Building Connection: How Small Retail Businesses in Nepal Use Social Media to Engage, Personalize, and Grow

Prarambha Bhandari
bhandariprarambha@gmail.com

ABSTRACT

As Nepal becomes increasingly digitally connected, small retail businesses are relying more heavily on social media platforms such as Instagram, Facebook, WhatsApp, and TikTok to promote their products and connect with customers. While the importance of a social media presence is acknowledged, there remains a limited understanding of how these platforms engage customers in Nepal's local retail context. This study examines how small retail businesses in the Kathmandu Valley utilize social media, especially Instagram, to engage with their customers. It focuses on the types of content they share and how that content shapes customer engagement. It argues that social media is not just a place to advertise, but a space where businesses can build genuine relationships by sharing stories, interacting with their customers, and representing their brand in a more personal and relatable way. The paper combines Relationship Marketing Theory with a qualitative content analysis of Instagram posts from local businesses across three retail sectors: Food & Hospitality (including bakeries, restaurants, and dried fruit retailers), Lifestyle & Fashion (including clothing and personal care), and Electronics. Six main content strategies emerged: influencer collaborations, storytelling, visual branding, personalized content, promotion-driven posts, and festive content. The paper also briefly considers the role of basic AI-driven tools in shaping personalization, automation, and audience targeting. Overall, this research adds to the ongoing discussion about digital marketing by focusing on how small businesses adapt global digital strategies to fit Nepal's cultural and market context. It also offers practical insights for business owners and policymakers seeking to strengthen customer engagement.

INTRODUCTION

In recent years, Nepal has made significant strides in the digital world. With internet penetration and mobile connectivity progressing every year, businesses have started to change how they operate and connect with consumers. Today, 48.1% of Nepal's population is active on social media, making a company's digital presence crucial (Kemp, 2025). In this rapidly evolving digital environment, digital marketing—the use of channels such as social media, search engines, websites, email, and mobile applications—helps businesses promote products, engage customers, and reach new audiences. This has been a significant catalyst for businesses' performance (Desai, 2019). Often described as the "digital identity" of a company, it defines how a brand presents itself to the wider online community (Sawicki,

2016). By leveraging tools such as search engines, email, Facebook, Instagram, and WhatsApp (platforms owned by Meta), along with YouTube, TikTok, and others, digital marketing has provided small retail businesses opportunities to compete with larger companies by effectively promoting their services, interacting with consumers, and expanding their reach.

Despite Nepal's growing use of the internet and social media, the influence of digital marketing strategies on customer engagement is still underexplored, especially for small retail businesses. While these tools and strategies have been widely studied in regions with advanced digital economies, such as the United States, Europe, and parts of Asia, little is known about how they function in Nepal's small retail sector (Sharma & Paudel, 2025). Most Nepal-focused research so far has concentrated on constraints on adoption in small businesses, especially barriers like digital literacy, infrastructure, training, trust, and privacy risks (Adhikari & Molla, 2024; Khadka, 2023; Parajuli, 2023; Sharma & Paudel, 2025). But only a few studies examine how social media platforms work as tools for customer engagement. Even fewer studies look at the growing role of AI in shaping the nature of engagement in small retail businesses. Additionally, there is limited research on the type of content companies share on social media and how it affects their organizational goals, like customer engagement, brand visibility, and market reach. This gap makes it essential to study how small retail businesses in Nepal are using social media strategies, to foster meaningful customer engagement.

While social media platforms broadly function as key spaces for marketing and customer interaction (Vacca, 2025), this study focuses empirically on Instagram, a primary channel for small retailers in Nepal. The Kathmandu Valley is a practical site for this analysis because it is the country's largest urban area and has stronger ICT capacity, which makes digital business activity more visible and easier to observe through public posts and interactions (Gyawali, 2018). Focusing on the valley also keeps the study manageable while still capturing how small retailers build engagement in a fast-growing urban market. As small businesses navigate Nepal's growing digital landscape, understanding how they utilize features like posts, reels, stories, and comments on social media, along with basic AI-driven tools, helps clarify how these features shape consumer engagement and a business's online presence. This study seeks to identify and analyze the types of content businesses post on these platforms and how their integration affects the overall goal of the companies. Therefore, this study aims to answer the question: How do digital marketing strategies on social media platforms, especially Instagram, influence customer engagement in small retail businesses in Nepal?

To explore how social media marketing influences customer engagement in small retail businesses in Nepal, this study uses a qualitative content analysis as the primary method (Stemler, 2000). The analysis examines publicly available Instagram content from selected small retail businesses in the Kathmandu Valley, including reels, posts, captions, images, and visible customer responses, to identify recurring engagement patterns. The literature review is grounded in Relationship Marketing Theory (Ebrahim, 2020) and uses Nepal-focused studies on digital adoption and engagement (e.g., Sharma & Paudel, 2025; Timilsina, 2024), with the review process structured following Snyder (2019).

This study provides both academic and practical contributions to the field of digital marketing in emerging economies. Academically, it focuses on the underexplored link between social media marketing and customer engagement in Nepal's small retail sector. While existing research discusses the opportunities and constraints of digital marketing in Nepal, fewer studies examine how firms utilize specific platforms to achieve engagement-related goals through everyday content choices (Adhikari & Molla, 2024; Sharma & Paudel, 2025; Thapa Magar, 2025). By combining Relationship Marketing Theory with a qualitative content analysis, the study adds closer content-level evidence on how small retailers build trust and interaction through strategies such as storytelling, personalization, and visual branding. Practically, the study offers actionable insights for small business owners and policymakers. By analyzing real social media content from local retailers, the study provides concrete examples for entrepreneurs to enhance their digital visibility and engage customers more meaningfully despite financial or technical constraints. It can also inform wider support efforts around training and digital adoption as AI-driven tools become more common (Aslam, 2024; Karki et al., 2024).

RESEARCH METHODOLOGY

This research examines the impact of social media on customer engagement in small retail businesses in Nepal. To explore this topic in depth and capture the content-specific strategies businesses use, the study adopts a qualitative research approach. This approach is appropriate because it allows for close interpretation of how businesses communicate, present their brand, and interact with their audiences through social media content in a real-world setting (Aspers & Corte, 2019). The study is framed using Relationship Marketing Theory (Ebrahim, 2020), which treats engagement as trust built through repeated interaction, and it is contextualized using Nepal-focused studies on digital adoption and consumer response (e.g., Bhujel, 2025; Niroula & Vaidya, 2025; Sharma & Paudel, 2025).

Sample Selection
The target group includes small retail businesses in the Kathmandu Valley that use social media for marketing purposes. A purposive sampling method was used to select 14 businesses with consistent Instagram activity and visible customer engagement. To keep the sample varied, businesses were drawn from three retail sectors: Food & Hospitality (including bakeries, restaurants, and dried fruit retailers), Lifestyle & Fashion (including clothing and personal care), and Electronics. Businesses located outside the valley or those without an active social media presence were excluded to keep the sample relevant and comparable.

Data Collection
Data were collected through a qualitative content analysis of publicly available Instagram content from the selected businesses. This process involved systematically reviewing posts shared during the study period (2024-2025), including images and reels, along with captions, promotional content, and visual branding strategies. Where available, visible customer interactions such as comments and public reactions (likes) were recorded, since they provide direct indicators of engagement on the platform. Although small

businesses in Nepal often use multiple platforms, the empirical content analysis in this study focuses only on Instagram to ensure consistency across the sample. By focusing on real posts and visible interactions, the study identifies both effective and less successful engagement approaches in a way that reflects everyday digital practices in Nepal's small retail context (Carrotte et al., 2017).

Data Analysis

For analysis, the study used an inductive approach, meaning themes were not predetermined but emerged from repeated patterns in the Instagram posts. A "pattern" was recorded when a content strategy appeared consistently across multiple businesses and sectors, such as a similar storytelling style showing up in both a dried-fruit retailer and a clothing store. These recurring patterns were then grouped into six overarching themes based on shared engagement and marketing aims. Engagement is observed through visible interactions such as likes and comments and interpreted as relationship outcomes, like trust and loyalty, using Relationship Marketing Theory.

To strengthen reliability and reduce bias, coding was applied using the same criteria across the full sample, and themes were checked across sectors to ensure they reflected the wider Kathmandu retail environment rather than one business type. To support validity, each theme had to appear repeatedly in the posts and was then compared with the literature and interpreted through Relationship Marketing Theory to confirm that the patterns were not based on isolated examples or personal judgments (Cho & Lee, 2014; Ebrahim, 2020).

Ethical Considerations

This study relied solely on data visible to the public. No private messages or restricted profile information were accessed. To ensure the privacy of the businesses and their customers, all data has been anonymized. Identifiable markers such as business names, logos, faces, and usernames were redacted in accordance with international data protection standards, including the General Data Protection Regulation (GDPR), as well as The Privacy Act, 2075 (2018) of Nepal (European Parliament & Council of the European Union, 2016; Government of Nepal, 2018). These measures were taken to minimize potential harm and unwanted attention toward specific businesses or individuals. The study adopted a non-intrusive approach by analyzing platform-visible content strategies and engagement cues rather than attempting to identify or evaluate individual users.

LITERATURE REVIEW

Relationship Marketing in the Digital Context

Globally, digital marketing has become essential for small retail businesses aiming to connect with consumers and grow sustainably. This literature review explores how digital marketing strategies, particularly in social media platforms, influence customer engagement in Nepal's small retail businesses. While there has been increasing global interest in the intersection of digital tools and business growth, much of the academic attention has been given to larger companies or high-income economies (Chaffey

& Ellis-Chadwick, 2022 ; Sharma & Paudel, 2025). In contrast, small businesses in emerging economies like Nepal often operate with fewer resources and adopt digital tools differently. This study is grounded in relationship marketing theory, which argues that long-term trust and ongoing interaction matter more than one-time transactions in shaping customer relationships (Ebrahim, 2020). In Nepal's retail context, social media often becomes the most visible and consistent space where this relationship-building happens.

To understand this better, the review focuses on key themes that matter for this study. It looks at the role of digital marketing, how it is actually being adopted, what customer engagement looks like on social media, and where AI is beginning to appear in everyday digital interaction (Desai, 2019; Karki et al., 2024; Khadka, 2023; Parajuli, 2023). The discussion is organized thematically, starting with the benefits and challenges of digital adoption, then narrowing to how social media supports engagement, followed by content strategies, and finally briefly considering AI as an emerging technological factor. Through this, the review identifies where existing research offers insight and where essential gaps remain in Nepal's small retail context.

In Nepal, digital marketing has become essential for small retail businesses trying to grow in a more digital market. The aim is not only to advertise once, but to keep building trust through small, repeated interactions that make customers feel connected to the business. What seems to matter the most is not just being online, but maintaining a responsive digital presence that is easy to engage with. Customer loyalty is strongly shaped by this kind of responsiveness, with 88% of surveyed customers saying that digital responsiveness influenced their loyalty towards the brand (Timilsina, 2024). Platforms like social media and search engines also make it easier for customers to find a business, check details quickly, and decide what to do next, which helps keep that connection going instead of being a one-time interaction (Sharma & Paudel, 2025). Overall, these findings suggest that digital strategies work best in Nepal's retail context when they help businesses stay consistent, reply quickly, and build trust over repeated contact, and not just advertise.

Additionally, digital marketing success for small businesses in Nepal is often shaped less by how much they spend and more by how they communicate and show up online. When the content is clear, the page is consistent and professional, and the business adds small touches of personalization, it becomes easier for customers to trust the brand and keep engaging with it over time (Adhikari & Molla, 2024). However, this only works when the tools themselves fit into real daily routines, because consistency is what keeps the relationship alive. If digital tools are perceived as too technically demanding, businesses are less likely to sustain the consistent, ongoing interaction required to engage their consumers effectively (Bhujel, 2025). This way, the studies point in the same direction: for small retailers, digital marketing matters most when it helps them stay present, feel familiar, and build trust through repeated contact, instead of relying on a single promotion.

Structural Barriers to Digital Adoption
Despite the promising benefits of digital marketing, small businesses in Nepal still face barriers that limit their full potential. A clear gap shows up between awareness and implementation. For instance, a

2022 survey by the Federation of Nepali Chambers of Commerce and Industry found that although 75% of business owners recognized the value of digital marketing, only 45% had adopted these strategies to enhance customer engagement and boost their market reach (Adhikari & Molla, 2024; FNCCI, 2022).

Common challenges include low digital literacy, weak infrastructure, limited technical expertise, and the fast-changing nature of digital technologies. Frequent shifts in algorithms and consumer behavior make it difficult for marketers to keep pace (Khadka, 2023; Sharma & Paudel, 2025). Even when businesses are aware of digital tools and strategies, they often struggle to implement them effectively due to a lack of training or proper support (Adhikari & Molla, 2024). Bhujel (2025) added that while small enterprises show strong interest in digital tools, their efforts are often stalled due to a lack of proper budget.

Concerns around digital payment and data privacy also discourage some businesses from investing their time, effort, and money in digital platforms (Sharma & Paudel, 2025). This problem gets worse outside major cities. The rural-urban divide means many businesses and customers are still dealing with unreliable internet, weaker infrastructure, and a stronger comfort with in-person buying, so digital strategies do not feel as "normal" or dependable in everyday life (Sharma & Paudel, 2025). On top of that, scams and digital fraud create an extra layer of fear, particularly for small firms that do not have the time or capacity to manage online threats properly (Khadka, 2023). Without reliable infrastructure, proper training, and a clear support system, addressing these challenges will be extremely difficult for businesses, especially the emerging ones that wish to build a stable online presence.

Content Strategy and Social Media Engagement

Even with all these barriers, some small retailers still manage to build real engagement online, and the difference usually comes down to how they use social media day by day. When customers see consistent replies, regular updates, and familiar faces or products showing up again, it starts to feel like trust is being built. That is where visually-driven platforms like Instagram, Facebook, and TikTok matter most, because reels, stories, posts, and reviews give businesses a simple way to stay present and recognizable without needing a huge budget (Thapa Magar, 2025). Engagement then comes from the interaction itself. Comments, reviews, DMs, and shares keep the conversation going and make the brand feel more approachable, which is exactly what turns attention into loyalty over time (Zulfikar et al., 2024).

Because of that, responsiveness becomes one of the clearest ways small retailers turn social media attention into real loyalty (Timilsina, 2024). When a business replies consistently, it builds familiarity, and customers are more likely to keep checking in, reacting, and returning to the page over time. This matters even more because social media works through routine. When engaging with posts becomes part of someone's daily habit, interest can slowly turn into a purchase, especially if the content is easy to understand and simple to access (Niroula & Vaidya, 2025). In that sense, staying active is not just about

posting often, but about showing up consistently in a way that keeps trust and connection from fading.

In contrast, simply having a social media presence is not enough, because the content itself is what shapes whether customers feel connected to the brand. Customer engagement tends to rise when posts feel useful, visually appealing, and tailored to specific audience demographics, since that is what builds trust over time rather than just grabbing attention once (Adhikari & Molla, 2024). Storytelling and emotionally resonant posts also matter because they make the businesses easier to relate to, which strengthens the kind of long-term loyalty relationship marketing focuses on (Thapa Magar, 2025). Furthermore, posts that show everyday interactions, reviews, behind-the-scenes footage, and localized storytelling often feel more credible than polished promotions, so they can build trust faster (Parajuli, 2023). Finally, consistency in timing and frequency of the posts also makes a huge difference, as regular updates help brands remain visible without overwhelming their audience (Zulfikar et al., 2024).

The Emerging Role of AI and the Research Gap

Artificial intelligence (AI) is also beginning to reshape social media marketing in small ways that mostly support relationship-building, especially through faster responsiveness and basic personalization. Tools such as chatbots and recommendation systems can help small retailers reply quickly and stay consistent, which matters when trust is built through repeated interaction over time (Aslam, 2024). At the same time, many businesses in Nepal may not be able to use these tools fully because weak infrastructure and low digital literacy still limit adoption (Karki et al., 2024). Even so, AI is already being used for automation and analytics in social media marketing, which helps businesses manage engagement more efficiently (Benabdelouahed & Dakouan, 2020; Henry, 2019).

In conclusion, digital marketing offers small businesses in Nepal a real chance to connect with customers, grow their market reach, and build stronger relationships with their audience. However, barriers like low digital literacy, weak infrastructure, limited training, the digital divide, and financial constraints still hold many businesses back from using these tools consistently. It is also clear that being "present" online is not enough, because engagement depends on what businesses post, how often they show up, and how they communicate in ways that feel consistent and authentic. AI adds another layer, mostly by supporting responsiveness and small-scale personalization, but only when businesses have the access and skills to use it well. One thing that remains missing, however, is close qualitative analysis on what this relationship-building actually looks like in practice on social media, especially within niche retail sectors in Nepal. Most studies stay at the level of broad trends or consumer intentions rather than examining the specific content choices, visual cues, and storytelling tactics businesses use to create trust and repeat engagement. This study addresses that gap by analyzing the actual Instagram content of small retail businesses and linking those everyday strategies back to relationship-based marketing.

CONTENT ANALYSIS

This content analysis examines how small retail businesses in Nepal utilize social media platforms to

build brand image, maintain customer trust, and enhance their sales. Instagram was particularly selected due to its high volume of publicly accessible, visually rich content. For small businesses operating on limited budgets, social media has become a powerful tool for both marketing and customer engagement. By carefully analyzing reels, posts, and captions of different businesses, this study uncovers what usually stands out and what often fails.

The posts reviewed in this analysis were drawn from three business categories: Food & Hospitality (including bakeries, restaurants, and dried fruit retailers), Lifestyle & Fashion (including clothing and personal care), and Electronics. All selected businesses had active social media pages. For each category, posts were collected from both highly engaged accounts and those with lower levels of interaction. Only content posted during the study period (2024-2025) was included. Each post was manually screenshotted and organized into folders based on product type and the business's apparent engagement level. Posts were labeled with basic information like the platform, date, and engagement level.

Theme identification followed an inductive approach. Instead of predefining categories, themes were allowed to emerge naturally by observing recurring visual patterns, caption strategies, and user interactions. As more posts were compared, it became clear which strategies appeared more often–such as influencer collaborations, storytelling, visual branding, personalized content, promotion-driven posts, and festive content. These strategies were eventually grouped into six core themes that capture what makes content more effective and what often goes unnoticed.
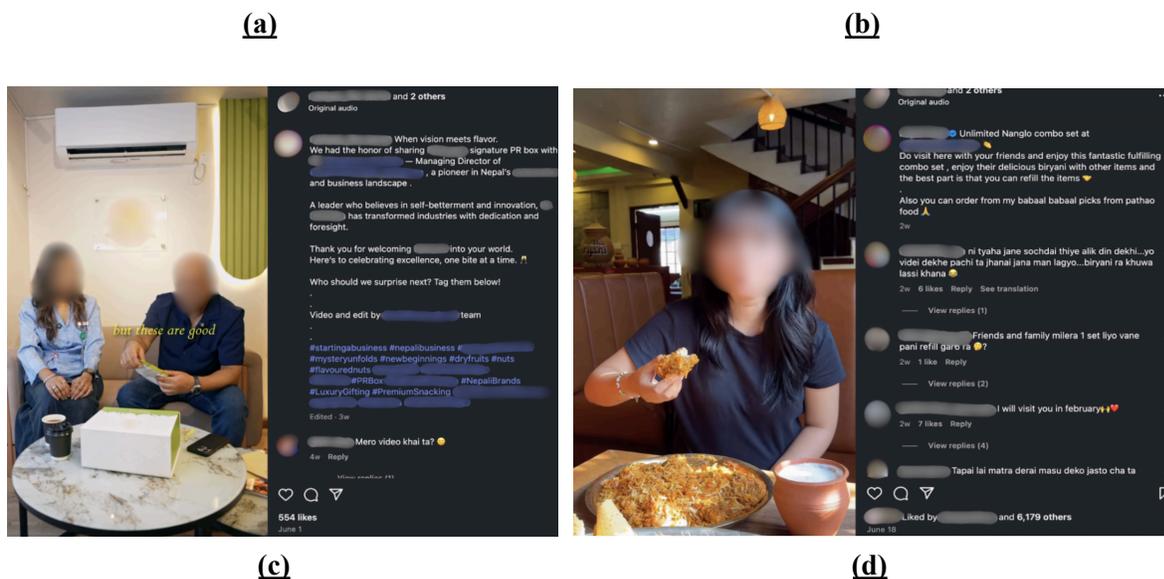
Influencer Collaborations

One consistent pattern across the collected posts was the strategic use of influencer partnerships to increase brand visibility and build consumer trust (Ibáñez-Sánchez et al., 2021). In recent years, collaborations between businesses and public figures have become a common way to reach broader audiences and add credibility.

Figure 1: Collaboration with Influencers and Content Creators
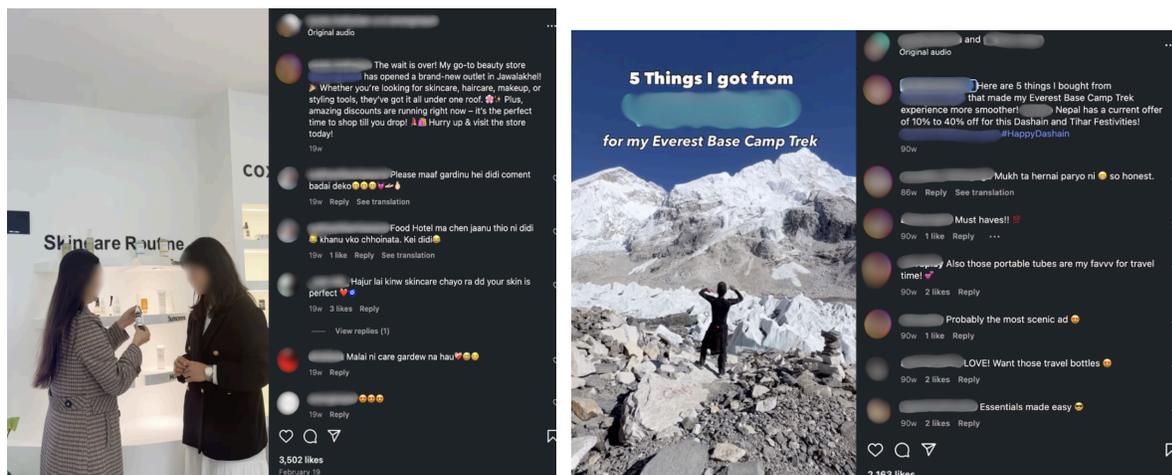
February 2026
Vol 4. No 1.

(a) **(b)**

(c) **(d)**

Businesses across the food and lifestyle industries collaborated with well-known local content creators, whose audiences already viewed them as authentic and trustworthy voices. These influencers were not just showcasing the product, but also crafting content where the brand naturally fit into their lives or conversations. For example, in Figure 1a, a lifestyle creator visited a beauty store and filmed an in-store walkthrough that created excitement around the launch. Similarly, another content creator featured lifestyle/accessories products during a trekking context, and framed them as practical essentials for travel (Figure 1b). A dried-fruit retailer used a slightly different strategy, where they invited a respected business figure, whose video review conveyed credibility and expertise while tasting their product (Figure 1c). These posts consistently attracted strong engagement, including likes, shares, and comments from followers expressing interest, tagging friends, or asking for details (Ao et al., 2023). In each case, influencers served as trusted and relatable intermediaries, using familiar language, soft recommendations, and visual storytelling to nudge followers toward the brand without overt pressure. This approach seems to favor businesses that collaborate with creators to leverage everyday relatability and credibility with their audiences (Sijabat et al., 2022).

Storytelling

Many successful businesses today use social media in ways that go beyond product promotion to build deeper connections with their audiences (Rosário & Dias, 2023). One such strategy that has recently become popular is sharing origin stories, struggles, and behind-the-scenes content directly with followers (Varghese, 2025).

Figure 2: Storytelling and Behind-the-scenes moments

(a)
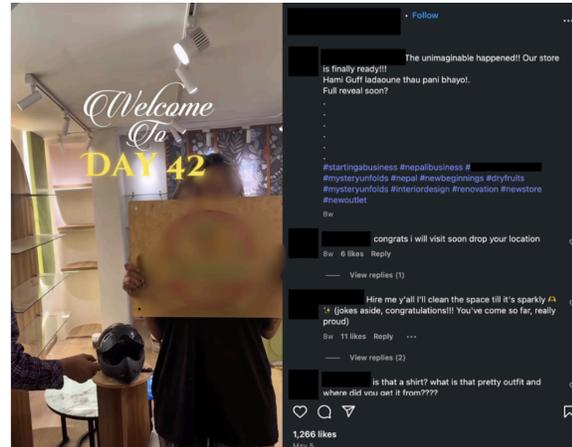
(b)

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A great example of this is the series of content from an online clothing business in Figure 2a, where the owner of the business shares the day-to-day struggles, such as sourcing materials, managing orders, and responding to customers. Similarly, a dried-fruit retail business documents its growth through personal milestones, financial challenges, and startup ambition (Figure 2b). Posts with captions like "Will I make it in my own country?" or "Welcome to Day 42" paired with visual elements can evoke curiosity and emotional investment among the audience. This approach is also seen in other small retailers, where founders share ordinary day-in-the-life moments like restocking shelves, packing orders, or dealing with setbacks (Figure 2c-d). Their content feels raw and unfiltered, which makes it relatable. Instead of just showcasing products, these posts let viewers witness something being built from the ground up. As a result, customers may feel emotionally connected and more invested in the business's journey and success. This kind of storytelling turns passive followers into supporters by creating a sense of shared growth and authenticity (Claesson & Mars, 2024).
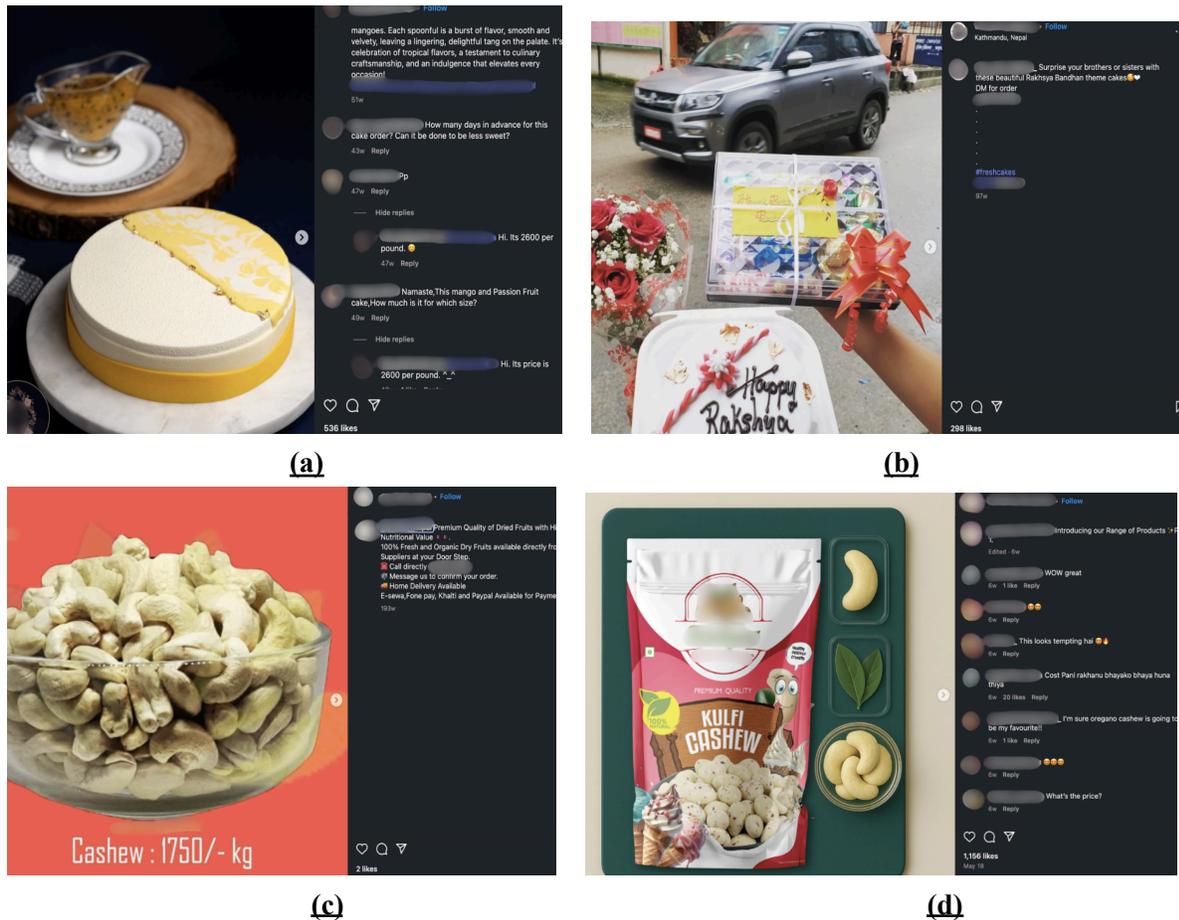
<u>Visual Branding</u>

Another key strategy that small businesses use on social media is the careful visual presentation of their products. Clean, intentional design choices can immediately influence how customers perceive the brand and its offerings (Mankutė, 2025).

Figure 3: Visual Presentation and Aesthetic Quality


(a)

(b)

(c)

(d)

For example, Figure 3a shows an Instagram post by an online bakery business that uses soft lighting, minimal background distractions, and thoughtful styling to highlight the texture and colors of a mango and passion fruit cake. The overall tone feels refined and premium, and the post's comments include direct customer inquiries, revealing that visual quality not only attracts attention but also encourages engagement (Tuluk, 2021). On the other hand, another bakery business's post (Figure 3b) of a Raksha Bandhan cake appears in a more cluttered outdoor setting, which detracts from the product's appeal. A similar contrast is seen in dry fruit branding. One dried-fruit retailer (Figure 3d) presents its cashews with modern packaging and clean digital framing. At the same time, another dried-fruit retailer's (Figure 3c) image uses a bright red background and heavily edited visuals that feel dated and visually overwhelming. In both comparisons, the more polished and intentional designs create a stronger sense of professionalism

and reliability, which ultimately leads to greater customer engagement (Mankutė, 2025; Tuluk, 2021). For small businesses on platforms like Instagram, investing in visual consistency and aesthetic quality can make a measurable difference in engagement and brand perception.

<u>Personalized content</u>

Another clear pattern in how small businesses use social media is their emphasis on personalization and customer-centered branding (Cai et al., 2025; Tribak, 2025). Rather than just showing their products, one clothing retailer places their customers at the heart of their content.

Figure 4: Personalization and Customer-Centered Content


(a)

(b)

(c)

(d)
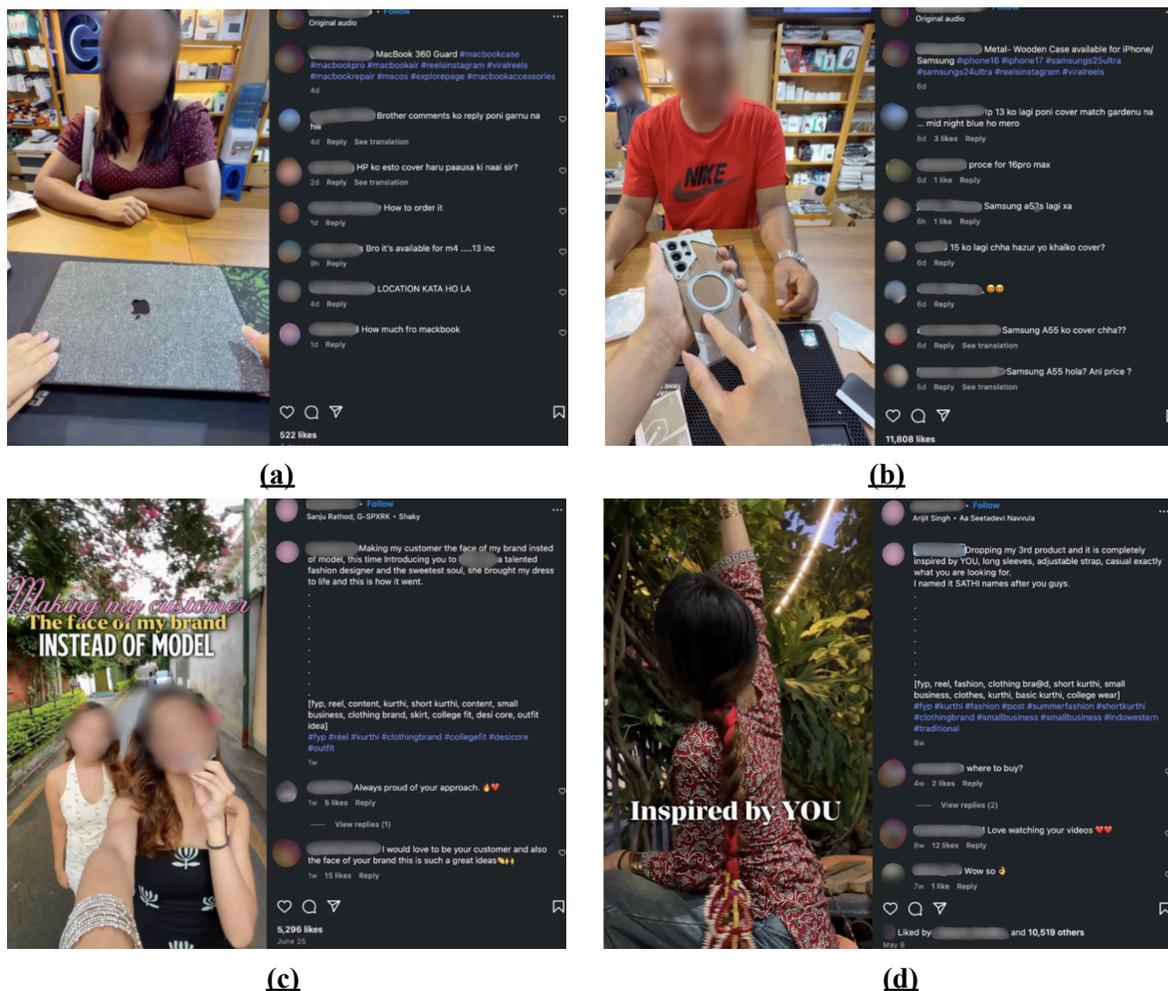
In one reel, the owner wears a kurti with the caption "Inspired by YOU", incorporating feedback gathered from earlier comment sections. Another post highlights a real customer being made "the face of the brand." These are not just clever ideas to deliver content, but they also show that the business is actively

listening, responding, and shaping its products and identity around the community it serves (Tarifi & Bakhsh, 2024). This kind of responsiveness not only boosts engagement but also builds trust. It fosters a sense of intimacy and shared ownership, making followers feel seen and valued (Cai et al., 2025). Even in tech, where such personal storytelling is less common, one electronics retailer builds trust through casual, face-to-face videos of in-store interactions. These clips capture candid conversations, reactions to services, and follow-up questions from real customers. This sort of strategy is promotional, but at the same time, it doesn't feel forced. Instead, it feels like an honest glimpse into how the business works and how customers actually think in real time. By centering customers in their content and adapting based on audience feedback, small businesses in Nepal are demonstrating care, flexibility, and transparency (Tribak, 2025). This helps them explicitly build stronger customer relationships and enhance authenticity.

Promotion-Driven posts

One of the most common yet effective strategies used by small businesses is promotion-driven content, especially flash sales, discount announcements, and event-based offers. This is one of the accessible and effective ways to drive customer engagement.

Figure 5: Promotion-Driven posts and Sales Campaigns Content Strategy

(a)　　　　　　　　　　**(b)**
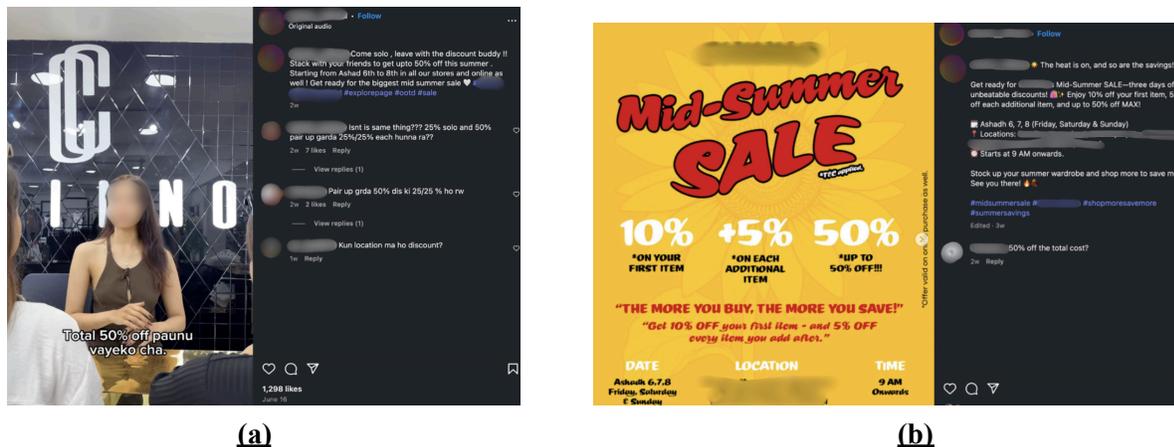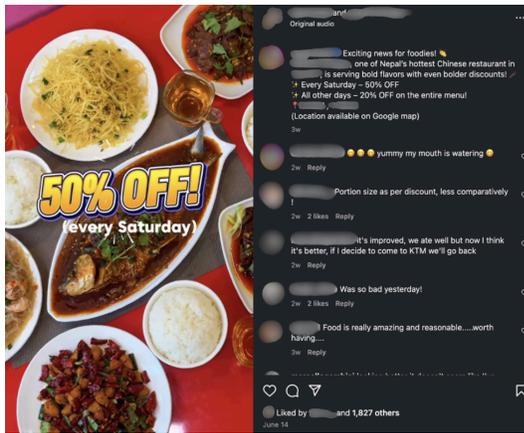
(c)   (d)

They are carefully planned and well executed, which creates a sense of urgency, value, and participation among the audience and the customers (Syahchari & Astiti, 2023). For instance, one clothing retailer launched campaigns such as "Mid-summer sale" and a "Great Sale", each offering tiered discounts (e.g., 10% off the first item, 5% off each additional item, and up to 50% total discounts). Visually, these posts feature oversized typography, bright colors, and a youth-focused aesthetic designed to draw attention. Many of these campaigns are paired with influencer collaborations. Reels often feature skits, haul videos, or scenes of real customers shopping and reacting. For example, in one summer discount campaign, the store introduced a clever strategy: solos could team up with another customer during checkout, turning strangers into "discount buddies" who both benefit from combined savings, blending marketing with social interaction. Additionally, the presence of timestamps ("starting Asadh 6th", "9 AM onwards"), combined with simple but effective calls to action like "shop more to save more", or "come solo, leave with a discount buddy," helps make these promotions feel like timed events rather than routine sales. A similar approach is seen in one restaurant's weekly offer of "50% off every Saturday". Their posts include vibrant overhead food shots, created in collaboration with influencers, along with captions like "exciting news for foodies!" and clear prompts like "See location on Google Maps." People tag their friends, leave real comments, ask questions, or give reviews saying "worth going," which makes the campaign feel authentic and alive. Overall, these promotions work because they keep going beyond simply selling. They create an experience that feels timely, shared, and worth joining.

Festive content

Finally, another smart approach that small businesses use on social media is aligning their content with cultural events, festivals, rituals, and seasonal celebrations. Several bakery businesses in this study effectively tied their product offerings and visual storytelling to occasions like Tihar, Dashain, Raksha Bandhan, and Christmas.

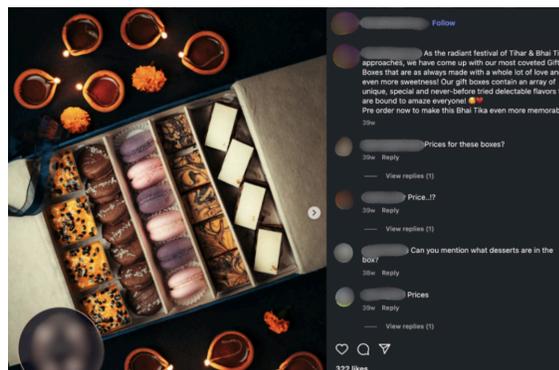**Figure 6: Festive and Celebration-Driven Marketing**
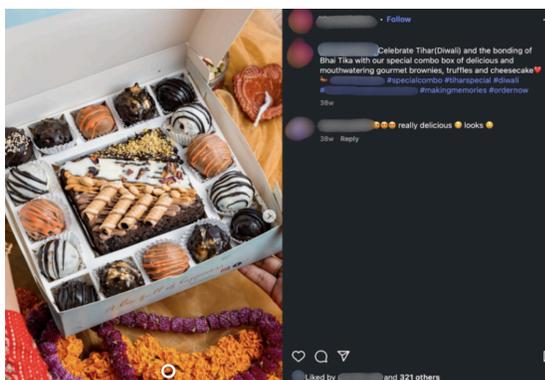
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For example, in Figure 6a, one bakery launched a "special combo box" for Bhai Tika, filled with gourmet brownies and truffles, styled with marigold garlands and traditional bangles to evoke festive warmth. Its Christmas post (Figure 6b) featured a hot chocolate drink photographed beside a decorated tree, instantly tapping into the cozy, nostalgic feel of the holidays. Another bakery (Figure 6c-d) took this further by curating gift boxes specifically for Raksha Bandhan and Tihar, emphasizing sibling bonds and exclusivity through phrases like "never-before-released" or "crafted with love." In all these examples, the products are framed not just as food, but as meaningful gifts rooted in emotion and tradition. This approach deepens the emotional connection with followers, reinforces cultural relevance, and creates urgency through limited-time offerings (Tkachenko et al., 2024). By tying marketing directly to the rhythm of local life, these businesses show how tapping into the calendar can be more than seasonal; it can be strategic.

DISCUSSION

The insights gathered from the literature review and content analysis provide a deeper understanding of how small retail businesses in Nepal use social media to engage customers. The proposed conceptual framework was developed by using Relationship Marketing Theory as the lens for interpretation and then

mapping the six recurring strategies found in the content analysis onto relationship-building mechanisms such as trust, responsiveness, and familiarity (Ebrahim, 2020). Figure 7 summarizes these links.

Figure 7: Proposed Conceptual Framework
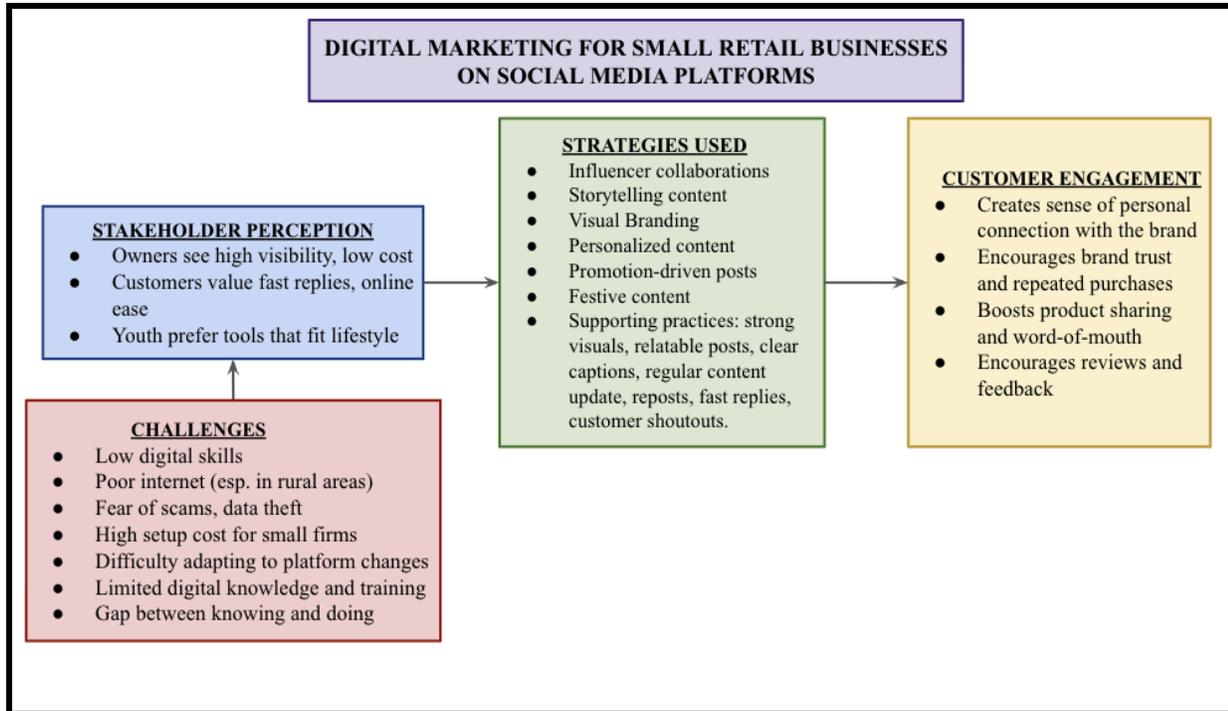
At the same time, Relationship Marketing Theory suggests that high engagement doesn't always automatically strengthen relationships. Promotion-driven posts may improve short-term interaction, but if overused, they may push the engagement toward price-based response instead of trust-based loyalty. Influencer collaborations act as a trust-transfer mechanism, where the established credibility of a well-known figure reduces the perceived risk for the consumer. However, if the partnership feels disconnected from the brand's identity, it may reduce the authenticity and familiarity. This helps explain why engagement is strongest when strategies are consistent and relationship-focused in the long run (Ebrahim, 2020).

The analysis confirms that customer engagement is strongest when businesses implement thoughtful, relatable, and creative content that aligns with their audience's lifestyle, behavior, and values. Across the businesses studied, the most effective strategies included influencer collaborations, storytelling, visual branding, personalized content, promotion-driven posts, and festive content. These patterns are consistent with previous findings by Adhikari & Molla (2024), who argue that high-quality content and consistent branding matter more than the size of the marketing budget. It also aligns with Timilsina (2024), who shows that responsiveness on digital platforms plays a key role in shaping customer loyalty. Therefore,

these strategies influence engagement by encouraging repeated interaction and strengthening trust, responsiveness, and familiarity over time (Ebrahim, 2020).

The first part of the framework centers on stakeholder perceptions. Many small business owners view social media as an affordable, accessible way to increase visibility and share updates. In contrast, customers increasingly expect fast replies, smooth digital experiences, and content that reflects their preferences. This aligns with findings from Sharma and Paudel (2025), who highlight how digital tools have reshaped consumer expectations, especially among younger audiences who prefer informal, visually engaging content. In practice, these expectations shape how small retailers decide what to post, how often to show up, and how responsive they need to be in order to maintain engagement. From a relationship marketing perspective, this means that responsiveness becomes part of trust, so inconsistent replies can weaken engagement even when the content quality is strong (Ebrahim, 2020).

However, several persistent challenges prevent businesses from fully responding to these expectations. Research consistently highlights barriers such as low digital literacy, weak internet access (especially in rural areas), limited technical skills, and fear of scams, privacy risks, and data breaches (Adhikari & Molla, 2024; Khadka, 2023). Although many businesses recognize the potential of digital marketing, they often struggle to keep up with platform changes and lack the training or resources needed to adapt. These limitations often make it difficult to sustain the repeated interaction that Relationship Marketing Theory links to long-term trust and loyalty (Ebrahim, 2020).

Despite these constraints, the content analysis suggests that successful businesses still manage to build engagement when their content feels interactive, audience-aware, and consistent over time. This aligns with Niroula and Vaidya (2025), who emphasize that informativeness, interactivity, and enjoyment strongly influence engagement. In particular, storytelling content helps increase transparency and authenticity, which can strengthen trust over time. Timilsina (2024) similarly found that brand responsiveness, such as fast replies to comments and messages, builds trust and improves long-term loyalty. Where these strategies were present, social media served not just as a promotional tool, but as a space for building meaningful two-way relationships.

Lastly, the final component of the framework focuses on outcomes. When different strategies are applied with clarity and intention, businesses tend to see more interaction, higher content sharing, and increased repeat purchases over time. From a relationship marketing perspective, these repeated interactions help turn one-time interest into trust and long-term commitment, strengthening the customer relationship (Bhujel, 2025; Ebrahim, 2020). While impact varies across sectors and audiences, the overall trend is clear: well-executed digital content supports deeper engagement. This reinforces the findings of Adhikari & Molla (2024), who argue that clear communication and consistent content can significantly improve reach and retention, even in the absence of a large marketing budget.

The findings of this study are highly relevant to small business owners, digital marketers, and policy stakeholders in Nepal. First, the study shows that success depends less on budget and more on content clarity, emotional resonance, and consistency (Adhikari & Molla, 2024). Businesses should invest in

storytelling and personalized content rather than relying solely on promotions, because these strategies make the brand feel familiar and worth returning to. Second, the findings emphasize the need for targeted support programs. Digital literacy training, improved infrastructure, and better awareness of platform tools help close the gap between knowing the value of social media and using it well (Sharma & Paudel, 2025). Finally, these insights can inform policymakers and business associations about the areas that require attention. Strengthening these areas can help more businesses thrive in Nepal's digital economy and connect meaningfully with the people they serve.

CONCLUSION

The primary aim of this study was to understand how digital marketing strategies on social media platforms, especially Instagram, influence customer engagement in small retail businesses in Nepal. As internet access and everyday social media use continue to expand, digital marketing has started to play a bigger role in how businesses communicate, build trust, and grow their audience (Adhikari & Molla, 2024; Kemp, 2025). The research highlights three elements as especially influential in shaping customer engagement: informativeness, interactivity, and compatibility between content and audience needs (Bhujel, 2025; Niroula & Vaidya, 2025).

What sets this study apart is its emphasis on small businesses in the Kathmandu Valley, which remain underrepresented in earlier research. Many existing studies focus on large companies or broad consumer trends, without fully considering the local business environment or the challenges small retailers face (Prasain, 2024; Sharma, 2018). By narrowing in on this context, the study offers a clear view of how small businesses navigate digital spaces with limited resources.

Through a qualitative research approach, the study identifies several strategies that consistently stood out for small businesses. These included influencer collaborations, storytelling, visual branding, personalized content, promotion-driven posts, and festive content. Businesses that posted regularly, responded to feedback, and adapted their content based on audience reactions generally saw higher engagement and interaction (Timilsina, 2024). Basic AI-driven tools such as automated replies or personalized messaging are also beginning to support these marketing efforts (Aslam, 2024; Karki et al., 2024).

These findings suggest that digital marketing in Nepal has become more than just a tool for promotion. For small businesses, it has become a meaningful way to connect with customers, build relationships, and take part in everyday conversations online (Ebrahim, 2020; Zulfikar et al., 2024). However, online presence alone is not sufficient, because there remains a gap between awareness of digital marketing and consistent, effective implementation (Adhikari & Molla, 2024). Even when business owners understand its value, they simply do not want to risk being present online often due to challenges such as limited technical skills, cybersecurity concerns, and fear around scams and online risks (Bhujel, 2025; Khadka, 2023; Sharma & Paudel, 2025).

The results of this study offer practical value for small business owners, marketing trainers, partners, and policymakers by showing what effective engagement can look like in everyday social media content. In particular, policymakers and business support organizations can strengthen small retailers' capacity by investing in digital literacy training and platform-specific guidance that helps businesses use available tools more consistently and confidently (Adhikari & Molla, 2024; Sharma & Paudel, 2025). With better training, stronger infrastructure, and targeted policy support, digital marketing can become a powerful tool for both economic growth and digital inclusion in Nepal, especially for small businesses operating with limited time and resources (Adhikari & Molla, 2024).

Overall, the findings reinforce that digital marketing is not only about promotion, but about relationship-building through trust, consistency, and responsiveness. For small retail businesses in Nepal, these everyday forms of connection can shape stronger engagement and help sustain growth in the long run.

LIMITATIONS AND FUTURE DIRECTIONS

This study has certain limitations that should be acknowledged in order to understand the scope and meaning of the findings more clearly. Recognizing limitations within studies is not only crucial for transparency but also provides useful direction for future research (Ross & Bibler, 2019; Wordvice, 2024).

First, the study used a qualitative content analysis with a small purposive sample, so the findings may not represent the full diversity of small retail businesses in Nepal. Because the sample focused on businesses in the Kathmandu Valley with active social media presence, retailers that are newer to digital marketing or less active online were less represented. In addition, the manual coding process, although carefully done, may carry some degree of subjectivity (Williams, 2024). However, this method was appropriate for the research aims because it allowed for close, context-sensitive interpretation of real posts and helped identify recurring engagement strategies that are difficult to capture through surveys alone.

Second, the study focused on three sectors: Food & Hospitality, Lifestyle & Fashion, and Electronics. While this allowed for a manageable and focused analysis, it may not reflect the full range of small businesses in Nepal, especially in sectors such as tourism, education, or other service industries (Zulfikar et al., 2024). The findings are therefore more reflective of urban contexts and may not generalize well to rural or semi-urban areas, where access to digital infrastructure and customer preferences may differ (K.C., 2024). At the same time, concentrating on these sectors strengthened internal consistency by allowing cross-sector comparison while keeping the sample manageable.

Third, the analysis relied on publicly available Instagram content and visible metrics (likes and comments), without access to private interactions (DMs), targeted ads, or internal analytics such as reach, click-through rates, or conversion data (Lewis et al., 2025). As a result, the study can describe engagement patterns but cannot confirm which strategies translate into actual sales or long-term retention

with certainty (Sah, 2025; Small, 2025). Still, using public data supported ethical transparency and allowed a non-intrusive view of everyday marketing behavior. Moreover, this study did not directly measure how customers interpret content emotionally or why they choose to engage, since it focused on business posts and outward interaction rather than the audience's motivations.

Future research could build on this study by combining content analysis with interviews or surveys of business owners and customers, expanding the sample beyond Kathmandu Valley and across additional sectors, and, where possible, triangulating visible engagement with internal platform analytics to better connect content strategies to business outcomes (Fasth & Tengblad, 2023; Smiddy, 2022). By filling these gaps, future studies can help make digital marketing more effective, inclusive, and better suited to the real needs of small businesses across Nepal.

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Appendix A: Literature Review Summary Table

Study	Methods	Country	Factors	Findings
<u>Adhikari and Molla (2024)</u>.	Quantitative and Qualitative	Nepal	- Digital Marketing Adoption - Customer Engagement - Market Reach - Social Media Presence - Content Quality and Strategy - Website Optimization - Digital Marketing Budget and Investment - Use of Data Analytics	- Digital marketing has the most effective impact on customer engagement and market reach in Kathmandu Valley, where high-quality content, effective website optimization, and the strategic use of data analytics for personalized marketing play a huge role. - The digital marketing budget is essential, but contributes less than other factors, highlighting that engagement depends on financial investment and other marketing strategies. - Insufficient digital marketing knowledge, a lack of resources, and limited training programs are challenges affecting the effectiveness of digital marketing. These challenges highlight the need for targeted training programs focused on customer behavior analysis, content creation, and performance measurement.
<u>Khadka (2023)</u> -	Mixed-methods	Nepal	- Digital Marketing Strategies (SEO, social media, influencer marketing) - Consumer Behavior and Engagement - Opportunities & Challenges (digital divide, scams, security concerns) - Impact on	- Digital marketing has significantly transformed traditional business methods in Nepal, enhancing accessibility, cost-efficiency, and customer engagement, and enabling even small businesses to compete effectively in the market. - While digital marketing has created positive outcomes, it has also introduced challenges such as scams, the digital divide, and cybersecurity issues. Addressing these challenges is crucial for sustaining growth and

			Traditional Business Practices • Government Policies and Infrastructure	maximizing benefits.
<u>Niroula and Vaidya (2025)</u>	Quantitative	Nepal	• Consumer Purchase Intention • Social Media Marketing • Consumer Behavior • Performance Expectancy • Habit • Informativeness • Hedonic Motivation • Interactivity • Perceived Relevance	• Social media marketing significantly influences consumers' purchase intentions, with the informativeness of ads and interactive communication between businesses and consumers being the most impactful factors. • Consumers' habitual daily use of social media, along with their expectations of improved purchasing decisions (performance expectancy) and the enjoyment experienced (hedonic motivation), positively enhanced purchase intentions, whereas perceived relevance was not a significant driver.
<u>Parajuli (2023)</u>	Qualitative & Quantitative	Nepal	• Digital Marketing Techniques (Social media, SEO, Email marketing) • Consumer Behavior and Preferences • Local Business Engagement • Online reviews and ratings influence • Competitive advantage through digital presence	• Digital marketing significantly helps local businesses increase customer engagement and sales, with 75.8% of respondents indicating they purchased from local businesses after viewing social media promotions. • Online reviews and ratings profoundly influence consumer purchasing decisions, with approximately 35% of respondents considering them either very influential or moderately influential. This highlights their critical role in shaping consumer trust and decision-making.
<u>Sharma</u>	Quantitative	Nepal	• Digital Marketing	• Digital marketing media and search

and Paudel (2025)			tools ● Consumer behavior ● Online Purchases ● Customer Trust ● E-commerce ● Perceived Usefulness ● Ease of Use ● Customer Engagement	engines significantly boost consumer engagement, leading to more frequent online purchases in Nepal. Factors like trust, ease of use, and practical benefits heavily influence whether consumers buy online. ● Despite these positives, significant obstacles remain, such as people's discomfort with online payments, poor cybersecurity, limited internet access (particularly in rural areas), the digital divide, and a strong preference for traditional shopping. Personalizing digital marketing strategies can help build trust and gradually shift consumer behavior.
Bhujel (2024)	Quantitative	Nepal	● Digital Marketing ● Social Media Marketing (SMM) ● Search Engine Optimization (SEO) ● Email Marketing Campaign (EMC) ● Paid Online Advertisements (POA) ● Business growth (customer reach, sales, brand visibility) ● Customer relationship & trust	● Social media marketing shows the strongest link to SME business growth, with SEO and targeted paid advertising also helping when used alongside regular content. ● Fast, consistent responsiveness to messages, comments, and reviews matters for trust because quick replies make customers feel taken seriously and can push repeat purchases. ● Email marketing works best when it is personalized to customers' needs and buying patterns because tailored messages can build loyalty and keep customers engaged over time.
Thapa Magar (2025)	Qualitative	Nepal	● Social media marketing (SMM) ● Consumer purchase decisions	● Social media marketing significantly enhances brand visibility, promotes customer engagement, and fosters trust, directly influencing consumers'

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			• Brand visibility and trust • Social interactions and content engagement • Influence of specific platforms (Facebook, Instagram, TikTok, WhatsApp, WeChat)	purchasing decisions, particularly through visual content such as short videos, photographs, reels, and reviews. • While social media effectively influences consumers' inspiration and awareness, the direct conversion of social media interactions into actual transactions remains limited, highlighting that consumers primarily use social media for information rather than direct purchases.
Timilsina (2024)	Quantitative	Nepal	• Digital marketing strategies • Customer relationships • Brand interaction and engagement • Consumer attitudes and behavior • Online responsiveness and feedback	• Digital marketing significantly enhances customer-brand relationships, with 90% of customers believing that brands actively work towards establishing connections through digital platforms. • Responsiveness on digital platforms strongly influences customer loyalty, as evidenced by 88% of respondents reporting becoming loyal to brands primarily due to effective customer service provided via digital media.
Zulfikar, Minhaj & Rehman (2024)	Quantitative	Nepal	• Social Media Networking (particularly Facebook) • Consumer purchasing behavior, product awareness, and information • Consumer engagement and interactions.	• Facebook advertisements, consumer engagement through comments, and promotional content significantly influence consumer purchasing behavior, indicating that social media platforms actively shape consumer decisions in Kathmandu. • Word-of-Mouth (WOM) and consumer reviews shared through Facebook notably influence consumer decisions and enhance brand trust and credibility, highlighting the critical role of user-generated content in shaping consumer behavior.

Aslam (2024)	Qualitative	General	• AI in small business strategy • Personalization, automation, predictive analysis • Data-driven decision making • Resource efficiency	• AI has enabled small businesses to predict customer behavior, automate marketing tasks, and efficiently respond to real-time trends. • It also reduces manual effort and helps resource-constrained businesses scale and compete more effectively.
Benabdelouahed & Dakouan (2020)	Qualitative	General	• AI in social media marketing. • Automation and time efficiency • Customer behavior prediction • Chatbot and personalization	• AI helps businesses save time by automating data processing and personalizing marketing content, allowing faster customer response and better targeting. • It supports real-time user interaction and trend analysis, keeping brands visible in a fast-paced platform
Henry (2019)	Qualitative	General	• Artificial Intelligence in Influencer Marketing • Social Media Analytics • Trend tracking • Chatbots & Automation	• AI enhances social media marketing by enabling automated content, chatbots, and advanced analytics. • It helps small businesses handle high customer demand and improve engagement with fewer resources.
Karki et al. (2024)	Qualitative	Nepal	• AI in digital marketing • Campaign automation • Customer retention • Nepal-specific AI adoption	• AI can personalise marketing, automate campaigns, and improve customer retention for small businesses in Nepal. • However, its adoption is limited by poor infrastructure and low digital literacy across the country.

			barriers	