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Challenges and Prospects for Small Business Development in the Usa in The Context of High Advertising Costs

Abstract

The main purpose of the article is to study the challenges and tools for minimizing their negative impact on the development of small businesses in the United States in the context of the rapid growth of the cost of digital advertising. This study includes an analysis of the impact of advertising inflation, market concentration in the hands of large technology platforms, as well as changes in consumer patterns on the marketing activity of small businesses. The paper uses a mixed methodology that combines quantitative analysis of statistical data with a qualitative study of promotion practices. In particular, the author investigated ways to determine the most effective channels for business promotion, cases of using artificial intelligence in content creation, as well as the adaptation of small businesses to the conditions of a highly competitive advertising environment. The focus of the article is on the limited financial and time resources of small businesses, the opacity of advertising platform algorithms, the decline in organic reach in social networks, and the inaccessibility of high-quality analytics. Aspects such as the growth of customer acquisition costs, competition with large brands, the effectiveness of alternative promotion channels, the role of micro-influencers, as well as the strategic importance of local and hyperlocal marketing are considered. Attention is paid to the author's methodology for reducing the cost of creating video content, which demonstrates the potential for scaling with minimal costs through automation and creativity. The results obtained confirm the relevance of adaptive marketing strategies focused on saving resources and using innovative digital tools. The proposed approaches can be used as a basis for further practical solutions in the field of small business promotion in the context of advertising inflation. Finally, the author concludes this study with the conclusion that the sustainability and competitiveness of small businesses in the digital age increasingly depend not on the volume of advertising budgets, but on the ability to flexibly adapt to a changing environment, strategically use available tools and develop digital literacy of entrepreneurs.

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1 Introduction

Small businesses are the backbone of the United States economy, providing jobs for a significant portion of the population and acting as a source of innovation and ensuring the dynamics of entrepreneurship. At the same time, the effective market activity of such companies largely depends on the ability to attract customers and promote their products, in particular through digital advertising platforms. However, the last decade has been marked by a rapid increase in the cost of advertising on the Internet, especially on Meta platforms (Facebook, Instagram) and Google, which are often the main channels for attracting customers. Increased competition, algorithmic changes, concentration of the advertising market in the hands of large players, as well as pandemic shifts in consumer habits have

significantly increased the cost of customer acquisition. In this context, small businesses face a number of challenges: oversaturation of advertising auctions, lack of personalized analytics, competition with large corporations that can invest much larger budgets in marketing. A separate problem is that the main advantage is often received by large advertisers with large budgets, because they are willing to pay more for the attracted client, leaving small businesses on the periphery of digital attention. The issue of accessibility and effectiveness of digital advertising becomes particularly relevant in conditions where advertising is not only a means of promotion, but also a tool for survival in a highly competitive market. Accordingly, studying the impact of high advertising costs on the dynamics of small business development, as well as the search for adaptation strategies, acquires important scientific and practical significance.

Keywords

US small business, digital advertising, advertising spend, marketing strategies, algorithmic targeting, micro-influencers, content marketing, marketing effectiveness, artificial intelligence, local marketing, hyperlocal marketing

JEL: L26, M37, M21



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2 Literature Review

Small businesses account for over 99% of all businesses in the United States and are a key sector of the economy (SelectGCR, n.d., US Small Business Administration, n.d.). However, this sector faces a number of marketing challenges, especially in the context of the rising cost of digital advertising (MoffettNathanson, 2024, Intuit SMB MediaLabs, 2025). The rising cost of advertising forces entrepreneurs to look for effective strategies for attracting customers with limited resources (Lapmonk, 2024, Jasmine Directory, 2024). Research by Gordon et al. has shown that the digital advertising market is characterized by significant inefficiencies that affect advertisers' costs (Gordon, Zettelmeyer, Bhargava & Chapsky, 2019). These inefficiencies are exacerbated by algorithmic mechanisms of platforms, which sometimes lead to discrimination in the delivery of advertising (Ali, Sapiezynski, Korolova, Mislove, & Rieke, 2023). On the other hand, technological innovations, in particular the use of artificial intelligence (AI), open up new opportunities for personalization and automation of small business marketing (Management Enthusiast, 2025, Forbes Business Council, 2025, Forbes Communications Council, 2025). The COVID-19 pandemic has caused significant fluctuations in demand, which has been confirmed by the analysis of high-frequency spending data (Lee, Chetty & Hendren, 2023). This factor further complicates the planning of advertising budgets and marketing strategies. Analytical reports and other sources indicate trends in increasing marketing budgets of small businesses with an emphasis on social networks, content marketing and search advertising (Intuit SMB MediaLabs, 2025, LocaliQ, 2025, University of Wollongong Business Research Reports, 2022, Camp Digital, 2025). At the same time, there is a need to develop cost-effective strategies that can adapt to the dynamic landscape of digital advertising (UnitedAds, 2024, Lapmonk, 2024, AskToTalk, 2024). The economic and social responsibility of business is also gaining importance as factors of competitiveness (Vahonova, Tryfonova, Bondar, Petrukha, Kyrychenko & Akimov, 2022, Putintsev, Klymenko, Mala, Horlach, Petrukha & Kovtun, 2022, DesignRush, 2025, AllBusiness.com & Constant Contact, 2024). This creates additional requirements for strategic decisions of small business owners. Thus, scientific research and analytical reports on the state of small business development demonstrate a complex set of factors that determine the effectiveness of marketing efforts in the face of growing advertising costs and constant changes in the digital environment.

3 Problem Statement

The health and development of small businesses directly affect the stability and growth of the US

economy, but today this sector faces growing marketing challenges due to the increasing cost of digital advertising. The increase in advertising costs, limited resources of enterprises, as well as rapid technological changes create difficult conditions for the effective promotion of products and services. Despite the importance of advertising as a driver of sales growth, many small businesses cannot adequately adapt their marketing strategies, which leads to a loss of competitiveness and a slowdown in development. Thus, there is an urgent need to research effective, cost-effective digital marketing strategies for small businesses that will optimize costs and increase the effectiveness of advertising campaigns in the face of rising advertising costs.

4 Methods and Materials

This study uses a mixed methodology that combines quantitative analysis of statistical data with a qualitative study of the marketing strategies of small businesses in the United States.

1. Quantitative analysis. To assess trends in advertising spending and their impact on small businesses, data from official reports on the current state of small businesses and the challenges and prospects for their promotion in a situation of increasing advertising prices were used.

2. Qualitative analysis. A content analysis of analytical materials, interviews with small business owners, and reviews of marketing platforms was conducted. This allowed us to identify current issues, practical challenges, and successful practices related to the use of digital advertising tools.

3. Experimental component. The study analyzed cases of innovative approaches to content marketing, in particular using AI to create and adapt advertising materials. Comparing traditional and new methods made it possible to assess the effectiveness in terms of saving budget and increasing advertising reach.

4. Research limitations. Due to the rapid changes in the digital marketing field and the heterogeneity of small businesses, the research results should be interpreted within the context of specific industries and regions. In addition, the limited amount of public data for 2025 affects the completeness of the statistical conclusions.

5 Results and Discussion

In the context of limited financial and human resources, small businesses are forced to apply innovative and flexible approaches to remain competitive in a rapidly changing market. Understanding the characteristics of the marketing environment for small businesses in the United

States allows us to identify key issues that hinder their development. One of the leading challenges is limited budgets. Many small businesses operate within tight financial frameworks that make it impossible to launch large-scale advertising campaigns, make it difficult to access marketing expertise, do not allow them to invest in marketing strategies with a delayed economic effect, and reduce the opportunity to experiment with different promotion channels, which reduces the likelihood of identifying effective channels and communication tools. Thus, financial constraints reduce the chances of small businesses to achieve sustainable marketing results. This, in turn, necessitates the need to focus on cost-effective forms of promotion, such as content marketing, SEO, or cooperation with micro-influencers. No less significant barrier is time constraints: small business owners, as a rule, combine several functions at the same time (management, finance, logistics, customer support), which leaves a minimum of time for strategic planning of marketing actions. In addition, the rapid dynamics of marketing trends creates an additional burden. The emergence of new digital platforms, analytics tools and formats of interaction with the consumer requires businesses to constantly update their knowledge and be flexible in decision-making. For many small companies, this is a resource-intensive task that can lead to the loss of relevance of the selected communication channels. The problem of identifying the target audience should be highlighted separately. Effective targeting requires in-depth analysis of consumer behavior, demographic data and analytics of interaction with content, which may be unavailable or difficult to implement without appropriate tools and professional training. Taken together, these factors require small businesses not only to adapt to constraints, but also to form their own strategic approaches based on flexibility, creativity, and effective use of available resources (SelectGCR, n.d., UpFlip, 2025).

The next challenge for small business development is the rapid growth of digital advertising and promotion costs in the context of market monopolization by large technology platforms. For example, Gordon et al. draw attention to the deep structural problems associated with digital advertising that affect the efficiency of small businesses. This is especially true for those segments of its business that have limited budgets and need maximum return on each advertising dollar. Among the most significant problems, researchers highlight: price opacity, information asymmetry between advertisers and advertising platforms, as well as the difficulty of assessing the real impact of advertising on consumer behavior. Researchers prove that a significant part of advertising costs is directed to intermediaries and does not provide the expected result. In particular, due to the complex ecosystem of digital advertising and numerous placement channels, small companies

often waste resources on non-target audiences or on platforms with low conversion rates (Gordon, Zettelmeyer, Bhargava & Chapsky, 2019). In addition to marketing difficulties, small businesses also face challenges in accessing capital, an unstable economic situation, and a shortage of skilled personnel.

Ali M. et al. emphasize the importance of increasing transparency and accountability of advertising platforms. The introduction of audit tools for advertising delivery algorithms, as well as increased regulatory oversight, can be an important step towards creating a fair advertising environment. For small businesses, this opens up prospects for more equitable access to digital advertising, provided institutional support, data openness and increased awareness of the functioning of algorithmic systems (Ali, Sapiezynski, Korolova, Mislove & Rieke, 2023).

Lee, Chetty, and Hendren offer an in-depth analysis of the structural changes in consumer demand caused by the COVID-19 pandemic, using high-frequency consumer spending data. The authors emphasize that small businesses have been particularly hard hit, as the demand shock has been deeper and more prolonged in sectors dominated by small businesses, such as services, retail, and food. The high sensitivity of these sectors to changes in consumer behavior has forced small companies to urgently adapt their marketing strategies, including digital transformation and a shift in emphasis to online advertising. However, the analysis shows that small businesses often lacked access to timely information about changing consumer patterns, making it difficult for them to respond to fluctuations in demand. The lack of analytical tools and the difficulty of using high-frequency data put small businesses at a disadvantage compared to large companies that could quickly adapt marketing strategies to changes in consumer activity. In this context, advertising costs became not only a financial but also an analytical challenge: effective use of advertising budgets required the ability to quickly respond to consumer behavioral trends (Lee, Chetty & Hendren, 2023). According to a 2022 report by the University of Wollongong, despite the widespread use of digital promotion channels, small businesses are increasingly facing financial barriers associated with the growing cost of audience acquisition, high competition for advertising space and the constant need to adapt to changes in the work of algorithms on platforms. The report emphasizes that advertising costs are becoming disproportionately high in relation to the overall budget of small companies, which limits their potential to scale and maintain a stable customer flow. Of particular note is the analysis of the "marketing load", which includes both direct advertising costs and the time and human resources required to manage marketing campaigns. Unlike large companies that have an appropriate staff of specialists, small businesses are often forced to perform all functions

on their own – from content creation to advertising effectiveness analysis. This leads to fragmentation of the marketing strategy and reduces its competitiveness (University of Wollongong Business Research Reports, 2022).

One of the central conclusions regarding the key budgetary difficulties faced by small businesses in the field of marketing, according to analytical data, is that most small companies are forced to operate in conditions of chronic underfunding of marketing activities. Budget constraints force entrepreneurs to choose between short-term promotion and long-term strategic investments that should develop the brand, promote customer loyalty and form a presence in the digital environment. Due to lack of experience, small businesses often invest in platforms or tools that do not bring the expected result. At the same time, a large amount of information and aggressive advertising policies from larger players lead to the fact that small businesses overpay for audience attraction, without being able to receive a competitive level of analytics or consultations. These factors reduce the effectiveness of even those campaigns that initially look quite presentable and promising (Lapmonk, 2024). Another analytical article emphasizes that the Google Ads and Meta Ads operating models were originally designed for scale and volume – factors that favor large companies with high budgets and marketing teams. In such conditions, small businesses face the problem of “invisibility”: even with active budgeting, they have no guarantee of effective reach, because the algorithms prefer campaigns with a greater history of success, high bids and flexibility in settings. This situation leads to a decrease in trust in digital advertising, a rejection of paid channels or, in the worst case, to a false conclusion about the inefficiency of online marketing in general (Forbes Business Council, 2025).

Analytical report 2024 emphasizes that despite limited budgets, most small businesses continue to actively invest in digital marketing, but feel pressure due to the increasing cost of customer acquisition. This forces businesses to look for more creative and cost-effective approaches, in particular the use of content marketing, SEO, including local, email marketing or affiliate programs. The increase in advertising costs simultaneously increases the risks of losing competitiveness, especially in oversaturated markets. At the same time, the authors emphasize that adaptability and innovation in content, as well

as a focus on building long-term relationships with customers, are becoming key factors for the survival and growth of small businesses (UnitedAds, 2024).

Overall, the U.S. advertising market is set to see its fastest growth since 1983 in 2024, driven by the combined impact of the presidential election, the Olympics, and the rapid growth of digital media. According to analysts MoffettNathanson (2024), national television advertising spending grew by just 4% due to political influence, while digital video jumped 16% (Interactive Advertising Bureau, 2024). In this media inflationary environment, small businesses face real challenges: rising cost-per-impression (CPM), competition for ad slots, and being squeezed out of the ad auction by big brands.

Table 1 presents key changes in the video advertising landscape that are impacting small business advertising strategies:

At the same time, the situation also opens up new opportunities. For example, among the strategic solutions that have gained popularity among small businesses are focusing on organic traffic (SEO, content on social networks), cooperation with micro-influencers and the use of niche channels – aggregators, podcasts, local platforms, which have a lower barrier to entry and a more loyal audience. In addition, automated analytics tools allow optimizing marketing costs, which is especially important for limited budgets.

In the context of advertising inflation in 2024, small businesses not only faced challenges, but also actively formed new approaches to marketing presence. The most effective among them were considered to be localization of advertising campaigns, reorientation to low-cost channels with high engagement, and integration of AI into operational processes.

The choice of promotion channel is one of the key factors determining the effectiveness of advertising campaigns and the efficiency of using the advertising budget. For different types of businesses, the appropriateness of using a particular channel depends on the characteristics of the product, the target audience, and the degree of formation of demand for the product. In modern marketing, two basic types of demand are distinguished: formed demand and emerging demand. Established demand is inherent in goods and services for which the consumer already has a perceived need and consumers are searching for these products. For such products, the most effective channels are search advertising, SEO and Google

TABLE 1 Growth in video advertising spending in the US (2023–2024)

Video advertising segment	2023 (\$ billion)	2024 (\$ billion)	Change, %
Connected TV (CTV)	20.3	22.7	+12%
Social video	19.5	23.4	+20%
Online video (OLV)	14.2	16.8	+18%
Total amount	54.0	63.0	+16%

Source: Compiled by the author based on MoffettNathanson, 2024

Maps, if the business is local. Emerging demand is characteristic of products that the consumer may not know about or realize their need for. For such products, social networks are effective advertising channels. Communication through Facebook, Instagram, TikTok and bloggers is aimed at generating demand by demonstrating the value and emotional appeal of the product (AskToTalk, 2024).

Consumer behavior research is an important step in determining the most effective promotion channels for a business. Studying how and where potential customers learn about a product, as well as at what stage they make a purchase decision, allows identifying whether it is more appropriate to use tools aimed at generating demand or to work with existing demand. An additional useful step in determining advertising channels is an analysis of the competitive environment, which allows identifying the most effective promotion channels within a certain industry. For this, it is advisable to use specialized tools, such as SimilarWeb, Facebook Ads Library, TikTok Ads Library or Google Ads Library, which provide access to information about competitors' advertising activity. The emphasis should be on successful enterprises that demonstrate stable business results, since focusing on ineffective examples can lead to erroneous management decisions. The final step in determining the most effective promotion channels is to assess the economic feasibility. Forecasting the average cost of a click and potential conversion at different stages of the funnel allows estimating the potential cost of attracting a customer and correlate marketing costs with the expected result. This approach allows comparing the potential profitability of advertising channels and choose the most effective ones (Simon-Kucher & Partners, 2024).

According to the Intuit SMB MediaLabs (2025) survey of 1,006 marketing leaders and business owners, more than 75% of small businesses advertise on social media, but nearly half of them admit that they struggle to maintain an effective advertising strategy due to limited budgets. Rising cost-per-click (CPC), lack of transparency in content distribution algorithms, and declining organic reach are forcing small businesses to either reduce marketing spend or look for alternative, less expensive channels to attract customers. According to the same survey, the smallest businesses are forced to invest a significant portion of their marketing budget in paid promotion: on average, 37% of the total marketing budget is spent on advertising, and some companies have to spend as much as 80–100%. More than 23% of businesses reported spending at least 10% of their budget on advertising, putting significant pressure on profitability, especially amid slowing consumer activity and economic uncertainty. As a result, small businesses were forecasting a total advertising spend of up to \$640 billion by 2025, as of March of this year (Intuit SMB MediaLabs, 2025).

Small businesses remain focused on using three to four different advertising channels. Only 10% of respondents said they would use six or more advertising channels this year, according to the survey. Table 3 provides an overview of the advertising channels preferred by U.S. small businesses.

So, social networks are considered the priority and most effective in the context of promoting small businesses, followed by recommendations on products and SEO. Social media, recommendations, and television advertising are considered among the most effective. In the article *Management Enthusiast* emphasizes that, despite limited budgets, small businesses can achieve growth by using local SEO and

TABLE 2 Comparative characteristics of the main advertising promotion channels and their correspondence to types of businesses

Promotion channel	Best suited for	Main advantages	Main limitations/risks
Google and Bing advertising	Businesses with established demand or products priced above \$200	Allows attracting users who are actively looking for solutions; high conversion for relevant queries	High cost per click; requires clear semantics
SEO (search engine optimization)	Businesses selling through the website	Reduces the long-term cost of traffic; the effect accumulates over time	Requires long-term investment (~1 year to payback)
Google Maps and reviews (Local SEO)	Local businesses – restaurants, shops, beauty salons, etc.	Increases visibility in local search; influences customer decisions through reviews	Dependence on rating and quality of service
Facebook and Instagram	Businesses with emotional products; non-searching audience knows about existing solution	Generates demand; works well on visual content; precise targeting	Less predictable conversion; requires creative campaigns
TikTok	Youth brands; low-cost emotional purchases; viral content	High virality; possibility of rapid growth in recognition	High competition for attention; short content lifecycle
Micro-bloggers (3–20k followers)	Local businesses and brands	High audience trust; perception as a recommendation, not an advertisement, the ability to use UGC content in the future advertising	Limited reach; difficulty scaling

Source: Compiled by the author based on Thomasnet, 2024, HubSpot, 2025, Search Engine Land, 2025

TABLE 3 Research on small business advertising channels

Advertising channel	Use	Considered effective	They plan to increase spending.
Social networks	75%	75%	48%
Product recommendations	57%	67%	27%
SEO	51%	59%	27%
Local advertising	43%	52%	20%
Banner advertising (display)	39%	42%	18%
Video advertising	30%	50%	19%
Paid search	27%	51%	14%
Television advertising	19%	65%	12%

Source: Compiled by the author based on Intuit SMB MediaLabs, 2025

micro-influencers, which allows to reduce the cost of customer acquisition (Management Enthusiast, 2025). However, Lapmonk research emphasizes the importance of rational planning of advertising costs, increasing advertising budgets is not always accompanied by a proportional increase in conversions, which makes advertising investments less profitable, and therefore increases the risk of inefficient use of the budget and hampers the development of enterprises (Lapmonk, 2024).

Small businesses are often limited in financial and time resources or expertise to create quality marketing content. As numerous reports show, small business owners are forced to choose between expensive creative agencies and low-efficiency self-made content. Often, even a video created by a professional production for \$400 does not give the expected result. At the same time, the effectiveness of advertising campaigns is closely related to the number and variability of creatives for testing. The methodology proposed by the author allows small businesses to create a large amount of advertising content with minimal costs. It is based on the use of video content shot directly by the owner or employees of the business. This avoids significant costs for external

creators and ensures greater authenticity of the content, which often has higher effectiveness in the non-premium segment. Key stages of the process: formation of technical specifications: description of the format, number of frames and topic; shooting: short frames (2–5 seconds) in different locations; scripting: writing up to three scripts and hooks for one set of shots; voiceover: generated via AI based on scripts; editing: creating 18–48 video variations based on a single shooting session.

Using this technique allows reducing the cost of creating content by 4–10 times. For example, instead of \$1000–4000 for 10 videos, the costs can be only \$200–600, which includes the cost of shooting and basic editing. This is especially valuable for businesses that are actively testing advertising and working with a limited budget. Table 5 presents a comparative analysis of the traditional approach and the use of the author's technique in reducing the cost of creating content.

The methodology is already actively used by businesses in the USA, Ukraine, and Kazakhstan. Compared to classic UGC approaches, the results of campaigns built on this method can increase by 20–60%. The technique turned out to be especially effective

TABLE 4. Key challenges and strategies for small businesses in digital advertising (2024–2025)

Challenges	The essence of the challenge	Recommended solutions
Limited budgets	Small businesses have limited financial resources to implement large-scale marketing campaigns	Focus on the most profitable promotion channels; development of content marketing, cooperation with micro-influencers, investment in SEO
Rising advertising costs	Increasing CPM or CPC on Facebook and Google makes it harder to compete	Implementation of analytics systems, optimization of the structure of advertising campaigns, improvement of content quality and effectiveness of landing pages
Low cost efficiency	Significant marketing costs do not always provide proportional sales growth	Reviewing the effectiveness of promotion channels, redistributing the budget between them, implementing systematic analytics of results and searching for alternative channels
Competition with big brands	Large companies have higher budgets and dominate advertising platforms	Focusing on narrow market niches and emphasizing the unique competitive advantages of small brands
Risk of loss of competitiveness	Lack of adaptation to market and technology changes leads to reduced financial results	Integration of digital tools, implementation of modern marketing trends and flexible promotion strategies

Source: Compiled by the author based on Jasmine Directory, 2024; AskToTalk, 2024; Lapmonk, 2024; UnitedAds, 2024; Management Enthusiast, 2025

TABLE 5 Benefits of using authoring techniques to reduce the cost of creating content for small business promotion in the USA

Parameter	Traditional approach	Author's methodology
Cost of 1 video	\$100–400	\$10–15
Number of videos from 1 session	1–4	18–48
Voice-over	Actor / Studio	AI voice acting
Testing variations	Limited	Mass, A/B testing

Source: Compiled by the author

for advertising campaigns aimed at a broad (so-called "cold") audience, as well as for local businesses, where the authenticity of content plays a key role. Unlike many digital agencies that do not provide clients with tools to create new content, the proposed approach focuses specifically on scaling the number of creatives, which is critical for successful promotion. More content – more tests, more chances to find an effective option and achieve better business results.

There are other developments among scientists regarding practical opportunities for small business development. At the same time, in a practical sense, the importance of organic marketing, which is based on community development, content strategy and partnerships, is growing. The University of Wollongong report emphasizes the need to reorient from advertising costs to the quality of interaction with the audience, brand development and authenticity. In this context, the digital literacy of entrepreneurs acts as a crucial resource. Free educational initiatives and support programs are compensatory tools that can increase the awareness of entrepreneurs and reduce the dependence of small businesses on expensive promotion channels (University of Wollongong Business Research Reports, 2022). Researchers pay special attention to hyperlocal marketing and the use of niche platforms with a lower financial threshold for entry. As emphasized in the Jasmine Directory

and AskToTalk.com reports, in conditions of budget constraints, small businesses are able to successfully compete due to strategic specialization, consumer trust, as well as automation of marketing processes through analytical tools (Jasmine Directory, 2024). In parallel, the development of alternative communication channels, such as microinfluencer marketing, direct messages, or local online communities, allows for reduced dependence on monopolized digital environments.

6 Conclusions

In summary, the authors would like to note the following: in the context of today's digital environment, small businesses face numerous obstacles related to the effectiveness of advertising investments. Although the increase in advertising costs complicates the situation of small businesses, a comprehensive strategic rethinking of the marketing model, combined with institutional support and the development of digital competencies, opens up new opportunities for growth. The sustainability of small businesses increasingly depends not on the volume of advertising investments, but on flexibility, technological awareness and the ability to think strategically in the face of digital transformations.

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