UTILIZATION OF ARTIFICIAL INTELLIGENCE IN THE DIGITAL MARKETING OF SMES

Noa Maxwell

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Supervisor: Mikko Pynnönen
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Aalto University
School of Business
Bachelor’s Program in International Business
Mikkeli Campus
Author: Noa Maxwell  
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Supervisor: Mikko Pynnönen

Objectives

The main objectives of this study were to investigate and determine the most effective methods of utilizing artificial intelligence in the digital marketing of small and medium-sized enterprises, as well as analyze any potential benefits and drawbacks that may be prevalent.

Summary

The utilization of artificial intelligence in SMEs is becoming increasingly important, as it allows for smaller companies to compete with large, prominent companies with much higher amounts of available resources. To find the most effective implementations of AI in digital marketing strategies, interviews with industry professionals were conducted to record real-world experiences in the field.

Conclusions

As the digitalization of the modern world continues to grow, it is paramount that companies adapt and tailor their marketing strategies to follow suit. Utilizing AI allows for increased efficiency, cheaper costs, and stronger consumer targeting, which drastically improves business performance. By implementing AI solutions, SMEs can effectively compete with larger enterprises, despite a large disadvantage in budget and resources. Due to this, SMEs should look towards adopting AI in their digital marketing strategies to maximize performance and sustainability, as well as avoiding falling behind competitors.

Key words: marketing, AI, SME, digitalization

Language: English

Grade:
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1 INTRODUCTION

1.1 Background

The impact of artificial intelligence on modern business cannot be understated. AI is transforming business, the economy, and society through a new era of altered relationships among stakeholders and citizens (Loureiro et al., 2021). Almost three of every four company executives have a firm belief that artificial intelligence is the key to the expansion of the business into new markets, while 85% of these executives see AI as the key to a substantial competitive advantage in the market (Ransbotham et al., 2017). Despite the seemingly overwhelming consensus that AI will inevitably be a major factor in economic success, there is still much hesitancy occupying the space. In 2017, only one in 20 recorded companies utilized extensive applications of AI in business procedures, and a mere 39% of companies with over 100 000 employees – who could be considered the most likely to implement AI strategies – have a dedicated AI strategy in place (Ransbotham et al., 2017).

With still a high degree of uncertainty among SMEs with the utilization of AI in digital marketing procedures, this thesis will research the most effective applications of AI, how they can be integrated, and how their usage can help SMEs gain a significant competitive advantage in their respective markets. A conceptual framework developed on the basis of analyzed literature will serve as the foundation for the findings and conclusions of the thesis. Interviews with industry professionals will serve as the basis for the empirical data used in the thesis, of which analysis and conclusions will be completed to act as a cornerstone for the comparisons between primary and secondary data. Findings will be thoroughly analyzed and compared, with the goal of drawing conclusions to answer the stated research questions.

1.2 Research Problem

At its core, traditional marketing focuses primarily on firm-level achievements, which consist of identifying advantages over industry competition and increasing profit
margins (Yau et al., 2021). However, as the previously broached subject of growing digitalization, these traditional marketing methods will have to make way for new advancements entering the scene. Technological developments in AI and digital marketing have continued hand-in-hand with their meteoric rise over the past several decades (Desai & Vidyapeeth, 2019). With this rapidly expanding emergence, businesses are given no choice but to conform to new industry standards of marketing through digital mediums. For many companies, notably small or medium-sized enterprises, the implementation of these new marketing channels can become costly and time-consuming. To most effectively implement new factors of marketing consisting of data analytics, forecasting, and customer interaction, considerable research needs to be conducted to find the best possible adaptations to these trends.

Despite their importance, implementing these new methods is not as easy as it sounds. A report completed by Vodafone (2021) found that SMEs often struggle with implementing AI into their business strategies. A new wave of technological applications has led to a revolution in how companies must think and operate. Lu et al. (2022) assert that AI technology will be the key for SMEs to turn challenges into opportunities, thus improving their survival rate. Lu et al (2022) also maintain that although there is a peak in interest in the role and development of AI in digital marketing, a lack of conceptual frameworks for understanding AI-based applications acts as the largest barrier to successful integration. As marketing evolves, it is essential that as much research as possible on new, groundbreaking factors is conducted to solve these present-day conundrums.

1.3 Research Questions

With the analyzed data and research conducted for this thesis, conclusions will be drawn to answer the following research questions:

1. How can artificial intelligence maximize the efficiency of the customer interaction process?
2. How can SMEs use AI to collect large amounts of accurate intangible data?
3. How can SMEs utilize AI in their digital marketing to compete with larger enterprises?
1.4 Research Objectives

This research is built upon the foundation of answering the aforementioned research questions and their answers based on empirical research and academic literature. The objective of this research is to determine the most effective solutions for implementing artificial intelligence in the digital marketing of SMEs, with consideration for possible positives and negatives, as well as an analysis of key factors. Prior academic research has been conducted on the topic of artificial intelligence in digital marketing. However, there is still a gap in research of how SMEs specifically are able to harness this technology and use it to gain a competitive advantage regarding organizational resources and technological infrastructure. This thesis aims to analyze what the most impactful implementations are, what future potential is, and how SMEs can utilize this technology by contributing a conclusion to support previous literature and fill in possible gaps in research.

1.5 Definitions

Small and medium-sized enterprises (SMEs) are businesses with a specific amount of assets, revenues, or employees not exceeding a set threshold (Investopedia, 2022). They are primarily characterized by their smaller size and stature when compared to larger enterprises, and their true definition varies between regions. The European Commission defines an SME as an enterprise with “fewer than 250 employees and an annual turnover of less than €50 million or a balance sheet total of less than €43 million” (European Commission, 2015). For the sake of clarity, the European Commission’s definition will be used as a reference for this research and its findings.

Digital marketing is referred to the usage of digital channels and technologies through a company’s marketing channels, with the objective of promoting specific products, services, or brands (Chaffey & Ellis-Chadwick, 2019). These channels include social media marketing, email marketing, content marketing, search engine optimization (SEO), and pay-per-click (PPC) advertising.
2 LITERATURE REVIEW

An increasing number of Small and Medium-Sized Enterprises (SMEs) are focusing their marketing initiatives on artificial intelligence in an attempt to increase consumer targeting and retention. SMEs are using AI as a foundation for new approaches toward digital marketing, allowing for cheaper and more effective alternatives to physical marketing and the ability to compete against large enterprises even with limited resources (Hansen & Bøgh, 2021). This literature review will examine the various applications of AI in the digital marketing of SMEs, including modernized techniques of machine learning algorithms, computer vision, and natural language processing. Potential advantages and difficulties of AI-powered digital marketing will also be examined, ultimately assessing the most potent techniques to put the technology to use.

To start, definitions and critical concepts are analysed. Following this, implementations and uses of these concepts in the topic will be described. Finally, the benefits and drawbacks of the methods mentioned in the literature review will be discussed. The goal of this literature review is to analyse the world of Digital Marketing and Artificial Intelligence and determine the most effective utilization and methodology of AI in the digital marketing of Small and Medium Sized Enterprises (SMEs). To support the literature, a conceptual framework will be used to summarize key concepts and their relations.

2.1 Artificial Intelligence

Artificial intelligence is arguably the most pervasive technological theme of our current time. It is a rapidly evolving field that combines computer sciences and data streams, with the goal of offering solutions to obstacles that humans struggle to solve. As defined by Holzinger et al. (2019), "AI is perhaps the oldest field of computer science and very broad, dealing with all aspects of mimicking cognitive functions for real-world problem solving and building systems that learn and think like people."
Russell and Norvig (2020) outlined two potential definitions of artificial intelligence. Russell and Norvig divided the definitions by a human approach and an ideal approach, listing them as follows:

<table>
<thead>
<tr>
<th>A human approach:</th>
<th>An ideal approach:</th>
</tr>
</thead>
<tbody>
<tr>
<td>- A system that thinks like a human</td>
<td>- A system that thinks rationally</td>
</tr>
<tr>
<td>- A system that acts like a human</td>
<td>- A system that acts rationally</td>
</tr>
</tbody>
</table>

Table 1. Approaches to Artificial Intelligence (Russell and Norvig, 2020)

Under the current system agreed by many and reiterated by Naveen (2019) and Patel et al. (2020), AI can be sorted into four different categories. These categories are not all equal, as there is a large variation in the sophistication and functionalities between the categories. The four current primary categories are:

1. **Reactive Machines**: AI that always responds in the same manner to identical situations. Included are Deep Blue, the chess-expert supercomputer, and email spam filters that keep inboxes clean from phishing and promotions.

2. **Limited Memory**: AI that learns from experience and stores past data to use for future predictions. The most notable example is autonomous cars, which are trained through information about lane markings, traffic lights, and the speed and direction of other cars.

3. **Theory of Mind**: A not yet achieved level of AI, which, in theory, will lead to AI being able to make decisions like humans and understand and remember emotions. One of the closest current examples is the Kismet robot head, which could semi-successfully recognize human facial emotions and mimic them on its own face.

4. **Self-Aware AI**: Like Theory of Mind, this is not yet achieved, but will be reached when AI possesses its own emotions, desires, and needs, and have a level of consciousness similar to humans. Although no real instances currently exist, an example includes Hal 9000 from the film 2001: A Space Odyssey (Marr, 2021).
2.1.1 Applications of Artificial Intelligence

Applications of AI have grown exponentially as more economic sectors realize the opportunities it offers. Healthcare, transportation, finance, and marketing to name a few have all benefited greatly from the increased implementations of AI. By 2030, AI could contribute up to $13 million to the global economy (Chui et al., 2017). One of the most important factors that contribute to the increased utilization is the sheer amount of data that is available in the digital world. Datasets that consist of hundreds of millions of values are processed every second, and with their level of complexity far too advanced for humans to analyse, AI data-processing software and algorithms are developed and utilized (Ellish & Boyd, 2018). Algorithms for artificial intelligence that can process these massive amounts of data can make incredibly accurate predictions (LeCun et al, 2015). For example, healthcare industries use AI for the analysis of extensive patient data and pattern identification to identify specific medical conditions, which allows for an earlier diagnosis of patients (Topol, 2018). The financial industry also benefits from AI, as its ability to analyse trends helps businesses make accurate predictions about stock trends and future financial performance (Khandani and Lo, 2010).

2.1.2 Machine Learning

Machine learning is one of the largest subfields of Artificial Intelligence. As defined by Zhou (2021), machine learning is the technique that improves system performance by learning from experience via computational methods. Essentially, at its foundation, it is AI's capability of accurately imitating the behaviour of humans. In many cases, machine learning proves to be tremendously useful in marketing-related endeavours. Mobile devices and web traffic consist of huge datasets about individual consumers, and machine-learning algorithms are able to use this data to tailor custom services, also allowing for various personalized services to be connected (Jordan and Mitchell, 2015). A study completed at the University of Cambridge found that optimization of targeting leads to an increase in conversion rates of up to 20% (Ransbotham et al., 2016), indicating the potential for businesses.
Despite proving useful, there is a wide range of tasks where the application of machine learning would be a hindrance. Machine learning should not be applied to tasks in which humans are very effective or frequent human intervention is needed. For example, air traffic control is a very complex task needing intense human involvement and would not be safe to be solely run by AI (Chandramouli et al., 2018). Ethical implications concerning the lack of accountability or the potential of a strong bias when making decisions limit the extent AI can be utilized through machine learning. According to a study by Bolukbasi et al., 2016, "machine learning models can inadvertently perpetuate and even amplify historical biases present in the training data." This can, in turn, lead to discrimination and injustice in areas of business such as recruitment and hiring, as certain names, occupations, or nationalities could be unknowingly emitted from the process. The importance of human-machine co-existence should not be understated (Bolukbasi et. al, 2016).

2.1.3 Big Data

Big Data is a term that has become increasingly popularized with the popularization of artificial intelligence. As defined by Favaretto et al (2020), the term 'big data' is often used to describe "a variety of concepts, ranging from the collection and analysis of large amounts of data to a widespread usage of techniques used to identify patterns of human behaviour." Methods of data collection date back thousands of years to the first libraries in 300 BC, and datasets consisting of millions of values have undoubtedly been stowed away untouched because analysing unprecedented strings of values would be far too costly and time-consuming (Fan et al., 2014).

As more research in AI data analysis is prioritized, businesses have recognized how AI implementations can revolutionize the field by collecting user data, which consists of every mouse click, search, and website visit a user makes. Big data can be used to create more effective marketing and sales strategies (Hsu, 2019) and improve the efficiency of supply chain operations and manufacturing processes (Chen et al., 2014). A classic example of businesses using this data can be seen through something many users unknowingly accept – cookies. Through an exchange of small strings or text,
user information about interactions at a visited website can be sent from the site to the user's hard drive and back when the user revisits the site (Sipior et al., 2011).

Despite the covered benefits, many SMEs still struggle with several challenges pertaining to big data. Storing and analysing huge amounts of data can be difficult with limited resources, and much of this data is sensitive personally identifiable information, causing many users to feel uneasy about the privacy and security risks (Abouelmehdi et al., 2017). For big data to be profitable to SMEs, often a shift in a business model is required. With substantial changes needed for many, collecting user data may not necessarily be profitable in the short term.

2.1.4 Natural Language Processing

Natural Language Processing (NLP) is a field of research in Artificial Intelligence that studies the interactions between computer systems and human language. As defined by Chowdhary (2020), "it is a collection of computational techniques for automatic analysis and representation of human languages, motivated by theory." NLP can be used through sentiment analysis, the technique to identify emotional tone in text (Nasukawa, 2003), which helps companies understand how their products or services are being perceived by consumers. NLP can also be used in chatbots to help analyse human responses and answer future queries more clearly (Atalay et. al., 2019). For businesses with much-automated customer service, investments in NLP can help identify key weaknesses in products and customer service.

2.1.5 Consumer Perceptions of Artificial Intelligence

In order to be able to successfully implement AI into a digital marketing campaign, the one largest factor needs to be considered: the consumer. With both positive and negative portrayals in the media, businesses need to ensure that a large-scale usage of AI will prove fruitful, and not instead dishearten customers from using their services. The perception of AI in marketing is rooted in the consumer's understanding of AI and its applications (Chen et al., 2021). A study by The Economist (2016) based on
consumers and business decision-makers in the US found that 63% of respondents believed that AI could solve complex societal problems, and 59% felt that AI could help people live more fulfilling lives. Present-day applications can be observed all around us at any given time. Tesla's self-driving cars, Amazon's personal assistant Alexa, and automated chatbots to aid consumers on websites are some of the most common examples that first spring to the mind of consumers when thinking about AI (AI Strong, 2016). Despite AI appearing as a predominantly positive theme, the attitudes of consumers towards the topic can differentiate greatly. Before businesses take any major steps in implementing AI, a concrete report of the target audience’s perceptions of the topic must be completed. Overcomplicating systems that already work could lead to a significant decrease in consumer relationships and loyalty.

One of the largest positive perceptions of AI is the potential to improve our daily lives. Consumers believe that AI has the potential to improve important societal aspects like transportation, healthcare, and education. A study by Accenture (2019) reported that almost 70% of consumers foster the belief that AI will lead to an easier and more efficient lifestyle. The most notable examples of these can be seen in already popular uses, such as home voice assistants that allow for the control of household appliances, and AI chatbots that answer questions. Many consumers feel that although useful, these smart devices may lead to compromised privacy. However, in a survey by Chen et al. (2021), respondents answered that the benefit of the convenience of smart devices outweighs their concerns about privacy. As more usage of automated systems is developed, there is no doubt that consumer perceptions will also lean towards a more positive front (Chen et al., 2021).

A survey conducted by PwC (2022) found that only approximately 44% of consumers have trust in artificial intelligence to carry out any decisions that have a significant impact on their lives. These decisions can range anywhere from minor factors like trusting dating advice from an AI advisor to incredibly impactful decisions like trusting a self-driving car in a busy intersection (Castelo et al., 2019). Consumers struggle to put their faith in AI for a multitude of reasons, despite 72% of businesses reporting positive results when utilizing it (Health Tech World, 2022). Consumers lack trust as there is an absence of understanding of how AI truly functions, including distrust in results or belief of faults in the decision-making process stemming from an absence
of human intervention (Castelo et al., 2019). The risk of a prevalent bias or discrimination in AI comes from the fact that AI systems are trained with data that mirrors the biases of the creators (Beutel, et al, 2019). Many consumers also believe that AI will inevitably lead to the elimination of many jobs, as automation with an error margin of almost zero will render many human-occupied fields obsolete. A report by the World Economic Forum predicts that by 2025, 85 million human jobs will be replaced by AI (World Economic Forum, 2020). Although this may seem like a substantial number, it fails to take into account that the majority of these jobs are already tedious, inefficient, and hinder levels of productivity. In addition to this, a survey of 1000 respondents by Statista found that AI applications in advertising agencies in Europe only planned to use AI to replace 6% of human jobs, while the highest listed applications were better audience targeting at 61%, and identification of better-qualified users at 55% (Statista 2019).

2.2 Digital Marketing

Desai (2019) defines digital marketing as "the marketing of products or services using digital technologies, mainly on the Internet, but also including mobile phones, display advertising, and any other digital medium." Modern digitalization has picked up pace over recent decades, reaching close to 50% of the world's developing population in a time span of only two decades (United Nations, 2020). As this increase in digitalization takes the world by storm, the importance of a strong online presence for a business grows increasingly exponentially.

Modern marketing is becoming increasingly dependent on digital aspects. A surging number of customers are beginning to turn to digital channels as a method of exploring and purchasing products. One of the most renowned methods of digital marketing is search engine optimization (SEO). Google's Search Engine Optimization Guide (2010) describes SEO as making small modifications to parts of your website to increase customer interaction. These modifications can seem insignificant and appear only to be minor improvements, but when combined with other optimizations, they could have a substantial impact on the user experience and organic search results of your site. Businesses that use digital marketing strategies that are based on customer data
reach up to a 20% increase in sales (McDonald & Wilson, 2016). With a focus on the
digital aspects of a marketing campaign, businesses can track and analyse incoming
data in real time. Platforms such as Google Analytics allow intricate data collection of
click-through rates, customer conversion, engagement, and impressions (Google,
2020). These factors do not, however, consider the human relationship that many
consumers value. Heinonen and Michelsson (2010) believe that digital channels are
not used independently but are rather used to complement interpersonal interactions.
Too much dependence on AI in the marketing process can lead to more interactions
but plummet customer loyalty.

2.2.1 Artificial Intelligence in Digital Marketing

One of the largest current applications of artificial intelligence is as a method of
effective customer targeting. Machine learning algorithms can analyse large amounts
of data on customer behaviour and demographics and use that information to create
highly targeted marketing campaigns (Kapoor, 2019). A study conducted by tech firm
Accenture found that utilizing AI in digital marketing led to a 14% increase in return on
marketing investment and a 200% increase in upsell through more personalized
communication (Accenture, 2020). Personalization is the key factor behind effective
customer attraction and loyalty. Personalized interactions are expected by 71% of
consumers and 76% of consumers grow frustrated when this personalization is not
companies that grow faster than competitors in the same industry generate 40% more
revenue from methods of personalization than those that do not, and personalized
experiences lead to an almost 10% increase in customer loyalty.

One recent example of the implementation of AI in digital marketing is from the retail
company H&M in 2017. H&M developed and launched an AI-powered chatbot for
users on its mobile app, which allowed customers to find products, compare prices,
and complete orders only through messaging. The chatbot uses a combination of
natural language processing and machine learning to analyse and refine responses to
customers over time. H&M reported that customers who used the chatbot were more
likely to purchase a product as opposed to customers who did not interact, and reviews for the system were positive (Jin et al., 2019).

### 2.2.2 Benefits and Drawbacks

One of the most common of AI in digital marketing is creating machine learning algorithms to analyse customer data, allowing businesses to create highly targeted marketing campaigns (Johnsen, 2017). However, Johnsen does not provide an analysis of the specific algorithms and technologies firms use to produce these targeted marketing campaigns. There is also only limited criticism of the limitations and challenges that businesses may face when applying AI to their digital marketing. These, for example, can include the large investments required toward infrastructure and data storage, as well as the high potential for human job loss (Wahl et al., 2018).

Many would argue that AI could be used as a substitute for many human jobs requiring human labour, as it would significantly reduce wages and margins of error. Despite this, Ma & Sun (2020) emphasizes the importance of human insights and creativity in the application of machine learning and AI in marketing, arguing that the technology should be used to enhance, rather than replace human capabilities. The most effective usage of AI comes not from full automation, but a combination of computer workings and human oversight.

Although AI in digital marketing is a clearly profitable factor for many companies, there are still a variety of drawbacks. Despite being a machine, bias and discrimination are still present in artificial intelligence. This raises the question: how can an unconscious machine have an inherent bias toward humans? Sweeney (2013) reported that when searching for names of African-American origin, Google displayed advertisements suggesting that the searcher had an arrest record. For names of Caucasian origin, Google displayed much fewer advertisements suggesting arrest records. Zuiderveen (2018) also found that Amazon's AI used for screening job applicants was biased against women. The system did not rate candidates for posts in a gender-neutral way and had taught itself through training data that male candidates were preferable to female candidates. Mitigating these biases can be done by ensuring that the training data used for these AI systems is not biased, constantly evaluating the algorithms.
used in the process, and using entirely new datasets with no prior historical data. However, even when following these guidelines, AI systems are often utilized in situations that reinforce existing biases (O’Neil, 2016). If a screening process consists of predominantly males, is it even possible to entirely eliminate implicit bias towards females?

2.3 Digital Marketing in SMEs

Competing in business ecosystems with much larger corporations poses SMEs with a variety of significant challenges. Marketing and promotion of products and services become much more difficult when larger competitors with higher amounts of capital and market share dominate the space (Galli-Debicella, 2021). Methods of traditional marketing can be inefficient and expensive, which adds to the difficulty of competition. However, as time goes on, an increasing number of varying digital marketing methods and being conceived, allowing for much more cost-effective solutions for SMEs to attain a much wider audience with tailored marketing and help compete with bigger players (Cenamor et al., 2019).

Digital marketing in the marketing of SMEs can offer various effective opportunities. Digital marketing efforts, such as search engine optimization (SEO), pay-per-click (PPC) advertising, and social media marketing can help SMEs increase their online visibility and reach potential customers (Grzywaczewski et al., 2010). In addition to this, Gao et al. (2018) and Kumar and Reinartz (2018) emphasize how social media and email marketing are key for the digital marketing of SMEs. Social media is a method of cost-effectively posting content that allows for customer recognition and interaction through a diverse audience. Email marketing and sending personalized promotions, as mentioned earlier, help build consumer-business relationships and increase sales.

Although the benefits are apparent, there is still much hesitancy within the space. DiGrande et al. (2013) found that in a survey of 550 small business owners conducted by The Boston Consulting Group, an average of only 3% of the advertising budget was delegated to the digital space. The majority of advertising budgets were still being
spent on traditional marketing, consisting of rather outdated methods of coupon mailers and printed advertisements. DiGrande et al. (2013) also highlighted the importance of tracking digital marketing campaigns, as the analytics collected from consumer interaction allows the optimization of said campaigns and an improvement in investment. Also mentioned are the drawbacks for SMEs in the form of the tremendous competition in the digital space and the risk of fraud and scams, which can cause difficulties in entering the field and maintaining a stable position. The article does not, however, elaborate and provide reasons for these drawbacks, leaving much unanswered about how SMEs can effectively combat and protect themselves from these issues.

2.3.1 Small and Medium-Sized Enterprises

Small and mid-sized enterprises (SMEs) are defined as businesses that have revenues, assets, or a number of employees below a certain threshold. (Investopedia, 2021). The classification of an SME differs between countries, as each has its definition of what serves as the interpretation of the term depending on economic activity. SMEs make up a total of up to 90% of the world's businesses and employ over 50% of the global labour market (Jenkins, 2004). Although the economic importance of SMEs has long been recognized, they were considered comparatively unimportant during the great Internet boom of the 1990s and early 2000s (Passerini et al. 2012). Despite this, up-and-coming technological advancements and extensive digitalization have allowed SMEs to compete with larger corporations much more efficiently, as higher levels of efficiency can be reached with minimal resources. Passerini et al. (2012) highlight that a large organization's main advantages are access to capital as well as an established brand name and value chain. On the other hand, one of the greatest advantages SMEs have is flexibility. As stated by Marolt et al. (2019), an advantage for SMEs is that they are closer to customers, and can adjust to feedback and shifts in demand much more efficiently than large enterprises.
2.3.2 Competing with Larger Enterprises

It is no surprise that SMEs will be faced with obstacles when entering markets with larger competitors. Pradhan et al. (2018) highlight the discrepancy in needs between the digital marketing of large enterprises compared to that of SMEs. Using AI to analyse data analytics will help set SMEs aside from larger businesses. Identifying consumer trends and designing specific marketing campaigns will allow the targeting of the right audience at the right time (Stone et al., 2020). Through this, SMEs can identify niche markets with potential that larger enterprises simply cannot cater to. Consumers who are searching to purchase a recurring subscription or a premium service will steer towards SMEs for a closer business relationship.

2.4 Conceptual Framework

Figure 1 displays a conceptual framework that serves as a visualization of the interconnectivity between the two main fields of Artificial Intelligence and Digital Marketing of SMEs, as well as the subfields of Marketing, Applications of AI, and Consumer Equity. The prior literature review serves as the basis for the framework, as critical concepts are identified. With technological advancements, the world has grown to become a web of networks that are strongly interconnected (Verma et al., 2021). Although still in relatively early stages of growth, AI in marketing is an absolute business value driver already, and will only grow in importance in the future (Wisetsri, 2021). Due to this, there are deep relationships between AI and digital marketing. The relationships between the topics are indicated by arrows, suggesting either a one-way or two-way relationship. When considering the applications of AI in marketing, it is important for businesses to also consider customer equity, or in other words, the value of the relationships of a company’s customers.
3 METHODOLOGY

The main purpose of this research is to examine, analyze, and determine how artificial intelligence can be most effectively applied in the digital marketing of small and medium-sized enterprises. The design of the research is exploratory in nature, in an attempt to combine secondary data with as many personal points of view on the topic as possible. Qualitative data will be used to identify and determine recurring trends, factors, and patterns throughout the research.

3.1 Research Method

For the research of this thesis, a combination of data collection of both primary and secondary data was used. Primary data was collected through a variety of semi-structured interviews with experienced industry professionals in both the fields of marketing and artificial intelligence. Qualitative research was used for the analysis of the findings. Lawrence and Tar (2013) note that qualitative analysis allows for the researcher to collect data and insights that are overlooked with other traditional techniques of data analysis, such as quantitative data analysis. Lawrence and Tar
(2013) also mention that qualitative research pairs well with young and recent areas of research. According to Bachiochi and Weiner (2004), one of the weaknesses of qualitative research is the limitations in the generalizability of the data. However, this generalizability can be sacrificed for a deeper knowledge of interviewees, processes, and industries that the study focuses on.

The method of interviews consisted of a semi-structured approach, which prompts an interview format of two-way communication, allowing for the alteration of posed questions and a deeper dive into personal industry experiences and opinions. Semi-structured interviews can more effectively use the knowledge-producing ability of dialogues, which allow a greater amount of leeway for any angles that may be deemed useful (Brinkmann, 2014). In addition to this, Gordon (1975), Hutchinson and Skodol-Wilson (1992), and Barriball and While (1994) all reiterate the fact that semi-structured interviews allow for the clarification of relevant issues and make stronger comparisons between answers provided by interviewees. In the case of this thesis, these attributes prove important for data collection, as marketing processes can differ greatly between companies and marketers. Semi-structured interviews are effective at answering questions about ‘why?’ rather than ‘how many?’ due to their flexibility, which allows the addressing of specific aspects of the areas discussed (Fylan, 2005). Furthermore, Fylan (2005) also mentions that being such a versatile method of data collection, semi-structured interviews can be used to explore similarities and contradictions between the answers of participants, allowing for clearer conclusions and comparisons to be drawn. Conducting interviews also provided answers to extensively specific questions with little to no prior reported data, offering a much more valuable insight into various industries of interest. This proves especially important for the data of this thesis, as the topics of AI and digital marketing are young.

3.2 Sampling

The interviews conducted for this thesis were decided through a careful process of identifying suitable candidates with useful knowledge pertaining to the thesis topic and research questions. As the nature of the research is qualitative, it was important to emphasize candidates with extensive prior experience in various positions. Through
this, an insight into not only the focus of SMEs could be conducted, but comparisons between the operations of SMEs and larger corporations can be made. Through the interview procedures, vastly specific data to answer the initial research questions could be recorded. The only set criteria for the interview candidates was that they have experience in positions related to either marketing, digital marketing, or artificial intelligence. By refraining from imposing too many specific restrictions on interviewee criteria, the most widerset range of varying opinions and experiences could be recorded.

3.3 Data Collection and Analysis

For the interviews, a short list of preset questions was used to help find any common themes between interviewee answers. In addition to this, as the nature of the interviews was semi-structured, spontaneous questions were asked to garner a deeper conversation and delve further into the subsets of the research. The preset questions were devised as a basis of the Conceptual Framework (Figure 1) listed at the conclusion of the literature review. The interviews were between 25-45 minutes in length and were recorded and conducted in English. Following completion, they were transcribed and analyzed.

Interviewees were decided based on three factors:

1. Expertise in the field of marketing and/or digital marketing
2. Recent or current experience in marketing strategies of either an SME or a larger enterprise
3. Internationalized career experience

Interviewees were personally contacted through digital platforms with an explanation of the research focus. The esteemed interviewees for this research are listed below:
<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Positional Role</th>
<th>Industry Specialization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Respondent 1</td>
<td>ABB: Global Process Owner</td>
<td>Digital Marketing and Communications</td>
</tr>
<tr>
<td>Respondent 2</td>
<td>ABB: Global Product Marketing Specialist</td>
<td>Marketing and Communications</td>
</tr>
<tr>
<td>Respondent 3</td>
<td>Swappie: Head of Growth Marketing</td>
<td>Digital Growth Marketing</td>
</tr>
</tbody>
</table>

Table 2: Descriptions of Interviewees

Interviews were analyzed by recording key terms and phrases that occurred frequently in each interview. Individual quotations of importance and relevance to the research were handpicked and compared between interviews. Common themes between data were then compared and analyzed with existing academic literature, using the conceptual framework as the basis for analysis. By recording and comparing data across interviews, reoccurring themes were able to be isolated and trends discovered. As several themes were reoccurring throughout all three interviews, their significance was examined with existing literature to identify commonalities. Analyzing these themes allowed for the conclusions drawn between the similarities and discrepancies of interview data and academic literature.

4 FINDINGS

In the following section, the findings recorded from the primary data and secondary recorded through empirical research are covered and analyzed. The primary data in this section consists of the semi-structured interviews conducted with three industry professionals, whilst academic literature serves as the secondary data.

4.1 Customer Relationship Management

With the increasing emergence of AI utilized in digital marketing, data analytics and automation have grown extensively. Through the interviewees, it can be determined
that digital marketing is responsible for driving a company’s brand awareness and lead generation, which both are directly intertwined with customer acquisition and retention. All respondents brought up the importance of analytics in customer relationships, and Respondent 1 especially emphasized the segmentation through conjoint analysis, which helps determine what attributes customers value the most. In addition to this, Respondent 3 noted that customer data is not always black and white, but their entire journey from start to finish needs to be considered, outlining notable measures taken in the early stages of a buyer’s journey.

“While we mostly focus on the result metrics, we also measure what the customers are doing on our website. Which pages are they navigating to? Where do they drop off? On the email side, we have personalized email journeys, whether it be someone who just added products to the cart or someone who just signed up on the website.”

Although metrics can be used as the basis for current and future marketing strategies, it is also important to track their journey between the first stage of the customer’s buying journey, awareness, to the eventual sale. This was brought up by all interviewees, but especially mentioned by Respondent 3. All respondents agreed that for an efficient marketing strategy, a company needs to be able to efficiently utilize available customer data to better identify target segments, evaluate customer wants, and improve personalization. As mentioned by Respondent 3, for this to be successful, a company must tie marketing variables together to create the most effective strategy possible.

All respondents voiced the opinion that an effective strategy is important for strong customer relationship management, as CRM and customer satisfaction have a direct link. The satisfaction of a customer is a vital element of a company’s reputation and future loyalty, as a company’s reputation is heavily dependent on customer satisfaction. Respondent 2 highlights the importance of these relationships, describing that customers who make frequent purchases are labeled as “strongholds,” whose satisfaction is prioritized.

“We usually call them “strongholds” if we feel that they are purchasing regularly, and we have built a good relationship. So, of course, we value those customers and want
to keep them. We are developing new ways and systems to keep them happy and offer, for example, tools that they can use to make calculations on how our products could be more energy efficient and how they compare to competitors.”

Respondent 3 reiterated this by bringing up the fact that suitable investment in technology to boost a company’s CRM capabilities is important for business performance.

4.1.1 Customer Acquisition

In the interviews, the theme of customer acquisition was noted as important by all respondents. However, Respondents 1 and 2 mentioned that the majority of their acquisition processes are through personal contacts and face-to-face events such as fairs and seminars. In contrast to this, Respondent 3 mentioned more the usage of digital channels, such as email marketing, as the primary method of acquisition.

“When you talk about emails, you consider the open rate of them and how much they clicked on our website. We need to tie these into the business metrics because, in the end, that’s what matters. But you still can’t always tie all the activities into revenue, so that’s why open rates are, for example, a good indication of how good the headlines in the emails are.”

With not only a focus on generating leads, the marketing process also consists of a variety of different touchpoints. This means that efficient monitoring and analysis must be completed throughout the entirety of the process. Respondent 1 describes the outline of the process at its foundation:

“We have several conversion points. We convert from an anonymous visitor to a prospect, we convert from a prospect into a marketing qualified lead, and we convert from a marketing qualified lead into a sales qualified lead.”

A similarity between all interviews was the process of transferring leads. All respondents clearly outlined how when finalizing a sale, the customer is always
handed off to a specialized sales team. It was emphasized that human interaction is important at the end of the sales funnel, and Respondent 1 described an example of this process as leads are moved to salespeople to secure a transaction:

“The salespeople have the task of following up. This is done by sending an email directly from a personal work email, rather than a general email from the company, or making a call if we have their number. Then the sales qualification process starts. If the salespeople determine that it is an interesting lead, then we create a sales-qualified lead and further follow it up.”

4.1.2 Customer Retention

One of the most important outlined themes of the digital marketing process is customer retention. For small and medium-sized enterprises, retaining customers in environments of high competition is crucial for the company’s survival. Customer retention was a prominent theme among all interviews and was outlined as an important business process by all respondents. Each respondent mentioned processes their respective companies partake in to retain important customers. However, there were several procedural differences in these methods between respondents.

Respondents 1 and 3 mentioned mostly digital processes, of which email marketing was a shared theme. An example of the retention processes mentioned was sending a variety of emails with different headlines to customers, from where open-rates and links clicked were recorded. Through this data, Respondents noted that they could find optimal key words and layouts to engage the customer most effectively. On the other hand, Respondent 2 mentioned another method of retention, through providing an energy efficiency calculator created by ABB that is available for strictly notable key accounts. The calculator gives intricate precision to a vast range of motors and generators produced by the company to allow these vital customers to determine their most viable purchase options. This calculator has become especially important in recent years, as energy prices are rising at steep rates. Satisfied customers have a much higher chance of becoming loyal customers.
“We are developing new ways and systems to keep them happy and offer, for example, tools that they can use to make calculations on how our products could be more energy efficient and how they compare to competitors.”

Without a doubt, the most frequently mentioned topic throughout all interviews was personalization. Personalization is described as the process of when a company decides on a specific element of the marketing mix to focus on (Kumar et al., 2019). Respondent 3 described that this decision is made based on previously gathered intricate customer data, which most often comes in the form of websites visited, products viewed, or time spent on landing pages. Through this, personalization and artificial intelligence are deeply intertwined with one another. Respondents 1 and 3 also noted that these aspects of personalization are changing, due to new regulations on data tracking. Both respondents highlighted the fact that these data tracking methods that serve as the foundation for personalization are becoming increasingly difficult to implement, as customer analytics are becoming harder to record.

In the situation of SMEs, the importance of customer retention cannot be understated. The common proverb ‘it costs five times more to acquire a new customer than to retain an existing one’ can be applied as the basis for this argument. Respondent 3 emphasized how in the early growth periods of Swappie, the focus was predominantly on customer acquisition. Swappie did not have a clearly outlined strategy for customer retention but would sustain repeat purchases through the positive experiences that consumers had. However, as the number of customers increased, more strategic planning was prioritized toward retention.

“When the business was younger, it was all about customer acquisition. It was all about increasing the number of customers, and even without doing anything about retention, we would still get repeat purchases when people wanted to buy a new phone because they had a positive experience with us. But as the business has matured, we have also started to develop different strategies towards both of these streams where we focus mostly on our paid marketing more toward customer retention.”
4.2 Artificial Intelligence and Analytics

Artificial intelligence is constantly transforming business activities through added efficiency in supply chains, customer experiences, research and development, and decision-making, to name a few (Griva et al., 2022). Having a strong grasp on the applications and abilities of AI is the key to gaining and sustaining a competitive advantage, which was a clear consensus among interviewees. Respondent 1 mentioned the usage of a global leader in CRM software Salesforce, which recently released an AI software named Einstein GPT, the world’s first generative AI CRM technology. The software can create personalized content, such as personalized emails, generate responses for customer service professionals, and create targeted marketing content to increase campaign response rates (Salesforce Inc, 2023). Interviewees frequently mentioned the uses and benefits of automation in customer analytics. An example is Respondent 1’s mention of progressive profiling.

“We use what is called progressive profiling. The next time the customer visits us and they, for example, download something or fill in a form, we can prefill the form with information they have already given us. In this marketing automation system, we use two measures: score and grade.”

The factor of the “score” is based on AI analytics, as it records any activities the customer completes in real-time. All respondents noted how signing up, downloading, or visiting web pages are all tracked, and completion of positively viewed activities increases the score. When the score reaches a number deemed high enough, they become a marketing-qualified lead (MQL). These MQLs are then forwarded to the salespeople, who personally follow up to secure a new customer, which was also a similarity in the respective marketing process described by the respondents. On the other hand, Respondent 1 the “grade” is based on information about the prospect, such as the industry they work in and how large of a lead they are. The personal aspect of the marketing process becomes more important the further down the marketing funnel you move, which was described by Respondent 3.

“Personalization can make or break the purchase decision. When they [customers] are about to make the decision, the more personalized you can make the journey, the
more the customer can feel like there is some sort of connection with the brand, which leads to a positive experience.”

As a result, these analytics are important to consistently record customer data throughout the marketing funnel. Respondent 3 continued by describing how by utilizing this data collected by AI, SMEs can cost-effectively conclude what is working and what is not, allowing quick changes to business strategies and more accuracy in future predictions.

4.3 Comparisons Between SMEs and Larger Enterprises

At its foundation, it seems that the most logical conclusion to be made in the performance comparisons between SMEs and larger enterprises is that the larger enterprises would hold a significant competitive advantage. While this may be the case on various occasions, it does not necessarily hold. Respondent 2 outlined that the factors of price and flexibility are the greatest discrepancies between SMEs and larger enterprises.

“It happens that we are not able to compete with low prices, but we have other benefits that we can bring to the customer with, for example, all of this documentation that is required and the experience. We can also show them how much more reliability and availability our products bring in the long run.”

Respondents 2 and 3 both accentuated the fact that SMEs have much more freedom in comparison to larger enterprises.

“When you’re a smaller company, you don’t have a consistent brand yet, so it’s more important to just make people kind of get to know you exist. There are fewer rules, and you can try different things and see what sticks, so you can be more opportunistic.”

“One benefit of the smaller companies is that you can make changes quicker,”
The obvious largest discrepancy between SMEs and larger enterprises is the difference in budget. However, in SMEs, more of this budget can be distributed toward projects that are much more scalable. For instance, Respondent 3 raised the fact that in smaller companies with limited sales teams, it is most important that you reach as many customers as possible. An example of an AI application for this situation would be the utilization of a chatbot on the company’s homepage. Although not necessarily the most intelligent and reactive, it is a proven method of successful customer engagement without the need for constant human oversight. As opposed to this, in larger companies with highly specialized products, this may not be a suitable solution. Respondent 2 argued that a chatbot for ABB would not necessarily be viable, as customers require specific information about products such as generators and motors. On this basis, SMEs should strongly consider the option of automated interactions at the start of the customer-buyer journey, and further down the line use human-to-human sales to finalize purchases and maximize customer satisfaction.

4.4 Themes of Digital Marketing

The general conclusion that could be drawn from the interviews was that digital marketing plays an immensely important role in modern marketing strategies. All respondents covered a wide array of different factors that compose the importance of digital marketing. Digital marketing channels allow a wide and inexpensive reach to a large number of customers. However, in all interviews, the theme of personalization was outlined as the most important topic of digital marketing. Respondent 2 reinforced the fact that personalization is the most important attribute of the customer life cycle, as it is the key to acquiring and retaining a customer and reaping the full potential of the relationship.

“I think that (personalization) is the most important factor in our company. And maybe when it might be that we don’t get the order in the very first meeting, we are also following up on what the customers are doing and what they are interested in, as well as how to reach them and which products to market.”
Although digital personalization was outlined as the most reoccurring theme, Respondent 2 also mentioned methods of traditional marketing. Respondent 2 used examples of fairs and seminars as an alternative method of acquiring customers, which is as personal as you can get. A combination of digital and traditional aspects is most effective, especially in B2B companies. Respondent 2 highlighted this especially.

“We usually have customers we know we have in our system, and of course, we want to have them included in these campaigns. Mainly they are acquired through personal contacts of the salespeople, or maybe through meetings at fairs, events, and seminars.”

In addition to personalization, AI is another massive factor in the field of digital marketing. It is at the center of customer segmentation, click tracking, push notifications, and client retargeting. While Respondent 2 mentioned the importance of in-person events such as seminars and fairs, Respondents 1 and 3 brought up the importance of automated processes in an effective marketing strategy. It is important to ensure a thorough marketing plan that reaches customers, rather than just using generic methods that often go unnoticed. Respondent 1 used an evident example of this through email marketing.

“We send personalized e-mails through a specific IP address, which has a number for its reputation. If the receiver marks our emails as junk or moves them to the spam folder, the IP reputation goes down. E-mail services through Microsoft and Google automatically put our e-mails into the spam folder.”
5 DISCUSSION AND ANALYSIS

In this section of the thesis, academic literature and findings collected from interviews will be compared and analyzed.

5.1 AI Acquiring and Retaining Customers Through Digital Marketing

The empirical research conducted about AI, digital marketing, and how the two are connected consisted of many similar factors found in the reviewed academic literature. Artificial intelligence has applications in more business contexts than one can count, and practitioners and academics alike believe that it is the future of our society (Verma et al., 2021). These same beliefs were stated by all interviewees, signifying a strong consensus about the future of digital marketing. As a result, it is progressively more important for companies to adapt to an evolving business environment to avoid falling behind industry competition.

Peter Drucker once stated that “the sole purpose of a business is to create a customer” (Drucker, 1973). Before a company can begin selling any products or services, it must first acquire customers. As was found through the interviews, all respondents felt that customer acquisition is one of the most important aspects of business and is important for companies in a wide range of different situations. Although it may seem simple enough, customer acquisition is much more difficult than most companies realize. Market research began as, at its simplest, a method of identifying a target audience (Sterne, 2017). As technological influence has advanced and online presence has exploded, firms have turned to social media monitoring, online advertising, and AI to gain a competitive edge (Sterne, 2017). The numerous mentions of the effectiveness of automation in the marketing process from all respondents solidifies this argument, especially in the case of an increased online presence.

As was identified as the most prominent theme among respondents, personalization is clearly the frontrunner of AI in digital marketing. Customer retention was another frequently touched on aspect, which is no surprise. Kumar and Reinartz (2018) state that at one point in time, marketing campaigns were tailored predominantly toward
increasing and sustaining customer loyalty. It was believed that more loyal customers would repeatedly purchase from a business and become less prone to switching to alternatives should prices rise. However, Kumar and Reinartz (2018) argue that this is not always true, as loyal customers may repeatedly contact customer service with questions or haggle for the best price possible on a product or service, thus taking advantage of every offer the business provides and inevitably costing the company and hindering profits in the end. As markets move towards becoming increasingly saturated and competitive, the marketing model has shifted from a product-centered to a customer-centered approach (Xu et al., 2012). In relation to this, all interviewees outlined the fact that ensuring a smooth process of lead generation to make the final sale is one of the most important factors in marketing.

5.2 Most Effective Implementations of AI

With an already established view of the general utilization of AI in digital marketing through data collection from the respondents, it is important to identify the sectors where it would prove most effective. Following the uprising in the applications of AI in different sectors of business, a drastic increase in the volume of available datasets has followed suit (Brynjolfsson & McAfee, 2017). Pearson (2019) notes that with copious amounts of customer data available, companies have implemented AI into business processes to not only record this data but apply it to personalize services, offering customers a more positively perceived experience. These services include, for example, targeted advertising, chatbots, facial recognition technology, and website morphing. As has been mentioned multiple times prior, respondents have a firm belief that personalization is a key factor in successful digital marketing.

Following the topic of personalization, Respondent 3 consistently mentioned the importance of personalization to strengthen a customer-company bond, and Respondent 2 reiterated the fact of offering their key customers benefits through these personalized methods. This is further backed by van Gogh et al. (2020), who argue that modern customers ‘want to stand out while being part of a crowd,’ and foster an implicit need to own a product that visibly holds a personal signature. The most well-known examples of personalized digital marketing were also referenced by all
interviewees, as they all mentioned the sending of personalized emails and newsletters. These are one of, if not the most, effective applications of AI in the digital marketing of SMEs, as this content has been proven to increase customer engagement and conversion rates (Kumar et al., 2021).

Lead generation, scoring, and conversion were also prominent themes present throughout the entirety of the research. With methods of AI automation, SMEs can almost eliminate the need for extensive marketing teams. As mentioned by Respondent 1 and further emphasized by Nair and Gupta (2021), AI-powered lead scoring can rapidly analyze huge amounts of data and filter it to identify the most promising high-quality leads, allowing for an easy pass-off to the sales team. Machine learning gives SMEs enough data to be able to accurately increase customer engagement and optimization as opposed to more traditional digital marketing methods, such as online newsletters.

5.3 Real-Case Applications of AI in Digital Marketing

As previously mentioned, real-world applications of digital marketing are becoming progressively more frequent as companies begin to adopt the technology. With a market that exceeded $70 billion in 2020, real-world AI applications are being applied in situations never imagined before (Devang et al., 2019). Respondent 3 used an example of Swappie’s Black Friday digital advertising campaign, in which the company booked an ad space on the front page of YouTube in Finland and Sweden. The advertisement consisted of nothing more than a video of a cat and the Swappie logo, aiming to create the most cost-effective and visible digital campaign possible. The campaign was successful, as it led to an increase in brand searches and awareness. By using AI to collect data on the users who viewed the ad, the company could then add them to a retargeting list, from where more company-specific ads could be targeted at them.

Another large example of AI in digital marketing is from 2017 when automobile manufacturer Kia purchased a slot for a 30-second advertisement during Super Bowl 50. As mentioned by Respondent 3 when referring to the Swappie ‘cat ad,’ the goals
of the marketing campaign were the same: engage the largest number of customers possible. Kia opted to use influencer marketing to increase brand awareness. To achieve this, Kia partnered with IBM Watson, an AI developed for business, to select the most relevant influencers possible. IBM Watson analyzed thousands of social media profiles and analyzed metrics to pinpoint the most relevant influencers for Kia’s brand. Kia then sent colorful socks to close to 100 influencers to make content with the hashtag #AddPizzazz, to give the impression that Kia’s automobiles are fun in an otherwise bland world (Wall Street Journal, 2016). Through the partnership, Kia was also able to secure an advertisement with Christopher Walken, leading to a spike in social media mentions of the advertisement, and garnering large amounts of attention toward the brand (Forbes, 2018).

5.4 Limitations of AI in Digital Marketing

One of the largest regulatory factors of data collection in marketing is data privacy laws. With the ruling of the Data Protection Act, companies will need explicit consent from customers to access and use their data. Without consent, that personal data will be unavailable to use for any potential marketing strategies. As a result of these data privacy changes, companies are left with no choice but to accommodate the changes and increase marketing budgets to keep up with the industry (HubSpot, 2022). Concerns on possible difficulties in digital marketing from stricter regulations on data tracking were voiced by both Respondents 1 and 3, as it has reduced the ability to target effectively.

Another limitation of AI is data quality. As noted by Clyde et al. (2018), the algorithms that AI uses for data collection are heavily reliant on the quality of data. Poor data quality can lead to inaccurate results, which can cause unreliable results in customer analytics. Due to this, companies need to ensure that the metrics used for customer data are sufficient. In relation to this, a major limitation of AI in digital marketing is the lack of human interaction, which was also brought up by all interviewees. Respondents 1 and 3 felt that human interaction is most important in the end of the marketing funnel, as it helps form a closer relationship with a customer. Respondent 2 also voiced their concerns with limitations of AI in their respective business, as detailed questions about
products with such a large number of parts would be impossible for a machine to answer. As noted by Karimi and Walter (2021), with no human nature to serve as a basis for decision-making, AI can miss one of the largest factors of marketing: human psychology. With so many customer decisions made based on cognitive bias, AI may fail to account for emotional connections, leading to a less effective marketing campaign in the eyes of the customer.

Finally, as can be determined by the findings made by the interviewees and academic literature, AI lacks creativity. Like human psychology, creativity is a major aspect of a successful marketing campaign. Being able to create an eye-catching and captivating campaign requires a combination of differentiation and engagement that a machine will most likely not be able to come up with. For example, the previously mentioned ‘cat campaign’ by Respondent 3, is a perfect example of human ingenuity that a machine would not be able to replicate. According to Gupta et al. (2019), AI algorithms are excellent at analyzing large datasets and making incredibly accurate decisions based on them but are unable to offer the distinct creative dimensions required.

5.5 Future Potential

As already mentioned in the literature review, the applications of artificial intelligence truly seem endless. In digital marketing, the trend of AI is expected to continue to grow in popularity, as agreed by all respondents. The potential of personalization, data analysis, pattern recognition, and tailoring marketing campaigns are examples of immense opportunities and benefits machine learning can provide (Grewal et al. 2020). With limited resources, SMEs should tap into the potential of automation in AI, allowing them to complete tasks and devise strategies hundreds of times quicker than humans are capable of. As backed by Respondent 1 and 3, lead generation, lead scoring, customer segmentation, and customer acquisition and retention are all made possible for a company of any size with highly intelligent software (Karimi & Walter, 2020). Supporting evidence for the future potential can was stated by all respondents, signifying a likely new era for digital marketing.
6 CONCLUSION

The following section will address and summarize the most important findings and analysis conducted throughout the thesis. Importance, possible limitations, and suggestions for future research are also presented to outline conducted research and what may still be to come.

6.1 Main Findings

The primary objectives of the research conducted for this thesis were to identify and analyze the most effective methods of utilizing artificial intelligence in the digital marketing of small and medium-sized enterprises. With still limited amounts of real-world data analysis completed pertaining to the topic, this thesis offers comprehensive coverage of the subjects researched based on the conceptual framework presented in the literature review.

The main findings of the primary data analyzed and contrasted with the secondary data came to various conclusions, which can be split up into:

1. AI offers SMEs much quicker and more cost-effective solutions for digital marketing. Smaller companies can do significantly more and compete much more effectively with larger companies through machine learning, as AI offers cost-effective solutions to shortages in available resources and highly accurate data analysis. Data mining, predictive modeling, and machine learning help analyze the strengths, weaknesses, opportunities, and threats in market audiences, allowing for maximized efficiency (Theodoridis & Gkikas, 2019).

2. SMEs utilizing AI in their digital marketing have reported increases in customer engagement and conversion rates. Due to AI offering such a wide range of potential applications, they can better understand their target audiences and analyze their priorities, which frees up time and resources for other important business activities. For smaller companies, this is a major contributor to success. Consumers are getting more information, empowerment, connection,
and influence through digital channels than ever before while companies can allocate resources more sustainably (Lee & Cho, 2020).

3. Applications of AI in digital marketing can be used for anything from algorithms to analyze customer data and behavior, to creating targeted marketing campaigns in short periods of time. AI will help companies save time and resources to implement more personalized campaigns, with clearer target audiences (Zulahika et al., 2020). Automating marketing tasks, such as, for example, email campaigns or social media posts, improves the efficiency of a company’s business strategies (Singhal, 2021).

6.2 Implications for International Business

As argued by Ruiz-Real et al. (2021), AI has shifted from, in the twentieth century, being a miniscule branch of knowledge in computer science, to an essential element to the development of all industries of business in the modern world. Based on the results of the research, the utilization of AI in the digital marketing of SMEs has proven to have many implications for international business. These implications have the potential to revolutionize business across all industries and are only scratching the surface (Davenpor et al., 2020). The most notable of these implications are stated and analyzed in the findings and discussion of the thesis. Of the possible implications, the most important are:

- Improving efficiency and cost-reductions: AI provides businesses with the potential of automating a vast number of tasks that would normally be completed by humans, such as content creation, data analysis, and ad placement. Through this, companies increase revenues through optimization of digital channels and performance, leading to an increase in ROI and customer driven growth (Theodoridis & Gkikas, 2019).

- Improving customer targeting and personalization: the ability of SMEs to target customers in international markets has never been stronger. With the ability to identify trends and preferences among customers in real time, companies can flexibly alter their marketing messages to target highly specific customer segments, leading to a
rise in customer engagement. Businesses have a deeper understanding on customers, their preferences, and predictions in behavior thanks to the immense data available for analysis (Mitic, 2019).

- Increased competitiveness: through the utilization of AI, smaller companies can boost their competitiveness in international markets for much lower costs than ever before. Budgets and general resources become less of a factor, which allows for leveled competition across markets. As digital processes are much more scalable than traditional ones, the general scope of influence a smaller company has increases tenfold (Iasanti & Lakhani, 2020). SMEs can use artificial intelligence for a wide variety of purposes, such as manufacturing and learning methods, which allow for greater quality control and customer relationship management, thus improving efficiency (Hansen & Bogh, 2021).

Overall, the utilization of AI in the digital marketing of SMEs has significant implications for international business. Although alarm bells may be ringing for managers worried about AI superseding many jobs, the fact is that AI will quickly be able to complete administrative tasks that preoccupy much of a manager’s time in quicker, cheaper, and more effective ways (Kolbjørnsrud et al., 2016). Although positive, AI also brings challenges to international business. Managers must adapt and overcome challenges, of which many are technical, such as budgeting, trust, and human interaction, but also ethical and moral challenges, such as workforce displacement, privacy, and surveillance (Berente et. al, 2021). However, with the ability to improve efficiency, lower costs, accurately personalize, and reduce competitive advantages, SMEs are without a doubt currently and in the foreseeable future benefiting greatly from these AI-based applications (Davenport et al., 2020).

6.3 Possible Limitations

Although the research and findings of this thesis provide a wide range of broad results, there are still a variety of limitations. A primary dataset of only three interviewees is a highly limited scope of industry analysis. The primary data collection also consisted of sampling bias, as two of the three interviewees were from the same company. In
addition to this, a small range of interviewees leaves the opportunity for inherent bias, as the primary data collected is entirely based on opinions drawn from personal experiences. As the topic of the research is an increasingly volatile industry with new advancements every single day, any findings stated in the research have the possibility of becoming outdated. According to Huang and Rust (2021), current mechanical AI has the issue of also collecting and using anonymous data, which leads to a loss of context in data and can create limitations in accurate predictive and emotional modeling. Finally, the large-scale nature of general findings of the research can be deemed limited, as extensive differences between cultural and industrial contexts were not covered.

6.4 Suggestions for Future Research

Future research on the topic and subtopics of AI and digital marketing are becoming increasingly important. With such a large number of companies migrating primarily into the digital space, research in the area is important. Further research and data collection should consist of extensive comparative analysis of the effectiveness of AI-based marketing strategies across varying industries and regions, as well as directly identify the largest challenges and solutions that SMEs face when implementing machine learning. Studies into the real-time impact of AI on an SME’s financial performance and ROI throughout marketing campaigns would provide accurate data on the underlying aspects that make the largest impact. With the topic of an industry that is evolving so rapidly, research conducted over a longer period of time would yield the best results in determining efficacy and implementations.
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