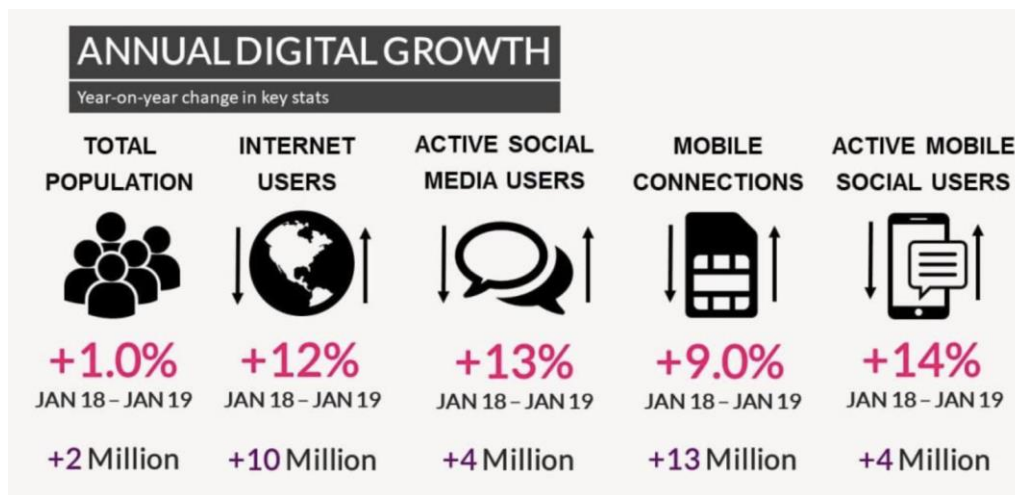


Figure 6:- Annual Digital Growth In Bangladesh (Hasanat et al., 2020; HYPE, n.d.)

The above statistical data in (Figure 6) explains that the significant amount of active social media and mobile users increases along with the population increase in Bangladesh (Hasanat et al., 2020; HYPE, n.d.).

Here are some digital marketing strategies that businesses use in Bangladesh.

- Social media marketing: Social media nowadays is a very efficient promotional tool in Bangladesh, and any advertising or promotion in social media is gaining popularity faster (Hasanat et al., 2020). In recent data, mobile penetration has increased. By 63%, Social networking increased by 2% and internet users by 18%, which is gaining a lot of profits from digital marketing strategies (Hasanat et al., 2020).
- Search Engine Optimization (SEO): One of the essential modes of digital marketing in Bangladesh is SEO (Rahman, 2015), but many websites are not following SEO

conditions (Hossain et al., (2020). SEO can target specific customers and businesses, and most Bangladeshi people think that SEO is very effective in increasing customer traffic on websites (Chishty, 2018).

- Content marketing: Digital marketing mainly depends on content marketing (Banu & Tasnim, 2020). In research, 65% responded that content marketing is essential (Shalauddin, 2022). Found that the main aim of content marketing is to support customers in making informed buying decisions (Banu & Tasnim, 2020).
- Email marketing: Email is one of the famous and cost-effective communication channels which allows us to fulfill the empowered customer needs through active, interactive, and personalized communication (Hartemo, 2016).
- Influencer marketing: In digital media, influencer marketing is increasing (Campbell & Farrell, 2020). A new variety of social media advertisements is emerging in Bangladesh (Tanha, 2020). Vloggers frequently upload content videos on various things on Facebook, YouTube, and other famous social channels and expect a more significant following base (De Veirman, Hudders, & Nelson, 2019). 86% of marketing connects with social media micro-celebrities to grab the market opportunity on digital platforms like Facebook, YouTube, and Instagram (Tanha, 2020)
- Pay-per-click advertising (PPC): It is a method of digital marketing where marketers pay for their advertisements to get more access to their websites; it is more about buying visits rather than earning from this (Hassan at el., 2010)

It can be observed that the benefit of the usage of these digital marketing strategies in Bangladesh is that it increases brand awareness, generate leads, and drive sales.

## **2.7 Digital marketing challenges of Bangladesh**

With the rapid development of digitalization, SMEs in Bangladesh tend to adopt digital marketing strategies. However, the challenges they have faced have been categorized as internal and external challenges as below.

### **Internal digital marketing challenges in Bangladesh:**

- Lack of skilled workforce: There is a lack of skilled ICT professionals in Bangladesh, predominantly middle and upper-level managers (Parvin & Ferdous, 2012). It is a significant challenge for businesses looking to leverage digital marketing. Different universities and colleges have offered many courses. Still, they must be redesigned based on the current market requirement (Babar, 2017). "Brain drain" is a flow of skilled people to another country for a better lifestyle and career (Abdullah & Hossain, 2014). Many ICT-qualified personnel lives abroad due to a lack of support and payment, and this "brain-drain" situation must be solved (Parvin & Ferdous, 2012). There are push

and pull factors in the brain drain work and business opportunities, discrimination, lack of job and research opportunity, and economic instability cause the brain drain situation mainly (Abdullah & Hossain, 2014).

- Low digital literacy: It requires a sizable number of university graduates with the facility to do higher studies in digital marketing and computer science (Parvin & Ferdous, 2012). It shows that many people in Bangladesh are still not digitally literate, which creates a barrier to adopting digital marketing strategies. Digital knowledge access should be open for students (Parvin & Ferdous, 2012).
- Language barrier: Bengali is the primary language of Bangladesh, but English is the standard software language which is one of the significant challenges of digital marketing and ICT (Khan, Hasan, & Clement, 2012). Content development in a native or bilingual language is a requirement (Mou, 2016).

### **External Digital Marketing Challenges in Bangladesh:**

- Competition: Bangladesh's digital market is highly competitive due to its low prices and high substitute product range (Bednarz & Orelly, 2020). It is making the digital market challenging for businesses to stand out and reach their target audience. However, transparency of information in Bangladesh is a question for both the government and the company, which is needed to understand more about technology adoption and improvement (Nurunnabi & Alam, 2012).
- Economic factors: The government has initiated many efforts to promote technology and computers, but mostly in the main city, the rural areas are still under challenges due to high expenses and economic conditions (Waughen, In, Enterprise, & Walton, 2015).
- The government has introduced a "High tech" park for digital improvement. However, this will be helpful if telecom infrastructure is developed and end-user digital equipment is available with lower taxes (Babar, 2017). With the high population, it is challenging to invest highly in ICT in Bangladesh (Mou, 2016).
- Limited internet connectivity: Internet connectivity is mostly in big cities and district-based, but it should go all over the country with a high level of connectivity (Babar, 2017). Despite improvements in recent years, internet connectivity remains limited in many parts of Bangladesh, making it difficult to reach a broader audience.
- Regulatory framework: As per an article published by Kabir (2022) in a famous Bangladesh newspaper, Bangladesh should have a robust data protection act and internet-based service rules and regulations. Mujeri & Azam (2018) share that supervision of non-banks and lack of solid digital payment platform regulation by the central bank is needed, along with digital financial service provider rules, mobile finance regulations, and digital marketing regulation control as well. Bangladesh's

regulatory framework for digital marketing is still evolving, and businesses must stay updated to avoid legal issues. Above statement shares that there is a lack of standardization in the digital marketing industry in Bangladesh, with different agencies and marketers using other methods and metrics to measure success.

- Lack of research and infrastructure: Digital marketing sector needs sound research and method improvement for larger-scale improvement (Parvin & Ferdous, 2012). One of Bangladesh's significant infrastructure barriers is electricity supply, especially in rural areas where electricity is unavailable all day. With the high population, it is challenging to invest highly in ICT in Bangladesh (Mou, 2016). As per the famous Bangladesh newspaper thedailystar.net, Bangladesh should have a robust data protection act and internet-based service rules and regulations.

## **2.8 Digital marketing strategies in Sri Lanka**

According to Kemp (2022), In January 2022, there were 11.34 million internet users in Sri Lanka. At the beginning of 2022, 52.6 percent of Sri Lanka's population used the internet. In January 2022, there were 8.20 million social media users in Sri Lanka, and 38.1 percent of the population used social media as of the beginning of 2022. As a result, many businesses realized they needed to enhance their marketing strategy to reach a wider audience of clients. One method to do this is by employing information technology, mainly digital marketing. Digital marketing may directly engage online consumers that are inaccessible to traditional marketing. Digital marketing has become an increasingly popular approach for Sri Lankan businesses to reach their target audience and drive growth. As per Perera, Rathnayaka, & Bopage (2021), here are some digital marketing strategies that businesses, including SMEs in Sri Lanka, can consider:

- Social media marketing,
- Search Engine Optimization (SEO),
- Content marketing,
- Email marketing,
- Paid advertising

Overall, digital marketing strategies in Sri Lanka play a vital role in business and radically alter customer decision-making (Perera et al., 2021).

## **2.9 Digital marketing challenges of Sri Lanka**

SMEs in Sri Lanka are more likely to use digital marketing techniques due to the rapid development of digitalization and due the benefits generated. However, they face many challenges while adopting and implementing digital marketing channels in their business. These challenges have been described below under internal challenges and external challenges.

### ***Internal digital marketing challenges:***

- Limited digital literacy: RVSPK, Priyanath, & Megama (2020) share that digital literacy directly impacts SME business in Sri Lanka, but SMEs are positively focusing on strengthening digital literacy. Despite advancements in recent years, a significant portion of Sri Lanka's population is not digitally literate, which creates a barrier to adopting digital marketing strategies.
- Lack of skilled workforce: Ekanayake & Amirthalingam (2022) share that most Sri Lankan professionals moved abroad permanently, impacting the local economy critically. Now the ICT development capabilities are under the hand of low-level managerial personnel (Gunawardana, 2005). It reflects a shortage of skilled digital marketers in Sri Lanka, a significant challenge for businesses seeking digital marketing.
- Language barrier: Muheed, 2021 has shared in one of the E newspapers in Sri Lanka, Daily FT, that despite having a rich culture, diverse languages make the challenges that demand a standard language policy. Sri Lanka has a diverse population with many languages, making developing content that resonates with everyone challenging.

### ***External digital marketing challenges in Sri Lanka:***

- Competition: Fonseka, Aharadak, & Raman (2022) share that Sri Lanka has intense competition in the market. Digital media plays a vital role in Sri Lanka, increasing social media businesses and competition (Rassool, 2019). Sri Lanka's digital market is highly competitive, which is challenging for SMEs to stand out and reach their target audience.
- Lack of infrastructure: (Gunawardana, 2005) shares that Sri Lanka's regulatory framework for digital marketing is still evolving as they still lack government transparency, the high price of the internet, tax structure, and lack of ICT policy which is creating challenges and businesses must stay up to date with changes to avoid legal issues.
- There are several challenges in the e-commerce of Sri Lanka missing data protection policy, data legalization policy, lack of e-signature acceptance, lack of audit on e-payment method, and control of non-bank payment platform (Team, 2019). E-commerce is still in its beginner stages in Sri Lanka, limiting the potential for digital marketing.
- Sri Lanka still has a limited number of accesses to the internet, which needs to spread. To the whole geographical area of the country (Gunawardana, 2005). Internet connectivity remains limited in many parts of Sri Lanka, making it difficult to reach a broader audience.



- Economic factors: As per Perera (n.d.), Sri Lanka has gone through severe economic crises, such as inflation, currency fluctuations, and political instability. These factors undoubtedly impact digital marketing campaigns and make it challenging to allocate resources effectively.

## **2.10 SME global perspective and definition**

SMEs have become one of the strong driving forces of global economic progress (Naradda et al., 2020). In many countries, SMEs are considered the primary agents of national and regional development (Keskgn et al., 2010). The MSME sector generally contributes more to economic output in high-income countries than in medium- and low-income countries, underlining their ability to contribute to growth, particularly in developing countries (Gonzales, Hommes, & Mirmulstein, 2014). Recent empirical research demonstrates that SMEs account for over 65% of all employment and over 55% of GDP in high-income nations. In low-income nations, SMEs and informal businesses account for over 60% of GDP and over 70% of all employment. In middle-income countries, they account for over 95% of all work and about 70% of GDP (Robu, 2013).

Entities dealing with SME cases have a variety of definitions they can use. The definition of SME limit typically varies with a nation's economic size. As a result, the phrase "SMEs" has an economic rather than a legal meaning. Among the 267 definitions used by various institutions in 155 economies, the most often utilized factor to define an MSME is the number of employees (Gonzales et al., 2014; Keskgn et al., 2010). SME size measurement standards and their amount are subject to differing interpretations.

According to the EU (2019) user guide to the SME definition 2020, small businesses are those that have less than 50 employees and a yearly turnover or balance sheet total of less than EUR 10 million. A medium-sized business is defined as one that employs fewer than 250 people and has a balance sheet or annual turnover of less than EUR 50 million or EUR 50 million, respectively.

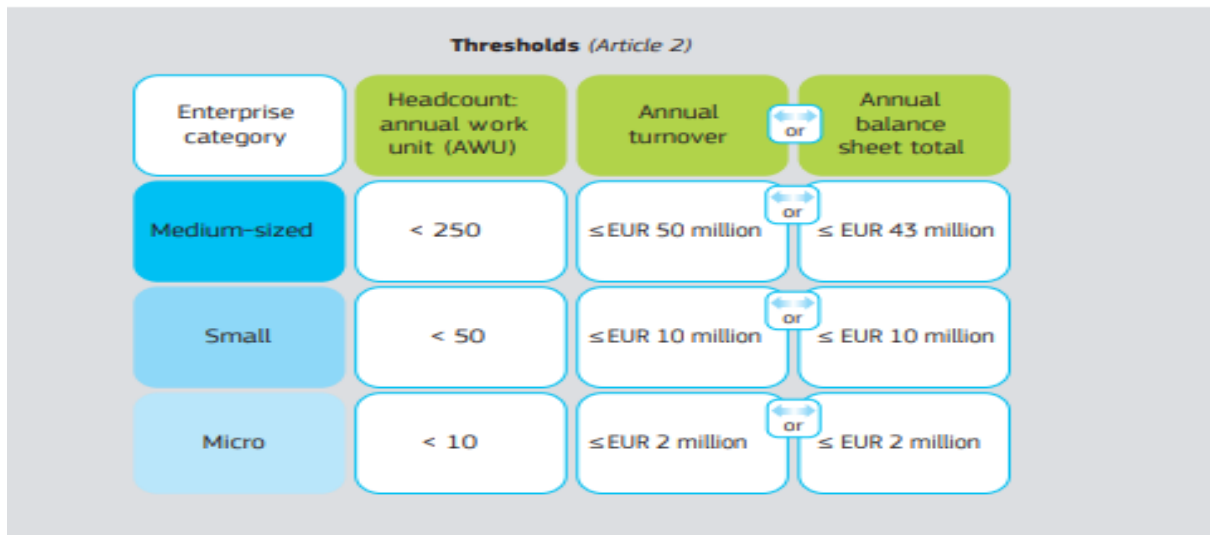


Figure 7: SME threshold \_Source: EU (2019).European Commission, User guide to the SME definition, 2020)

## 2.11 SMEs in Bangladesh

The GDP of Bangladesh has shown an increased trend during the last few years. Accordingly, the industrial sector's economic contribution has continuously increased over the past few years. According to the BBS (n.d.), the industrial sector's contribution to the GDP in FY20 was 34.94 percent. The manufacturing industry, which encompasses MSME, is the main factor influencing the expansion of the industrial sector. It is significant to mention that, in FY20, there were 20.15 percent of SMEs overall in the industrial sector (Rahman, 2023). For SMEs in Bangladesh to grow sustainably, governance is one of the most critical challenges. Most of Bangladesh's small, cottage, and micro businesses do not have the necessary governance documentation, including official registrations, licenses, taxpayer identification numbers (TIN), and others. Many SMEs need access to government programs and incentives that may support growth because of proper documentation and governance. A collection of guidelines and instruments for managing SME activities that will assist their economic survival should be compiled by SME entrepreneurs to increase this access and create additional prospects for ongoing growth (Riaz et al., 2022).

### 2.11.1 Definition of SMEs in Bangladesh

The number of employees working in the company and the amount of investment are the two factors used to identify and measure SMEs in Bangladesh, as in most other developing countries. Although this definition has evolved, SMEs can be identified using these two standards under BRCP1 (2021) policy (*Table 1*). In Bangladesh, SME refers to companies with less than 300 employees and amount of investment of up to Bangladeshi Taka (BDT) 500 million (Approx 4.3 Million EUR) in the manufacturing sector and in the service sector, the number of employees considered to be less than 120 to be an SME and amount of investment of up to BDT 300 million (Approx 2.6 Million EUR). In Bangladesh, the definition of a "medium" enterprise is any business that satisfies the requirements for "small" in one category while meeting the requirements for "medium" in another category. Similarly, to this, an

organization will be regarded as a "small" firm if it meets both the "micro" and the "small" criteria for the SME Investment Policy & Programs of Bangladesh Bank (Bank, 2010).

SI	Type of Industry	The amount of investment (Replacement cost and value of fixed assets, excluding land and factory buildings)	Number of employed workers
1	Cottage Industry	Below 10 lakh	Below 16 employees
2	Micro Industry	10 lakh to 75 lakh	16 to 30
3	Small Industry	Manufacturing	75 lakh to 15 crore
		Service	10 lakh to 2 crore
4	Medium Industry	Manufacturing	15 lakh to 50 crore
		Service	2 core to 30 crore
5	Large Industry	Manufacturing	More than 50 crore
		Service	More than 30 crore

Figure 8: Definition of SMEs on Size of SME Investment in Bangladesh. Source: BRCPI,(2021).National Industrial Policy 2016

### 2.11.2 Role of SMEs in Bangladesh

The SME sector in Bangladesh makes up about 7.8 million businesses and accounts for roughly 25% of the country's GDP, according to a 2019 policy report from the Ministry of Industries of the Government of Bangladesh (Odonkor, 2021). Bangladesh's SMEs are categorized into these 33 industrial sectors based on the goods and services they offer. These sectors are divided into three umbrella categories: manufacturing, agro-business, and service (Riaz et al., 2022). The government initially set up many SME hubs all around Bangladesh. They may be found in Greater Dhaka, Chittagong, Bagura, Khulna, Jessor, Bhairab, Tangail, Moulvi Bazar, and Maymensingh, among other districts.

Details	Micro	Small	Medium	Large	Total	Percentage of SMEs
Government	00	00	48	55	103	46.60%
Private	17,384	15,666	5,877	3,304	42,231	51.01%
Government & Private Jointly	00	00	14	21	35	50.00%
Joint Venture (Local & Foreign)	00	00	75	85	160	46.88%
Foreign	00	00	89	174	263	33.84%
Total	17384	15666	6103	3639	42792	50.87%
Distribution (%)	40.62	36.61	14.30	8.50	100.00	

Figure 9: Status of Micro Cottage Small and Medium Enterprises on Area and Employment\_ Source: (BBS, n.d.)Economic Survey 2013, Bangladesh Bureau of Statistics.

The Economic Survey 2013 reports that SMEs in Bangladesh have a variety of ownership forms. According to Figure 9, the SME sector comprises 46.60% of state-owned enterprises, 51.01% of private businesses, 50% of joint-ownership businesses, 46.88% of joint ventures,

and 33.84% of foreign businesses. It is interesting to note that all state-owned businesses are huge or medium-sized. About 44% of all the money that foreign investors have invested goes toward SMEs.

## 2.12 SMEs in Sri Lanka

Sri Lanka's abundant labor makes it ideal for establishing SMEs for socioeconomic development. Since SMEs are involved in most daily economic operations, they can significantly influence everyone's life. In addition to agriculture, SMEs in rural regions produce food and provide employment. Sri Lanka's economy was liberalized in 1977 to promote private sector engagement in accomplishing economic development and eliminating poverty (Vijayakumar, 2013). Because of their capacity to create jobs, contribute to growth and poverty alleviation, improve income distribution, increase export earnings shares, and engage in innovation, SMEs are seen by most policymakers as being crucial to Sri Lanka's economic growth and reduction of poverty.

### 2.12.1 Definition of SMEs in Sri Lanka

The goal of the SME definition is to provide a tool for policy targeting, provide national statistics on SMEs, serve as the foundation for determining how to direct government aid for SMEs, and target a more comprehensive range of policy measures (SED, 2015). All three types of businesses, such as micro, small, and medium, are called SMEs. Depending on their level of development, different nations define SMEs differently. The total number of employees, annual revenue, and total investment are often used as yardsticks. The SME policy framework in Sri Lanka 2015 identifies SMEs based on the number of employees and annual revenue (Figure 10). In Sri Lanka, SME refers to companies with less than 300 employees and annual revenues of up to Sri Lankan rupees (Rs) 750 million (Approx 2.4 Million EUR) in the manufacturing sector and in the service sector, the number of employees considered to be less than 250 to be an SME. Micro businesses are considered alongside SMEs in this context for any policy-related initiatives. Both factors are considered while defining SMEs in terms of definition. If a business is eligible for more than one category, the number of employees should be the deciding criterion.

Size \ Sector	Criteria	Medium	Small	Micro
Manufacturing Sector	Annual Turnover	Rs. Mn. 251 - 750	Rs. Mn. 16 - 250	Less than Rs. Mn. 15
	No. of Employees	51 - 300	11 - 50	Less than 10
Service Sector	Annual Turnover	Rs. Mn. 251 - 750	Rs. Mn. 16 - 250	Less than Rs. Mn. 15
	No. of Employees	51 - 200	11 - 50	Less than 10

Figure 10: Defining SMEs in Sri Lanka (Source: SED, 2015)

### **2.12.2 Role of SMEs in Sri Lanka**

The Sri Lankan government sees SMEs as the foundation of the country's economy because they comprise more than 75% of all enterprises, 45% of all jobs, and 52% of the country's GDP (SED, 2015). SMEs promote widespread equitable development and expand chances for women and young people to contribute to the country's economic development. It is therefore seen as the foundation of the economy. The agricultural sector is one of the essential ventures upheld by SMEs. More than 90% of agricultural businesses are SMEs. In 2013/2014, the Department of Census and Statistics reported that up to 1.017 million SME firms existed in Sri Lanka, creating employment for close to 2.225 million people in the non-agricultural sector (Gunawardana, 2020).

It has been determined that promoting the SME export sector's integration into the export value chain is essential. This is a fantastic chance for the nation to boost export numbers and raise total national income. Sri Lanka's top export markets include the United States, India, Germany, Italy, and China. In 2019, 78.9% of all export earnings came from Sri Lankan industrial exports (Gunawardana, 2020). These SMEs are primarily situated in rural areas.

SMEs are the primary source of the goods, concepts, methods, and services that major corporations cannot or do not want to provide. Large businesses adopt a policy of producing a product for an extended period due to the significant expenditures made in the machinery, tools, gadgets, and workforce to take advantage of the cost advantage of economies of scale. The maintenance of a substantial investment, however, is not a problem for SMEs due to the fact that they have smaller economies and more flexible structures than significant businesses.

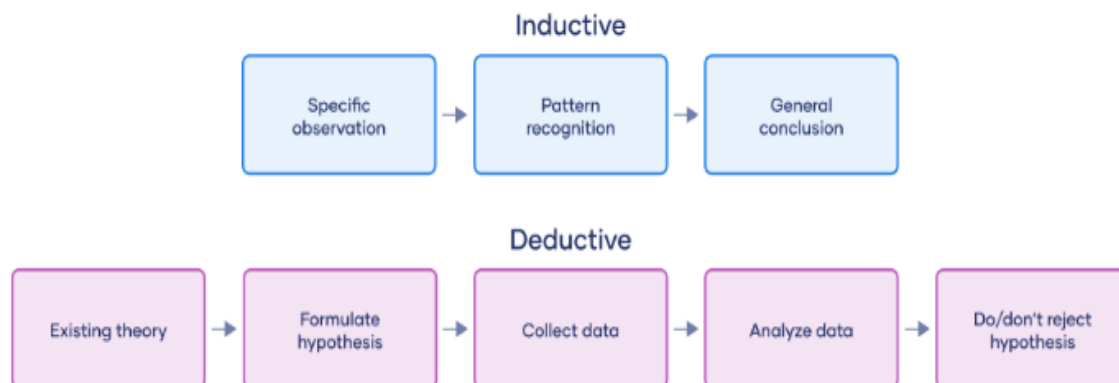
### 3.0 Methodology

*The research methodology is presented in this chapter. The research approach and method are initially defined. The research strategy, case selection, data collection tool, and interview process are then described. The validity and reliability of the study are presented after the interview process.*

### 3.1 Research approach

Inductive and deductive approaches are referred to be two broad ways of reasoning by Plano Creswell & Clark (2007). Further in his studies, he has defined induction as moving from a specific idea to a general idea, while deduction starts with the general and ends with the specific finding. Inductive arguments work best when based on observation or experience, while deductive arguments work better when based on laws, rules, or other universally accepted concepts. (Soiferman, 2010).

This study employs a deductive research approach, given that the phases in the process will all be performed in a logical sequence; this strategy may appear to be simple. Deductive research methods are best suited for evaluating ideas that already exist, not for developing new scientific knowledge (Arlbjorn & Halldorsson, 2002). With the deductive method, the objectives of the research, research questions, and interview guide are utilized to produce basic concepts from the literature that has already been written on the subject of the inquiry or what is known about the phenomenon of research.



*Figure 11: Inductive and deductive research approach. Source: Streefkerk (2019).*

### 3.2 Research method

There are three research approaches, according to Creswell & Creswell (2017):

- i. Quantitative: Investigating the relationship between variables (numerical data) that statistical tools may assess to test objective theories.

- ii. Qualitative research involves examining and comprehending the significance that various people or groups assigned to a social or human issue (non-standardized data).
- iii. Mixed approaches with quantitative and qualitative data.

However, the choice of research methodology depends on the type of studies that will be performed (Bryman & Bell, 2011). In this research, the qualitative research method has been used. This study seeks to identify both internal and external constraints that prevent SMEs from adopting digital marketing strategies. A basic assessment of the SME environment in Bangladesh and Sri Lanka is required to do this. The research question also calls for a more thorough knowledge of how these SMEs handle these problems and how they see how they affect the expansion of their businesses. To address the research objective and question, the study uses both empirical findings and a theoretical framework. A variety of alternatives exist now for the qualitative researcher to do their research, such as narrative research, case study, grounded theory, phenomenology, and participatory action research (Creswell, Hanson, Clark Plano, & Morales, 2007). In order to gather empirical data, a case study method has been employed, which developed with an in-depth interview with descriptive questions. Discussions were conducted with four selected SMEs from Bangladesh and Sri Lanka. The interview guideline was thoughtfully designed to gain insight from SMEs in Bangladesh and Sri Lanka who are adopting digital marketing strategies but are encountering difficulties or SMEs that were unable to use digital marketing channels due to problems. Three interviews were recorded with the respondents' consent and agreed to use them only for the purpose of developing the case studies.

According to Gunnarson (2002), the advantage of using a qualitative method is that this method takes into account the overall perspective of the study problem in a way that is not covered by the quantitative method. Additionally, the quantitative technique struggles to quantify variables like perceptions, beliefs, ideas, and opinions. Also, the qualitative research method is most appropriate because it generally involves no manipulation of factors; instead, it examines behavior in realistic situations or uses data from people's profiles and incorporates the context of the real world to account for several viewpoints (Hancock, Ockleford, & Windridge, 2001).

### **3.3 Research strategy**

Three different sorts of case studies have been proposed by Yin (2009): exploratory, descriptive, and explanatory. When there is no predetermined result, the exploratory case study method is utilized Yin (2009). This specific approach is suitable when the study's goal is to obtain a comprehensive and in-depth account of a social phenomenon. The exploratory case study research style was chosen for this research because it attempts to explore and analyse the digital marketing challenges faced by SMEs in Bangladesh and Sri Lanka in order to get a strong understanding of the phenomena. Case studies are frequently thought of as helpful tools for the initial exploratory stage of a research project, serving as a foundation for the creation of the "more structured" tools required in experiments (Rowley, 2002). Case study research typically draws on a variety of evidence from various sources, including records, artifacts, interviews, and observation, which extends beyond the sources of information that may be

present in the historical study (Rowley, 2002). In this study, case studies have developed based on the in-depth interviews conducted by the researchers. Also, secondary data has been used as a part of an exploratory study to understand the subject and frame the literature review, which will reflect in the analysis to identify the gap.

Further, rather than depending on one case study, this research has employed multiple cross-countries case studies, as multiple case studies help to gain a thorough understanding of how various cases provide insight into a problem or a particular case (Creswell et al., 2007). The strength of the research findings increases with multiple case studies that can be used to support or contradict a theory or previous studies.

### 3.4 Population and sample selection

Choosing the population and sample can be considered one of the fundamental steps in the research process. When choosing the population and sample, the research purpose, questions, and theoretical framework must be considered (Rowley, 2002). This research follows a qualitative research method, employing a non-probability sampling by convenience technique. In non-probability sampling, the randomness of the sample is not essential; instead, subjective methods are used when selecting the components for the sample. Further, in this non-probability sampling by convenience sampling technique, researchers select individuals with whom it is easy to contact and interact (Etikan, Musa & Alkassim, 2016). The SMEs that have been interviewed in this study are being picked via personal contact and communication with the researchers. However, it was crucial to contact the right person for the interview in order to reduce the risk of misinterpreting the information relating to the field of study. As this research focuses on SMEs and digital marketing, the owner/manager or head of marketing has considered a respondent as they have the related knowledge on the topic and considered the most appropriate persons to obtain the relevant answer (*Table 1*).

<b>Respondents</b>	<b>Source Country</b>	<b>Name of the business</b>	<b>Designation of the respondent</b>
01	Bangladesh	MotorHead BD	Director of Marketing and Finance
02	Bangladesh	Allstar Electric Limited	Head Of Marketing
03	Sri Lanka	CameraLK	Owner/managing director
04	Sri Lanka	SKYLARK Clothing	Owner/managing director

*Table 1: The list of respondents to the interview*



### **3.5 Data collection**

As per Moser & Korstjens (2018), data collection methods should be considered wisely. There are several data collection techniques used in research, such as primary and secondary (Hox & Boeije, 2005). Primary data are collected in hand from research problems using specific methods (Hox & Boeije, 2005). In qualitative research design, large data collection techniques are usually through in-depth interviews, observation, and focus groups (Hox & Boeije, 2005). Interviews usually ask questions face to face, by telephone, or online, and the aim is to gather input from the respondent in relation to the research question (Moser & Korstjens, 2018). The interview will be an applicable method in Bangladesh and Sri Lanka due to the kind of challenges in digital marketing (Alam & Khalid, 2020).

In order to gain insight into this study, primary data were collected through interviews conducted with SMEs in Sri Lanka and Bangladesh. The concern of the research is to gather information and analyze the challenges of digital marketing in SMEs in both countries. Thus detailed interviews have been conducted with the help of interview guidelines. Also, the interviews have been conducted online through Zoom and Whatsapp, which gives advantages to face-to-face interviews for more interactive and reliable discussions. Also, this study has focused on having interviews with SME owners and marketing managers since they have all the necessary knowledge concerning their companies' challenges in adopting digital marketing strategies.

### **3.6 Data analysis**

A wide range of philosophical definitions and methodological approaches are covered in qualitative research (Seers, 2012). Each has its own specific approach to moving toward all phases of the examination interaction, including investigation, and has its own terms and methods (Seers, 2012). It can be a thematic, conceptual framework, or suggestion, driven more by data or basic research to solve the problem, effect the change, or identify the relevant theme (Mihas, 2019). In this paper, researchers conducted the thematic analysis technique. As per Vaismoradi, Turunen, & Bondas (2013), thematic analysis is an independent qualitative descriptive research method that identifies, analyses, and reports patterns in data. In this study, the data analysis has been done, highlighting the findings from primary data which gathered through interviews conducted and secondary data gathered through secondary sources and presented under literature review.

### **3.7 Interview process**

Numerous categories have been used to classify qualitative interviews, with unstructured, semi-structured, and structured being the three most common categories used in recent literature (Russel, 1988). Qualitative interviews are a sort of interview that researchers utilize to gather data and develop a comprehensive picture of the interviewee's perspective or circumstance. These interviews can also be used to explore prospective study ideas (Berry, 1999). An interview provides information about opinions, values, and experiences, making it a crucial qualitative study component.

This research has gathered data by conducting semi-structured in-depth interviews with selected respondents. The most popular interviewing format for qualitative research uses semi-structured in-depth interviews, which can be completed individually or in groups (DiCicco-Bloom & Crabtree, 2006). As in-depth interviews with individuals let interviewees dive extensively into social and personal issues (DiCicco-Bloom & Crabtree, 2006). In this study, interviews were conducted with one respondent from each company for about 30 minutes to 45 minutes with an interview guideline (*Table 2*). The key research questions have sufficiently narrowly focused on having a typical comprehension of the subject. The initial interview question may be the core research topic, but often between few more focused questions are created to go deeper into various elements of the study subject. Additionally, the interviewers were prepared to deviate from the interview guideline during the interview because deviations can be very productive as they follow the interviewee's interests and areas of expertise.

The interview guideline for the interviews of this research has been constructed in four parts. The first part has questions relating to the background information of the business and the respondent. In the second part, the intention was to get an overall idea of the current marketing practices of the business. Finally, the third and fourth parts were designed in a way to guide the discussion to know if some specific internal challenges are facing the respondents. The interview guideline has developed after a thorough study of the past literature on digital marketing challenges faced by SMEs in developing countries.

	Focus area	Topics
Part one	Background of the company	<ul style="list-style-type: none"> <li>● Name of the company</li> <li>● Business industry</li> <li>● Business type</li> <li>● Duration of the business in operation</li> </ul>
	Background of the respondent	<ul style="list-style-type: none"> <li>● Name</li> <li>● Title</li> <li>● Department</li> <li>● Period of working for the company</li> </ul>
Part two	Prevailing marketing practices of the firm	<ul style="list-style-type: none"> <li>● Importance of a marketing strategy for a company's operations</li> <li>● Current primary marketing method <ul style="list-style-type: none"> <li>○ Traditional marketing</li> <li>○ Digital marketing</li> </ul> </li> <li>● Popular marketing channels</li> </ul>

	Digital marketing implementation	<ul style="list-style-type: none"> <li>● Most frequently used digital marketing channels</li> <li>● Internal challenges</li> <li>● External challenges</li> </ul>
Part three	Internal challenges - technical knowledge and resources	<ul style="list-style-type: none"> <li>● Availability of professionals to perform in-house digital marketing or outsourced</li> <li>● Level of knowledge of employees on digital marketing</li> <li>● Perception of the owner towards implementing digital marketing</li> </ul>
	Internal challenges - high startup cost	<ul style="list-style-type: none"> <li>● Amount allocate for digital marketing from the budget/revenue</li> <li>● Level of the cost compared to its benefits</li> </ul>
	Internal challenges - level of security	<ul style="list-style-type: none"> <li>● Impact on company's privacy</li> <li>● The eagerness of the customer to buy the product through digital channels</li> </ul>
	Internal challenges - problem of integration	<ul style="list-style-type: none"> <li>● The challenge in integrating both methods together</li> <li>● Customer acceptance switching from conventional to digital or having a mix of both</li> </ul>
Part four	External challenges - lack of infrastructure	<ul style="list-style-type: none"> <li>● Perception of prevailing internet infrastructure of the country</li> <li>● How it affecting to the business in implementing digital marketing</li> <li>● Level of reachability to the clients due to lack of infrastructure</li> </ul>
	External challenges - intensify competition	<ul style="list-style-type: none"> <li>● Is digital marketing expose the company's competition</li> <li>● Perception on opening company strategies to competitors</li> </ul>

		<ul style="list-style-type: none"> <li>● The impact of company performance due to competitors imitating the companies marketing strategies</li> </ul>
	External challenges - lack of face-to-face contact with the customer	<ul style="list-style-type: none"> <li>● The ability of the product to market through digital marketing due to its nature</li> <li>● The reluctance of customers to buy the product due to lack of contact in digital marketing</li> </ul>

Table 2: Format of the interview guideline

### 3.8 Reliability and validity

Validity and reliability are two different measurement tools that show how valid, reliable, and sound the research is. In the field of research, for a study to become valuable and practical, research must be reliable. When performing qualitative research, it is crucial to take the reliability and validity metrics into account.

According to Yin (2009), there are internal and external ways that can be used to determine a study's reliability. In terms of the study group's internal reliability, it can be achieved when more than one researcher is involved. It measures how much the researchers can agree and reach the same conclusions. External reliability refers to additional research that can be conducted with outcomes comparable to the primary studies. In this research, internal reliability has been achieved by participating both researchers for all four interviews held over digital channels. Few of the interviews have been recorded under the permission of the respondents. Further, to increase the study's reliability, the procedure for gathering data and conducting interviews has already been described in great detail. Also, the appendix has a list of all the interview questions. This will be helpful for other researchers to follow in similar studies as a guide. Further, in this manner, this study has developed research that is auditable, transparent, and clear so that the reader may either use the approach to get the same findings themselves or, at the very least, feel confident that the results were not manipulated in any way.

A measurement or observation's accuracy is called validity (Greener, 2022). According to Bryman & Bell (2011), if there is a good fit between the researchers' findings and the theoretical ideas they develop throughout the research, this is called internal validity. Due to the researchers' desire to study the social environment for an extended length of time, which typically produces a significant correlation between observations and conceptions, validity is generally seen as a strength within qualitative research (Bryman & Bell, 2011). In scientific research, validity may be described in three significant ways. It is crucial that research methodologies have "face validity," "construct validity," and "internal validity" (Greener, 2022). Face validity basically indicates that the general public can understand that this is a legitimate research methodology. Face validity is important for promoting participation in

surveys, interviews, and other experimental or research settings. To achieve face validity, the researchers have confirmed the identity and purpose of the study to the respondents and have conducted face-to-face interviews on digital platforms. Further, in order to achieve validity in this research, the transcripts of the interviews were then sent back to the interviewees for their approval before being used. The authors have also agreed with the respondents on utilizing their details for the research for any purpose. Those procedures have strengthened the study's validity and limited the potential of employing the authors' interpretation of the findings.

## **4.0 Empirical Data**

*This chapter shares the result of the empirical data gathered during interviews with the respondents. First, background data presents the SMEs that were the subject of this investigation and introduction to the respondents. Later, their perceived experiences and knowledge about the overall digital marketing implementation in the business and the internal and external challenges they outline with digital marketing. Four sub-categories of results are present: background data about the company and the respondent, usage of digital marketing strategies, internal challenges of digital marketing, and external challenges.*

### **4.1 Case study 1\_MotorHead BD**

#### **4.1.1 Background data about the company and respondent**

MotorHead BD was established in 2018 in Bangladesh and rolled out in 2019 by car enthusiasts who dream of providing genuine vehicle parts in the Bangladesh market. The interview was conducted with the Director of Marketing and Finance. He is one of the company's founding members. He has a lengthy career background as an investment Banker, which drives him to be an entrepreneur. MotorHead BD is an online-based company providing vehicle services and accessories. They have a total of 15 employees and started in Dhaka City. According to the definition of SMEs in Bangladesh, this business falls under small-size businesses as this is categorized under the service sector. As a part of their expansion process, next year, they introduced a mobile car servicing van named "Motorhead on Wheels," which is for corporate and home-based service for washing, servicing, and polishing any kind of vehicle, including cars, bikes, jeeps, and buses, at the customer's doorsteps. MotorHead BD has started a unique business in the Bangladesh context. In 2022, they started their garage in Dhaka, named "MotorHead Garage."

Moreover, they provide consultancy regarding anything related to vehicles. To give an authentic product, MotorHead BD has taken distributorship of many renowned brands. They sell various vehicle accessories and parts online and offer corporate sales. MotorHead BD has 24/7 customer support, providing services to current and prospective customers on purchasing products or any other car-related consultancy. Their mission is to perform the highest quality work and service at the best price. Their statement is, "Your Car, we care." MotorHead BD has seven partners who own the business based on their shares. They intend to expand their business by this year-end, including an increase in mobile service vans, a training facility to make professional mechanics, and importing vehicle products.

#### **4.1.2 Usage of digital marketing strategies**

MotorHead BD has started its business on Facebook which is continuing. They have done paid promotions through Facebook, still ensuring 45% customer sales for this company. Also, they have done email, SMS, and phone marketing as part of their digital marketing campaigns to reach customers with advertisements and newsletters. At the same time, they are actively

sharing their content on Instagram and video content on YouTube and Tiktok. They have done paid promotions in those media channels as well. They have a third-party digital marketing team who creates all the content and does all kinds of promotions. After introducing the website, they also started doing SEO and SEA to get their name on the list in vehicle-related servicing and product selling in Bangladesh. They spend only 5% of their total budget on digital marketing promotion. This company is trying to blend an ordinary traditional business into a digital platform. They are moving forward, but they are facing challenges at every step in digital marketing.

#### **4.1.3 Internal challenges of digital marketing**

According to the respondent, digital marketing is a powerful channel nowadays in Bangladesh. People habituate faster with digital technology, mainly in the main cities. Nowadays, people are frequently buying products through digital platforms. They still demand helpful reviews of products before buying, but people have the culture to buy from digital platforms. This business is a blend of traditional and digital marketing, an arduous integration process in cost, marketing alignment, and good marketing content. Being a startup company, they have faced high setup costs as vehicle products and services provided through the digital platform "concept" are not standard services in 2019 in Bangladesh. Setting up the digital structure, training employees for digital marketing, and making ads have incurred a good amount of cost. As per the respondent, digital marketing is the future of Bangladesh's marketing industry. During the Covid19 pandemic, people have given the optimum focus on a digital platform, which took a great pace in digital marketing. It helps them a lot to reach customers quickly. People are getting very busy daily, and they have many other priorities. Digital marketing is the best choice for those market segments.

There still needs to be more skilled employees in the Bangladesh market. Due to this shortage, they have to pay high salaries to skilled employees. Moreover, skilled employees tend to change jobs frequently to get higher wages. Even if a company trains any fresh employees, they move to another company quickly due to higher wages. As per the respondent, this is one of the significant challenges for digital marketing in Bangladesh.

#### **4.1.4 External challenges of digital marketing**

As per the respondent, the digital marketing infrastructure in Bangladesh is getting stronger every day. The government is strengthening the digital policy, cyber protocol, cyber security, and many more steps to ensure safe digital browsing. Nevertheless, there is still opportunity in rural areas. Those areas have mobile facilities but still need to be stronger in digital channels in Bangladesh. If those areas also get coverage with a strong network and people get used to buying from digital platforms, the overall trade system would be straightforward. Digital marketing in Bangladesh has fears of competition between competitors. When any new offer comes up, competitors share similar offers at competitive prices. Customers get distracted by offers very easily with those offers. Due to digital platforms, customers' purchasing patterns have changed gradually. Especially in countries like Bangladesh, customers tend to opt, low

price providers rather than considering the quality of service. On the other hand, vehicle users have minimal knowledge of vehicle servicing, and hence, they always tempt to select their known service providers. Nevertheless, the fact is that they need to be more knowledgeable. So, they are doing it based on previous experience or what the mechanic is selling at a high charge. When MotorHead BD is trying to be aware of this issue, customers are reluctant to understand it as they consider it minor. In the end, they are risking their lives and compromising car quality. Customers in significant city areas have satisfactory responsiveness to digital marketing activities and are more active on digital platforms. They like to see more videos and reviews, so they choose the product or services based on that. digital marketing is more active in big cities than in rural areas due to digital literacy and a need to understand the advantages of digital platforms, which is a big problem for digital marketing.

## **4.2 Case study 2\_Allstar Electric Limited**

### **4.2.1 Background data about the company and respondent**

Allstar Electric Limited was established in 2007 in Bangladesh as an electric service provider. Gradually they have started importing light home appliances products from China. It was started by an entrepreneur who wanted to provide home electronics products at a cheaper price in Bangladesh. He came from a family where poverty hits hard. At that time, having a fan in the ceiling was considered a blessing. This situation strives him to be an entrepreneur and become successful. The company has considered penetrating all over the Bangladesh market. Once they succeeded in business, they created their brand and started marketing in 2021. In 2023, they started a small assembly unit also in Bangladesh. This company has 57 employees, whereas 15 employees from the marketing department are doing traditional and digital marketing. This business falls under the service and manufacturing sector and falls under medium size business as per the SME definition of Bangladesh. They are currently doing business in 39 districts. Their core selling product is electrical and rechargeable battery-based fan items. Besides them, they have also started producing multifunctional light that works as an emergency light when the light goes off. The interview respondent is the head of Marketing. He has been working from the beginning with this company. He also explained that providing energy backup in fans and light without electricity is a unique feature in Bangladesh, and demand is increasing. Bangladesh has frequent power failures in multiple places due to scarcity of electricity production. Also, the weather is getting warmer daily, so there is a potential demand for such lights and fans. Some companies produce such products which are imported. They have found the business opportunity and are penetrating the Bangladesh market with this unique feature.

### **4.2.2 Usage of digital marketing strategies**

Allstar Electric Limited started its digital marketing activities in 2021. It was actively done on Facebook-based marketing. They have boosted through Facebook channels and started building their own business website recently. Moreover, they have connected to e-commerce websites to sell their products. That e-commerce platform's name is Daraz, a renowned e-commerce



platform in Bangladesh, initially owned by Alibaba Group. They are vital in traditional marketing and wanted to expand their marketing area by exploring digital platforms. However, they need to experience better using digital marketing platforms due to several challenges, which will be explained below.

#### **4.2.3 Internal challenges of digital marketing**

As per the respondent, digital marketing still has many challenges in Bangladesh, especially in rural areas. Here people have the opportunity to understand digital marketing advantages. Also, technical knowledge is a significant factor in availing of digital marketing advantages. As shared earlier, they are already strong in traditional marketing as they started business in 2007. Later, they started digital marketing and planned to combine marketing channels. Nevertheless, they have faced significant challenges due to high costs. Another example of high cost is when Allstar Electric Limited tried to connect with the e-commerce site Daraz; they demanded almost 30% of the profit share, which is not an easy and cheap option for the company. Another factor is people's low acceptance of digital platforms. In Bangladesh, people have mobile connections but they are still learning about how to do shopping on a digital platform. Another reason could be that the return policy could be smoother in Bangladesh. Often customers need help with requiring any product. They need to learn how to send it, fill out the forms, or the return channels. It is also important that sellers must comply with the return policy as well. Connecting both traditional and digital platforms is very tough for them as their target customers need to feel more secure in the digital platforms. They are afraid of losing money. Also, they are afraid of technology. Customers want to keep their account details private. Customers are aware of many internet and mobile-based scams and feel that the internet still needs to be secure in Bangladesh regarding transactions. Further, the respondents mentioned that reaching clients who speak a different language and have less proficiency in English is another challenge in making digital marketing content.

#### **4.2.4 External challenges of digital marketing**

There is ample opportunity for digital infrastructure on the rural side. City-based infrastructure is well organized. This competition is also high. The response has concentrated more on the rural side of the population to capture the untapped market, as they have observed people using smartphones and the internet. However, connectivity still needs to improve, and they only use social media for entertainment. They still need to catch up in considering digital platforms as a business medium. In some of the places, proper internet facilities are not available. Nevertheless, they have observed that the mobile network has expanded in those areas. It is hard to reach those customers with the current infrastructure and with the level of digital knowledge these customers have. Digital platform competition is a concern in the city. They have to offer a considerable amount of discount to grab the customer. However, they are paying enormous costs for this while also needing more clients. Although competitors are still making investments in the market, the company's budget for the subject responder currently needs to be increased to cover this significant expense. Another fact that the respondent observed is customers are still unconfident about buying products online as they have to incur costs while

returning products. Such cases in traditional business react differently. The customer knows where to return the product if anything does not meet the standard. Traditional marketing is more interactive with customers, which gives them more trust in products, but in the city area, customers are more active on digital platforms. Thus, digital marketing is effective in big cities. As per the respondent, trust is the core barrier for Bangladeshi customers. If a customer sees the product practically, then the customer reacts positively. They have observed differences in digital marketing platforms. Here customers ask lots of questions, and in most cases, they do not buy online. The respondent feels that customers still need more trust in digital marketing advertisements and services.

### **4.3 Case study 3\_CameraLK**

#### **4.3.1 Background data about the company and respondent**

Over the past several years, CameraLK, a pioneer in retailing photography and digital equipment, has thrived to become the most extensive multi-brand camera showroom in Sri Lanka. The respondent of the interview is the founder and managing director of the business. The business was founded in 2011, and it has since grown to include five shops in Kandy and Colombo, with a current staff of 78 employees. According to Sri Lanka's definition of SMEs, this enterprise falls under the medium-sized category. In addition to offering cameras, camera gear, and thorough after-sales services. CameraLK has opened a photography academy and holds free courses around the island each year. The founder and managing director of CameraLK, who has a history in photography, has undoubtedly been a driving force behind the business's growth. Additionally, he holds the record for the youngest Sony distributor actively competing in the market. Further, in 2017, CameraLK announced its partnership with Sony International (Singapore) Ltd. and the opening of its shared digital imaging showroom.

#### **4.3.2 Usage of digital marketing strategies**

The founder of the business first established his small company by pre-ordering cameras. He promoted his company using social media (Facebook, Instagram, and TikTok) and online marketing tools and by setting up an online base where he conducted sales operations. He was able to challenge the market monopoly that was in place between 2011 and 2015, thanks to the economy's gradual expansion and increased leisure tourism. By the time CameraLK was chosen as Sony's official distributor in 2011, which led to increasing the market share. The CameraLK Photography Academy was established in 2014, and a brand-new service center was opened in Colombo. Social networking platforms were a massive help to the photography industry since they allowed users to submit and share their photographs instantly, boosting the business's total revenues. This played as a way of influencer marketing for CameraLK as more people tended to follow, posting photos they took from the cameras bought from this place. Additionally, the business started its sales campaign on its own website and saw an annual rise of 10% to 15%. they employ SEA as a strategy to attract more customers online. They currently operate a fully functional website and have accounts on a number of social media platforms, where they engage in digital marketing to draw in their target demographic.

### **4.3.3 Internal challenges of digital marketing**

According to the respondent, this company has grown and gained acceptability in society quite quickly thanks to his knowledge of the industry, passion for it, and use of digital marketing. He stated that he could not undervalue the significance of digital advertising strategies for expanding his firm, given the nature of the product he offers and his prospective target market. However, it does not mean there are no challenges when implementing marketing strategies. One of the biggest challenges that he is facing is investing in an internal marketing team to perform digital marketing. Initially, he had his own team for digital marketing. However, he needed help with retaining knowledgeable professionals and catering to their salary demands. As a result, all digital marketing activities are currently conducted through a third-party digital marketing company. He believes having an internal digital marketing team will make things more productive and efficient. However, he has a plan for future expansions since he sees an increasing requirement for his marketing team. Interviewers ask the respondent if there is a risk to the company's information security because CameraLK conducts its digital marketing tactics through a third party. In response, the respondent claims they have a solid understanding of the third-party digital marketing service provider and are bound by a contract to keep their internal strategies confidential from the public and their rivals. In addition, he added, third-party digital marketing companies always ask for approval before publishing anything on a website or any other form of social media platform.

Retaining qualified workers in digital marketing is one of his main issues, as was already discussed. Professionals in the digital marketing field have a variety of prospects worldwide as a result of the current globalization of the world. The current state of Sri Lanka's economy has an additional impact on this. These factors make it less likely for employees to work with employers for a longer period of time. The owner of the business needed to outsource its digital marketing activities for these reasons, including the excessive compensation demands of the former in-house marketing staff.

In addition to its digital strategy, CamaraLK now employs only a few traditional marketing techniques. He commenced by using SMS marketing. However, he did not continue to employ that method because he did not get positive results out of it. Further, he added that some people are still interested in reading newspapers. As a result, he still uses newspaper advertisements when a big promotion or marketing effort is underway if he thinks it is worthwhile. He argues that billboard advertising, which this company still uses with newspaper advertisements, is a successful marketing approach in Sri Lanka. Although he invests in both traditional and digital marketing techniques due to a sizable portion of the population still prefers traditional methods, he is still able to integrate both digital and traditional marketing strategies easily.

### **4.3.4 External challenges of digital marketing**

During the discussion of the external problems that digital marketing faces, the respondents' perception of the country's internet infrastructure state is satisfactory. However, he highlighted that at least it is developed enough to use his product line to reach his target market. He agrees

that many rural areas need more internet infrastructure, and smartphone use is lower than in urban areas of Sri Lanka.

Due to the unique product category, the presence of Sony dealerships, and CameraLK's substantial market position, the company needs more competition when executing digital advertising methods. CameraLK can provide its clients with high-quality products at the most unexpected costs. Since anyone with internet access may view his business and marketing techniques, there is a chance that similar players in the industry would track and copy them. Additionally, he stated that because of digitization, private information, company specifics, or business strategy can no longer be kept a secret from the public. This scenario is valid for all companies that operate primarily through digital platforms.

He claimed that consumer perceptions of online purchasing and product trust are far lower in Sri Lanka. This example is just one of the many difficulties SMEs encounter in digital marketing. However, he continued to say that he is still having a decent demand for his products, considering their nature. Further, he stated that even though clients do not purchase cameras through the website, digital marketing has assisted in directing potential customers to his stores. In addition, he noted a rising trend, compared to the past, for customers to order camera parts and accessories through their website following digital marketing campaigns or social media advertising. People are also less hesitant to make payments online because CameraLK is a well-known and well-liked company in Sri Lanka.

#### **4.4 Case study 4\_SKYLARK clothing**

##### **4.4.1 Background data about the company and respondent**

SKYLARK Clothing is a small size business in Sri Lanka located in the Colombo district. This business was started in 2018 with the vision of developing a unique clothing brand belonging to Sri Lankan fashion lovers. Currently, It has about 22 employees employed in business. According to Sri Lanka's definition of SMEs, this enterprise falls under the small-sized category. SKYLARK Clothing offers both gents' and ladies' clothing. Initially, in 2015, SKYLARK Clothing started purely as an online store. However, due to the challenges faced over time, the owner of the business decided to extend the business into the physical store and diversify the business line into the food industry. Currently, under the SKYLARK brand name, the owner is operating two main product lines, which are SKYLARK clothing and SKYLARK restaurant. The target market of SKYLARK is the mass market, and not just people with a lot of money or particular needs or interests. With the growing demand for the SKYLARK clothing and restaurant, the owner of the business is expecting to expand the number of outlets in the future. The owner/managing director who was the respondent for the interview has a formal bachelor of business management degree. He also has prior experience in the clothing and food and beverages industry in Dubai for more than 15 years.

#### **4.4.2 Use of digital marketing strategies**

The company was initially launched in 2015 as a wholly online clothing store, stated the responder, the founder of SKYLARK Clothing. The company's primary objective was to create a distinctive brand among youthful fashion enthusiasts in Sri Lanka. The young generation was the company's target market. The company initially used its website for digital marketing, SEA, and social media channels to connect with its target demographic. The founder acknowledged that despite having a solid understanding and experience in the apparel and food industries, he needed to gain this knowledge when creating a digital marketing strategy. Thus third-party vendors were used in developing their digital marketing plan, website social media platforms. The business initially invested in social media advertising and paid Google advertising to bring the brand to target customers.

#### **4.4.3 Internal challenges of digital marketing**

According to the respondent, it is really challenging for a new small-scale business to grow and survive only using digital marketing strategies in Sri Lanka. However, for large-scale businesses, it provides significant benefits in conducting business efficiently. This is primarily caused by the substantial investment that businesses must make in digital marketing methods, together with the target market's need for brand awareness and confidence in new brands and SMEs. Even though there had been a good sale through the online store initially, he said that demand and sales had been declining for a number of reasons. High investment in digital marketing tools compared to its returns is one of the main challenges SKYLARK clothing faced at the initial stage of its business. The expected returns from digital marketing tools were different from the expectations when it was compared with the investment. The respondent further mentioned that the cost of payment getaways is much higher in Sri Lanka, which can be painful for a small business to handle. He believes that that is a considerable market potential that small businesses can grow with digital marketing strategies if they have enough funds to invest and the required knowledge. Due to numerous challenges, the business faced only utilizing digital marketing strategies; eventually, businesses had to combine low-cost traditional marketing strategies like SMS marketing, distribution of printed materials, and introducing cash on delivery to boost their sales and lower the cost which it invested in digital marketing. However, there were no considerable challenges for this business when integrating both traditional and digital marketing tools. According to the respondent, the combination of both strategies made it easy to reach the customers and boost sales.

Another challenge that he mentioned in digital marketing is targeting the right audience and the need for more availability to measure or understand the effectiveness of digital marketing tools. He further said that based on what the digital marketing provider suggested, he makes the marketing decisions. He needs more evidence on a tool that makes discoveries regarding the effectiveness of the marketing campaigns and what has to be changed or enhanced.

Further, he mentioned that due to his lack of knowledge of digital marketing strategies, he had to get all the activities through a third-party provider, which led to a higher cost than he had

budgeted. Due to the need for knowledge of digital marketing, there are instances in that owners have to agree to high prices offered by third-party vendors. Moreover, he stated that due to the scale and scope of the business, it is challenging to reap the full benefits of digital marketing, which comes as a connected challenge with digital marketing strategies. SKYLARK Clothing has signed a contract with a third party for the delivery services of its product. However, it covers a limited range of delivery. When they receive an order from an out of Colombo, it is not possible for them to deliver the product door to door to the customer. This is not only affected by the size of the business capacity but the mindset of the Sri Lankan community, he stated.

#### **4.4.4 External challenges of digital marketing**

According to the respondent, the primary external barriers to digital marketing for his company and many other SMEs are competitors and customers. If there is a physical store present in the country, Sri Lankans are still concerned about making purchases from online merchants. This is because consumers still want to touch and feel items before making a purchase and need more faith in online payment methods. They also want to ensure that a physical store is nearby in case they need help with a product or payment system. Unlike in developed and European countries, people in developing countries like Sri Lanka are still not accustomed to making purchases online, despite the existence of physical shops. Customers who are middle-aged and older are notably following this trend. Customers in Sri Lanka need more faith in online payment methods, which is one explanation for this. If people register their bank accounts with a website, they worry about hackers accessing their bank accounts. One of the other significant factors contributing to people's lack of faith in online marketing is the prevalence of fraud sellers in Sri Lanka who promotes low-quality or fake goods as high-end, branded goods. According to the respondents' knowledge, unlike in developed countries, there is no protection or rules that protect consumers in Sri Lanka against these fraudulent sellers.

Another difficulty that SKYLARK is currently dealing with is the competition that the digital market has created. Due to competition from established brands and other players in the industry, the responder claims that it is challenging for small and new brands like SKYLARK to promote their products. Customers can choose from a variety of brand selections and improved pricing options thanks to pop-up adverts and artificial intelligence. For instance, if customers search for or click on a promotional SKYLARK Clothing advertisement, they are shown numerous additional choices for similar companies, some of which may offer better price deals. Due to the high price sensitivity of Sri Lanka's middle-class consumers, they, therefore, change their minds quickly. Due to the lack of economy of scale for SMEs, it is hard to lower the cost to the extent that big players in the market offer high-quality products.

## **5.0 Analysis of Empirical Data**

*This section will give the analysis, which is based on interviews with four SMEs in Bangladesh and Sri Lanka, and the theoretical framework. The digital marketing usage of SMEs, internal and external challenges of digital marketing in SMEs, and the similarities and differences of digital marketing challenges in SMEs of Bangladesh and Sri Lanka make up the four main sections of the overall analysis.*

### **5.1 Usage of digital marketing channels**

Studies show that SMEs adopt digital channels at the slowest rates, which is expected given that they are often at the beginning phases of adoption (Eriksson et al., 2008). It is evident that using digital platforms is crucial for businesses, and SMEs should move in the same direction if they want to develop and remain competitive. However, many SMEs are not able to take full advantage of or utilize many of these new digital capabilities (Gilmore et al., 2007). For SMEs, the size of the company and the availability of resources have a significant impact on whether or not they utilize digital marketing tools or what kind of tools they utilize to implement marketing digitally (Teo, 2007).

There are a variety of one-way and two-way digital marketing tools that a business can utilize, such as social media, SEA, SEO, affiliate marketing, email marketing, and influencer marketing. These channels can be further identified as the channels under business control or without control. Email and websites are two examples of one-way digital marketing tools with solid corporate control. All the respondents of this research, except Allstar Electric Limited, have responded that they have a website and use the same digital marketing strategy in their business further. All three of them execute search engine advertising (SEA). Allstar Electric Limited has also started developing its own website in order to make their digital marketing stronger and to build faith among its customers. This implies that the saying "If a company is not found in Google, it does not exist" seems to describe how today's consumers behave said by (Taimine & Karjaluo 2015), and the saying is valid. This finding from the research clearly shows that most businesses now tempt to have their own website to reach potential customers and to get their trust of them. Further, these strategies are essential to a business's online exposure since they serve the function of informing people about the goods or services that are offered.

Email can be used for a variety of marketing activities, including information exchange, advertising, establishing and sustaining connections, and directing clients to websites (Simmons, G. J. 2007). Although email naturally facilitates two-way communication, it is frequently used as a one-way link to distribute newsletters or advertisements by most businesses. However, among all four respondents, only MotorHead BD stated that they are using email marketing to distribute advertisements and newsletters as a part of their digital marketing campaign. This finding gives the researcher a signal that email marketing is less popular among SMEs in both countries.

Allstar Electric Limited started its digital marketing activities in 2021. It was actively done on Facebook-based marketing. They have done boosting through Facebook channels also. The undeniable demand for social media has changed the relationship between marketers and customers. Customers now hold more power than marketers, which has been attributed to changing consumer behavior (Kaplan & Haenlein, 2010). According to Weinberg and Pehlivan (2011), audiences would like to see factual information generated by conversations about brands on social media rather than sales pitches and marketing messaging. Facebook, Instagram, and TikTok have developed into crucial platforms for interacting with customers and raising brand exposure nowadays. MotorHead BD is implementing its digital marketing activities mainly across Instagram, Youtube, and TikTok. In contrast, SKYLARK Clothing started its business online, hoping to succeed through digital channels, especially Facebook and Instagram. However, the results for SKYLARK Clothing were different from the expected level due to other factors. Further, CameraLK stated that social networking sites like Facebook, Instagram, and TikTok were considerable assistance to the photography industry, and his business increased overall sales. CamerLK uses social media as a method of influencer marketing, making their customers post pictures that were taken by their cameras to influence the rest of the market. In 2021, Allstar Electric Limited began using digital marketing. It was heavily promoted via Facebook. Overall it is evident that all four respondents heavily depend on digital marketing on social media. Blogging is seen as a valuable relationship tool for personal relationships and marketing (Ahuja & Medury, 2010). However, there was no evidence from any of the respondents that they use blogging to do their digital marketing. However, there was no evidence from any of the respondents that they used the pay-per-click method. Finally, based on the respondent's answers, it shows that regardless of the size of their business or the type of product they offer, SMEs use social media in the same manner they do other digital channels as marketing platforms with the aim of boosting sales.

## **5.2 Internal challenges of digital marketing**

When executing digital marketing strategies, the limitations of the internal factors within the firm could create challenges. Mostly these challenges are related to the factors such as the characteristics of the business, its prior technological experiences, attitudes of the owner and employees, and business strategy.

The need for more skilled or knowledgeable labor to perform in-house digital marketing activities is one of the challenges that SMEs face in developing countries. According to Parvin, 2012 in Bangladesh, there need to be more information and communication technology professionals with the necessary skills, mainly middle and top-level managers. On the other hand, literature has illustrated that the economic condition in Sri Lanka is severely impacted by the permanent relocation of most Sri Lankan professionals in all sectors (Ekanayake & Amirthalingam, 2022). The same results were evident from the interviews held for this study. MotorHead BD claimed that Bangladesh's labor market continues to be short on qualified workers for digital marketing. Due to that, there is a high demand from the existing skilled marketers, and they must pay high rates to skilled workers due to the shortage. Furthermore, he stated that highly qualified workers frequently switch employment in order to earn higher



compensation. Even when a company invests in training new hires, they often leave because they can make more money at another organization once they acquire experience. Confirming what Ekanayake & Amirthalingam (2022) mentioned in their article, the respondent from CameraLK stated that even though he initially had his own digital marketing team in-house, he struggled to keep skilled professionals on staff and meet their wage demands. As a result, he realized that outsourcing digital marketing activities are cost-effective than having his own marketing team. Thus, lack of skilled resources within the business has become an internal challenge to performing digital marketing for SMEs.

On the other hand, apart from having skilled employees to execute digital marketing, interviews showed that the lack of knowledge of the owner or management regarding the implementation and benefits of digital marketing had become a barrier. The interview with Allstar Electric Limited and SKYLARK Clothing indicated that the owners of the business need to gain more knowledge of digital marketing. In some instances, SKYLARK Clothing owners had to accept excessive expenses from third-party suppliers due to their lack of understanding of digital marketing. Both businesses tried "Boosting" on social media, but they had no idea who their target market was, their budget, or how to choose a specific region for their marketing campaign. According to Parvin (2012), many people in developing countries like Bangladesh still need to gain basic digital literacy, making it challenging to implement effective digital marketing techniques. Currently, low-level managerial professionals are in charge of developing ICT competencies (Gunawardana, 2005). However, MotorHead BD and CameraLK respondents said that the owners had good knowledge of digital marketing, which has helped them to avoid challenges and reap the best out of it. Further, the respondent of SKYLARK Clothing stated that he thinks there is a vast market opportunity for small firms to succeed using digital marketing methods if they have the necessary resources and expertise.

One of the other critical challenges that SMEs in Bangladesh and Sri Lanka face with the implementation of digital marketing is the high cost involved with some digital marketing tools. WEBex.com reports that in 2023, the average cost of digital marketing in SMEs would be between \$2500 and \$12,000 per month, \$50 and \$500+ per hour, and \$1000 and \$7500 per project. This might comprise 7% – 10% of the company's income. This can be a considerable amount out of the revenue for SMEs as they have many other aspects to invest in it. MotorHead BD stated that they spend a minimum of about 5% of their total budget on digital marketing activities. Further, being a new business, they have had to deal with high setup costs because car products and services offered through the digital platform "concept" was uncommon in Bangladesh in 2019, which includes the cost of developing the digital framework and employee training for digital marketing. Even though Allstar Electric Limited started its business in 2007 with traditional solid marketing activities, gradually, they realized that e-commerce and digital marketing were a need of the time. They started using digital marketing and later intended to mix different marketing platforms. However, because of high prices, they have experienced significant difficulties. Being a small business, when Allstar Electric Limited tried to connect with a digital platform like Daraz, they demanded almost 30% of the business, which is not affordable. From the interviews held with Sri Lankan SMEs, the respondent from SKYLARK Clothing stated that one of the primary difficulties they encountered during the early stages of

its operation was the high investment in digital marketing tools compared to its returns. When compared to the investment, the earned returns from digital marketing tools were below expectations. It was too unbearable for them to have low returns on their investments in the digital marketing business. However, the respondent from CamraLK did not highlight that the cost of digital marketing was a challenge for them in their business. He is delighted with the output he gets from the digital marketing techniques he utilizes in his businesses. Based on the above findings from interviews, it is evident that high startup cost is a considerably massive challenge for SMEs to adapt to digital marketing; however, the level of significance of that challenge can depend on the business structure, availability of the investments for digital marketing or the level of knowledge about digital marketing.

It seems that many SMEs still prefer employing traditional marketing tactics despite recent growth in internet usage and digital marketing (Sledzik, 2014; Cant & Wiid, 2016). This is mainly due to the type of product or service they offer and the mindset or purchasing behavior of most people in developing countries. Thus, SMEs must integrate their existing traditional strategies with new digital marketing strategies. If they have started their business based on pure digital marketing, they have to incorporate some traditional marketing strategies. In the field of marketing, integrated marketing has grown in importance ((Belch & Belch, 2019). BusinessNewsDaily (2013) discovered that 77% of SMEs still utilize print advertising, which shows the continuing effectiveness of traditional marketing tactics (Cant & Wiid, 2016). In this study, all four interview respondents claim that they still utilize a considerable amount of traditional marketing strategies along with digital marketing tools. Both respondents from Motorhead BD and Allstar Electric Limited said that they encountered considerable challenges when integrating traditional and digital marketing tools into their businesses. Motorhead BD faced challenges in terms of cost, marketing coordination, training employees, and developing quality marketing content when they added digital marketing tools. Allstar Electric Limited claimed that the integration process took time for them due to the reluctance of their existing clients to accept the new digital marketing channels. Their target audience needs more confidence in digital channels. However, the respondents from Sri Lanka showed no significant challenges when integrating traditional and digital marketing strategies. Instead, they consider it as generating more opportunities for the business. Aside from having to spend more money on various sorts of marketing tools, the respondent from SKYLARK Clothing claimed that integrating conventional advertising methods into its online store presented minimal challenges.

One of the most pressing issues that businesses must address is privacy and security. Consumer data is not secure from hackers and can be shared easily (Lantos, 2015; Bovina, 2020). This issue damages the client's trust, which poses a substantial obstacle to the expansion of Internet marketing. The ongoing exposure of a company's advertising strategies to hacking via online channels is one disadvantage of digital marketing. The successful marketing tactics of a well-known company may be easily tracked down and copied by hackers or rival businesses, who then use them for their own goals. However, three respondents out of four needed a clear idea about whether it is really affecting the security of the company's insider information. Only CameraLK claims that they are not considering executing digital marketing through a third party is not a threat to their security, as digital marketing creators are obligated by a contract to

keep their internal tactics secret from the general public and their competitors. They have a good thorough understanding of the third-party digital marketing service provider.

### **5.3 External challenges of digital marketing**

The other part of the discussion regarding digital marketing challenges consists of external factors. It can present significant challenges in developing countries. Based on the primary data analysis, most challenges discussed lack of digital infrastructure, fears of competition, lack of customer interaction, and fear of using digital channels by customers. The purpose of limiting the meaning of external factors is to make it easier to identify variables and their indicators (Sumin, Salleh, & Nurdin, 2021).

Based on the respondents, infrastructures were relatively easy for Bangladesh and Sri Lanka in the city area. Motorhead BD shared that digital marketing is getting more significant step by step because of government support being developed. Another respondent from Bangladesh, Allstar Electric Limited, has said the same, but they have raised the opportunity to make faster digital infrastructure movement in rural areas. As internet facilities still need to be faster in rural areas. CameraLK and SKYLARK Clothing from Sri Lanka have shared that their country has significant improvement in digital infrastructure despite financial challenges, which allows them to proceed with effective digital marketing strategies. However, they have also shared that rural areas have lower internet connectivity and smartphone use compared to urban areas.

Another subtopic elevated by the interview respondents is the digital literacy of consumers. All the respondents in the interview have shared that consumers need more understanding of digital literacy. This has been observed in both cities and mostly in rural areas. Government and companies should educate the consumer and enhance digital literacy. Either company or government should invest in educating consumers and increasing digital literacy to overcome the challenges. RVSPK et al. (2020) share that good communication will reduce environmental and behavioral challenges in business.

In both countries, most SMEs face fierce competition from established players and new entrants in their respective industries. This led to pricing pressure due to competitors' practice of undercutting each other with almost similar offers. Some exceptions happen in a few companies, like CameraLK. They have less competition in digital marketing methods due to their unique market positions. In the end, there is still a risk of competitors tracking and copying marketing techniques. This risk leads to creating an imbalance of economic scales, which is another subtopic of external challenges for SMEs. SKYLARK Clothing, Motorhead BD, and Allstar Electric Limited have faced the fact that Established players in the market can offer high-quality products at lower prices. To compete in digital marketing competition, SMEs have to offer significant discounts, which creates more disproportion on an economic scale.

Customers' expectation of more face-to-face interaction is another external obstacle in digital marketing execution for SMEs. During the interview, all respondents shared that digital marketing channels are a rising trend, but customers prefer to touch and test the product before

buying. Allstar Electric Limited is struggling to continue digital marketing as its customers are primarily in rural areas and less keen to purchase products online. Also, there is a cost involved in returning goods. SKYLARK Clothing faces that customers prefer physical stores and need more faith in digital payment. Although Motorhead BD is an online based shop, customers are still looking for stores. Customers are afraid of digital fraud by promoting low-quality products and fake goods as high-end products. Due to weak cyber policies, customer perceptions of online purchasing and product trust in digital payment still need to improve for SMEs. However, Motorhead BD and CameraLK found that they could efficiently connect with mass people through digital marketing. There is still a challenge in customer support in a real-time manner, but digital marketing is more efficiently spreading due to phone availability.

#### **5.4 The similarities and differences of digital marketing in SMEs of Bangladesh and Sri Lanka**

According to the gathered data, Bangladesh and Sri Lanka encounter common choices in digital media channel preferences, internal digital marketing challenges, and external digital marketing challenges. However, there are still a few differences observed between both countries. Digital marketing in SMEs in Bangladesh and Sri Lanka is a growing subject. Both countries are effectively active on Facebook, Instagram, Twitter, and LinkedIn, which support SMEs to promote their products and services digitally. Both countries have strong social media dominance in urban areas. Rural areas require more investment in infrastructure and digital literacy. Both countries have a high level of mobile penetration, creating significant opportunities for SMEs to use mobile marketing to grab the target market. There is exponential growth in e-commerce business in both Bangladesh and Sri Lanka. SMEs are leveraging Daraz, Kaymu, and many more to expand their business. The most common strategies used in Bangladesh and Sri Lanka are SEA, social media advertising, and paid online advertising. In both countries, they are using mixed marketing channels due to a lack of customer acceptance of digital platforms. Traditional marketing, like newspaper marketing, flyers marketing, face to face discussion, still has a firm place in these two countries' marketing efforts.

All the respondents of those two countries believe that digital marketing channels are the future of marketing. Dholakia & Kshetri (2004) also share that digital transformation is creating sustainable competitive advantages for the company that is struggling to survive. It will be more connected to online platforms due to saving time and getting products quickly at home. However, all respondents also agree that a need to understand the advantages of digital platforms is a big problem for digital marketing in their respective countries. Also, both countries lack good content, which can attract more customers. Creating blogs, videos, or infographic content can make valuable content to attract more customers to digital platforms.

It was shown that internal challenges such as lack of skilled or knowledgeable labor, lack of knowledge of the owner or management regarding the implementation and benefits of digital marketing, and high costs involved with some digital marketing tools are common in both countries. When it comes to external factors, it is evident that SMEs from both countries face challenges in executing digital marketing in relation to customers' perception of digital

marketing and digital channels and the competition arising from digital marketing activities. However, further, it shows that competition arising from digital marketing activities is relatively easy if SMEs have strong marketing positions and they offer a unique product to the market, as evidenced by the responses from CameraLK. This is very challenging when many strong players are in the market, and the business needs more resources to face the competition.

It was evident that the digital marketing tools that SMEs use and the challenges faced by Bangladesh and Sri Lankan SMEs are primarily similar; however, there are specific challenges raised by one of the two countries, as revealed from findings of interviews from the two countries as below.

One of the challenges highlighted by respondents from Sri Lanka is that digital marketing is only supporting some types of products or services. Being an owner of a small-scale restaurant under the SKYLARK brand, he said that the digital marketing tools that support SKYLARK Clothing do not help to do marketing for a restaurant business. The same challenge was not raised by the respondents from Bangladesh.

Integration of digital marketing channels was a challenge for the respondents from Bangladesh. Both the respondents claimed that they need help with integrating digital and traditional marketing channels with respect to cost, training employees, or the lack of acceptance of digital channels. In contrast to the view of Bangladesh respondents, Sri Lankan SMEs said that the integration of digital marketing channels brings more advantages to them.

Additionally, language is raised as a barrier when creating content for digital marketing for SMEs in Bangladesh. The need for more proficiency among society in the English language and the use of different languages in different states it was challenging for them to make compelling content for digital marketing. However, the respondent's firm Sri Lanka has not raised the same issue.

## 6.0 Conclusion

*The overall research findings will be described in the conclusion in order to address the research question. The limitations of the study and other management consequences have been discussed. Finally, it describes the potential areas for future research.*

This research will give the primary impression for the upcoming researchers about the digital marketing challenges in developing countries. Further, this research was conducted on two developing digital markets in Asia: Bangladesh and Sri Lanka. The field of research in developing nations is significant for SMEs in relation to the digital market challenges they face. We discovered a connection between their digital marketing channels while conducting our investigation in two different markets. It was revealed that having a digital marketing website has become crucial in today's world. This research finding demonstrates that most companies are now tempted to have their own websites to outreach to potential clients and earn their confidence. Additionally, having a website is crucial for a company's online exposure because they do marketing on the website to inform customers about the products or services that are provided. Apart from that, It was revealed that the most common method that many SMEs use to launch their digital marketing is social media platforms, mainly Facebook, Instagram, and TikTok. Email marketing is also used as a part of digital marketing campaigns.

The internal and external digital marketing challenges which SMEs face are also reflected to be more similar between the two countries. This research revealed that the digital marketing industry in those two countries is still quite new to the local market. Most SMEs that use digital marketing platforms for their operations have a significant knowledge and competence gap. Either the owners have a lack of understanding of digital marketing and its benefits, or there is a lack of skilled staff to perform the required digital marketing of the company. Due to both countries' political and economic situations, it is a challenge for both countries to retain skilled digital marketers by meeting their demands. Further, it was noted that the cost incurred for digital marketing is considerably higher for some SMEs in Bangladesh and Sri Lanka, which further depends on the factors such as the scale of the business, available funds for digital marketing, and accomplishments from digital marketing for the business. Most customers from both countries were reluctant to trust and decide on digital marketing due to weak cyber security in both countries. There is an insufficiency of regulatory protection for customers against fraudulent sellers. The competition brought by the digital marketing channels reflected to be more challenging for the small business in both countries as they have no economies of scale to face the price competition arising from digital marketing. Also, due to digital and artificial intelligence providing customers with different options and directing their intentions, these SMEs face the challenge of coping with the competition, especially when there are strong players in the market that provide similar products or services in the market or when the market has less awareness about the business.

The collected data for the research demonstrates that SMEs in both nations are expanding quickly through digital marketing channels. Governments are also launching a number of initiatives to boost growth and enact new legislation to strengthen security and make better use

of the Internet. According to the study, SMEs in Bangladesh and Sri Lanka are moving more quickly toward transforming their operations into digital marketing platforms.

### **6.1 Managerial implication**

This paper will give insight into the internal and external challenges of digital marketing that will be beneficial to the management of SMEs in developing countries for further implementation. This research will be beneficial to new and existing SME entrepreneurs as it helps them to be aware of the possible digital marketing challenges and be ready to face them in advance. It also shares a comprehensive discussion about the current SMEs of Bangladesh and Sri Lanka.

Moreover, this paper shares an analysis of replacing traditional marketing through digitization. How SMEs are transforming their business through digital marketing channels. This paper will help those SMEs who want to shift or start their companies in the digital marketing platform. This paper will help to deal with those challenges in advance and make a solid digital marketing plan.

### **6.2 Limitation**

Certain limitations are associated with this research concerning scope and geography. Due to the reason that authors of the research were unable to visit the countries selected for the sample, it was unable to conduct physical face-to-face interviews with the respondents. Another limitation is that the researchers could only take a few interviews due to insufficient time. Thus the sample size was limited to two respondents from Bangladesh and two from Sri Lanka. The outcome may have varied if the authors used a greater sample size. The findings of this research might not be appropriate if future research involves different sampling techniques.

Another limitation is the language barrier. In both Bangladesh and Sri Lanka, the interviews were started in the English language; however, when it went into lengthy discussions, authors felt that two respondents had a challenge in expressing all the information in English; thus, in some instances, the local language was used to make a smooth discussion.

### **6.3 Future research**

Future research can be conducted apart from qualitative research. If it is conducted in quantitative research, the result would be more robust. In this research, external and internal challenges of digital marketing have been described significantly. Also, similarities and differences have been explained with adequate evidence. Still, there is room for further investigations. Here samples are selected from a small group of SMEs who are using digital marketing platforms in Bangladesh and Sri Lanka. Future research can be conducted on full-scale SME groups as a sample to get more clarity on this research.

Future research can be conducted on how SMEs face challenges in rural areas compared to urban areas. Less substantial research is conducted on the same topics in the same region. Conducting more research on this topic is suggested so that SMEs in developing countries can be gained by knowing the challenges and developing precautionary actions to face the challenges. Conclusively, the literature review has a strong connection with the results achieved from the interviews. However, the relations could not study further due to the broader scope of the research. As the sample size of this research is limited, the researcher could not collect a large amount of data on the digital marketing challenge in Bangladesh and Sri Lanka. Future research can be conducted with different techniques. Suppose future research could be done with a similar technique. In that case, it should be undertaken in different developing countries or with large sample sizes.



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