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Study of challenges faced by SMEs in leveraging digital marketplaces

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Abstract
This study examines the challenges faced by small and medium-sized enterprises (SMEs) in leveraging digital marketplaces across various industries in Gujarat. A descriptive and causal research design was adopted, and primary data were collected from 390 respondents through a structured questionnaire using stratified random sampling. The findings reveal several significant barriers, including high platform fees, inadequate digital skills, limited technical knowledge, cybersecurity concerns, intense competition, policy uncertainty, insufficient IT support, and system integration difficulties. The study highlights the need for improved digital capabilities, effective cost management, and strategic planning to facilitate successful digital marketplace adoption among SMEs.

Keywords: Digital marketplaces, SMEs, digital adoption, technological challenges, business operations

Introduction

The emergence of the internet and continuous technological advancements has reshaped conventional business models, contributing to the rapid expansion of e-commerce and digital marketplaces (Obieze *et al*., 2024) [2]. The growth of the digital economy has considerably influenced consumer purchasing patterns, encouraging greater reliance on online platforms for buying and selling activities. This transformation is primarily attributed to the convenience of online transactions, competitive prices, and the availability of a wider variety of products compared with traditional marketplaces.

Digital markets including e-commerce platforms, s-commerce, and digital payment systems offer unprecedented opportunities to expand business reach, improve efficiency, and enhance competitiveness (Calvano & Polo, 2021) [1].

The adoption of AI and customised marketing approaches has improved the online shopping experience by strengthening customer interaction and encouraging brand loyalty. Furthermore, social media platforms have played a significant role in this transformation by enabling businesses to promote their products and conduct direct sales. Despite offering considerable growth opportunities, e-commerce faces several challenges, such as cybersecurity threats, logistical complexities, and disparities in digital infrastructure, particularly in less-developed areas. Its influence also extends to international trade, supply chain operations, and employment patterns. Consequently, changing consumer expectations have encouraged traditional retailers to adopt multichannel business strategies that integrate physical stores with digital shopping platforms.

Ghazawneh and Henfridsson (2015) [5] conceptualise a digital application marketplace as a platform component that provides a venue for exchanging applications between developers and end users within one or more digital ecosystems.

The growth of e-commerce has been largely facilitated by advancements in digital payment technologies, logistics systems, and data analytics. Unlike conventional retail channels, online marketplaces bring multiple buyers and sellers together on a common digital platform, simplifying product discovery and commercial transactions. Tripathi (2023) [6] highlights that these marketplaces provide economies of scale, a wider selection of products, and greater price competitiveness, encouraging consumers to increasingly prefer online shopping over traditional retail outlets.

Digital marketplaces have evolved considerably since their emergence in the mid-1990s. Initially developed to facilitate online commercial transactions, they have gradually transformed into comprehensive digital ecosystems that accommodate diverse business activities, address changing customer requirements, and encourage collaboration among business partners. This transformation demonstrates not only continuous technological progress but also the growing importance of understanding consumer expectations and adapting to changing market conditions.

Over time, technological advancements transformed these basic online trading arrangements into sophisticated digital marketplaces that connect businesses and consumers across geographical boundaries. The emergence of platforms such as Amazon and eBay expanded opportunities for online product discovery, price comparison, electronic transactions, and customer interaction. According to the Organisation for Economic Co-operation and Development (OECD, 2019) [3], the e-commerce landscape has evolved through the emergence of new business models, changing buyer–seller relationships, and the integration of innovative digital technologies and payment mechanisms.

The expansion of digital marketplaces has been driven by the increasing use of smartphones, enhanced internet access, digital payment facilities, data analytics, and advanced logistics services. These technological developments have enabled small and medium enterprises (SMEs) to enter online markets more easily by utilising existing platforms

rather than investing heavily in their own digital infrastructure. Moreover, the COVID-19 pandemic intensified the shift towards digital business operations, prompting enterprises to depend increasingly on online marketplaces to sustain their activities, connect with customers, and diversify their sales channels.

The continuing development of digital marketplaces represents both an opportunity for SMEs to strengthen their competitiveness and innovation and a challenge requiring appropriate digital skills, strategic planning, and effective management of online business activities.

Objective of the Study

- To study the challenges faced by SMEs in leveraging digital marketplaces.

Research Design

The present study adopted a descriptive and causal research design to analyze the challenges faced by SMEs in leveraging digital marketplaces.

Sample Design & Sample Size

The study adopts stratified random sampling to select respondents that meet the specific criteria of the research. The sample included in present study representing SMEs across various industries in Gujarat. Respondents included owners, promoters, senior managers and personnel involved in marketing, sales, and operations. A total sample of 390 employees was selected for the present study.

Primary Data

Primary data were collected from 390 respondents through a structured questionnaire designed to examine the influence of digital marketplaces on SME competitiveness and innovation. The questionnaire included demographic information and questions based on objectives of the study.

Analysis Related to Barriers and Challenges Faced by SMEs in Leveraging Digital Marketplaces

Table 1: Table showing the response related to barriers and challenges faced by SMEs in leveraging digital marketplaces

S. No.	Statement	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
1	High costs associated with digital marketplace participation create difficulties for our SME.	62 (15.90%)	176 (45.13%)	66 (16.92%)	39 (10%)	47 (12.05%)
2	Lack of adequate digital skills among employees limits our SME's effective use of digital marketplaces.	78 (20%)	156 (40%)	62 (15.90%)	47 (12.05%)	47 (12.05%)
3	Lack of technical knowledge makes it difficult for our SME to manage digital marketplace activities.	90 (23.08%)	160 (41.02%)	47 (12.05%)	54 (13.85%)	39 (10%)
4	Concerns about cybersecurity and data privacy discourage our SME from using digital marketplaces.	70 (17.95%)	156 (40%)	66 (16.92%)	51 (13.08%)	47 (12.05%)
5	Intense competition on digital marketplaces creates difficulties for our SME.	97 (24.87%)	156 (40%)	55 (14.10%)	39 (10%)	43 (11.03%)
6	Platform fees and commissions negatively affect the profitability of our SME.	82 (21.03%)	175 (44.87%)	39 (10%)	55 (14.10%)	39 (10%)
7	Dependence on digital marketplace policies creates uncertainty for our SME.	90 (23.07%)	160 (41.03%)	50 (12.82%)	43 (11.03%)	47 (12.05%)
8	Limited internal IT support makes it difficult for our SME to use digital marketplaces effectively.	62 (15.90%)	176 (45.13%)	39 (10%)	47 (12.05%)	66 (16.92%)
9	Lack of clarity about the benefits of digital marketplaces discourages greater use by our SME.	66 (16.92%)	168 (43.08%)	66 (16.92%)	43 (11.03%)	47 (12.05%)
10	Difficulty in integrating digital marketplaces with our existing business systems creates challenges for our SME.	82 (21.03%)	160 (41.02%)	54 (13.85%)	51 (13.08%)	43 (11.02%)

Analysis

1. The analysis indicates that the costs associated with participating in digital marketplaces represent a significant challenge for SMEs. A total of 45.13% respondents agreed, while 15.90% strongly agreed, resulting 61.03 positive responses. It suggests expenses related to platform registration, subscription charges, advertising, commissions and other digital business activities may create financial pressure for SMEs, particularly those operating with limited resources. Meanwhile, 16.92% have neutral opinion and 10% disagreed and 12.05% strongly disagreed, accounting for 22.05% respondents did not consider these costs a major difficulty.
2. The response shows that 40% participants agreed and 20% strongly agreed that insufficient digital skills restrict their organisations' ability to use these platforms efficiently. Consequently, 60% respondents identified inadequate employee digital skills as a barrier to effective digital marketplace utilisation. 15.9% respondents remained neutral and 12.05% disagreed and strongly disagreed suggesting that some SMEs may possess sufficient digital expertise or access to external technical support. The analysis emphasizes the need for skill development initiatives, practical training, and continuous technological learning to improve employees' ability to manage digital marketplace activities and strengthen the digital capabilities of SMEs.
3. The analysis indicates that limited technical knowledge poses a considerable obstacle to the effective management of digital marketplace activities among SMEs. Approximately 41.02% respondents agreed while 23.08% strongly agreed resulting in a combined agreement of 64.10%. Furthermore, 12.05% respondents have neutral opinion and 13.85% disagreed and 10% strongly disagreed, representing 23.85% respondents did not consider inadequate technical

knowledge a major difficulty. It suggests that technical expertise is an important requirement for effective digital marketplace management.

4. The analysis indicates that cybersecurity and data privacy concerns influence SMEs' willingness to participate in digital marketplaces. Among the respondents, 40% agreed and 17.95% strongly agreed that such concerns discourage their organisations from using these platforms, resulting in a combined agreement of 57.95%. This suggests that fears relating to unauthorised access to business information, online fraud, misuse of customer data, and potential cyberattacks may create hesitation among SMEs when conducting business digitally. Meanwhile, 16.92% of respondents remained neutral and 13.08% disagreed and 12.05% strongly disagreed, accounting for 25.13% of respondents did not consider cybersecurity and data privacy significant deterrents. The analysis suggest that security-related concerns represent an important challenge for SMEs adopting digital marketplaces.
5. The analysis reveals that intense competition on digital marketplaces is a notable challenge for SMEs. Among the respondents, 40% agreed and 24.87% strongly agreed that competition on these platforms creates difficulties for their organisations, resulting in a combined positive response of 64.87%. This indicates that SMEs may find it difficult to differentiate their products, attract customer attention, maintain competitive prices, and establish a strong market presence when competing with numerous businesses online. Meanwhile, 14.10% of respondents are neutral, 10% disagreed and 11.03% strongly disagreed, accounting for 21.03% respondents did not consider competition a major obstacle. Developing distinctive product offerings, improving service quality, adopting effective promotional strategies and building customer relationships may help SMEs strengthen their position and compete more successfully in digital business environments.
6. The analysis indicates that platform fees and commissions are perceived as important factors affecting the profitability of SMEs operating through digital marketplaces. Among the respondents, 44.87% agreed and 21.03% strongly agreed that these charges negatively influence their organisations' profitability, resulting in a combined agreement of 65.90%. It suggests that expenses associated with marketplace transactions may reduce profit margins and increase the overall cost of conducting business online. 10% respondents remained neutral and 14.10% disagreed and 10% strongly disagreed, accounting for 24.10% of respondents did not perceive these charges as a significant
7. The analysis considers that dependence on digital marketplace policies creates considerable uncertainty for SMEs. Among the respondents, 41.03% agreed and 23.07% strongly agreed that marketplace policies generate uncertainty for their organisations, resulting in 64.10% of agreement response. This indicates that changes in platform rules, commission structures, seller requirements, product listing guidelines, and account management procedures may affect the stability of SMEs' online business operations. 12.82% of respondents remained neutral and 11.03% disagreed and 12.05% strongly disagreed, accounting for 23.08% respondents did not perceive platform policies as a significant source of uncertainty.
8. Among the respondents, 45.13% agreed and 15.90% strongly agreed, resulting in 61.03% feels that limited internal IT support creates difficulties for SMEs in effectively managing their activities on digital marketplaces. Meanwhile, 10% of respondents remained neutral and 12.05% disagreed and 16.92% strongly disagreed, accounting for 28.97% respondents did not consider limited IT support a major obstacle. This suggests that inadequate internal technical assistance is a relevant challenge for SMEs using digital marketplaces. Improving employees' technical capabilities, engaging external IT service providers, and accessing platform-based support services may help organisations overcome these difficulties and improve their digital operations.
9. The analysis indicates that insufficient understanding of the benefits offered by digital marketplaces can discourage SMEs from using these platforms more extensively. Among the respondents, 43.08% agreed and 16.92% strongly agreed, resulting in agreement of 60%. This suggests that uncertainty regarding the potential advantages of digital marketplaces, such as customer acquisition, market expansion, product promotion, and business development, may prevent some organisations from increasing their digital participation. Furthermore, 16.92% respondents expressed a neutral opinion and 11.03% disagreed and 12.05% strongly disagreed, accounting for 23.08% of respondents who did not consider a lack of clarity a significant barrier.
10. The analysis shows that integrating digital marketplaces with existing business systems is a considerable operational challenge for SMEs. Among the respondents, 41.02% agreed and 21.03% strongly agreed that integration difficulties create problems for their organisations, resulting in 62.05% of positive response. 13.85% respondents are neutral and 13.08% disagreed and 11.02% strongly disagreed, accounting for 24.10% of respondents did not consider system integration a major obstacle.

Conclusion

The study concludes that SMEs face multiple financial, technological, operational, and competitive challenges when leveraging digital marketplaces. High platform fees, intense competition, limited technical knowledge, cybersecurity concerns, and uncertainty regarding marketplace policies are among the major barriers identified. These challenges may restrict the effective utilisation of digital platforms and affect business performance. To overcome these obstacles, SMEs should strengthen digital skills, improve cybersecurity measures, manage platform-related costs, and seek technical support. Addressing these challenges can enable SMEs to utilise digital marketplaces more effectively and enhance their long-term business sustainability.

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