Exploring and Investigating the International Marketing Communication Strategies of British Digital SMEs: A Signalling Theory Perspective

Abstract

Purpose

This paper empirically explores the international marketing communication strategies of digital SMEs by utilising the signalling theory aiming to address several significant gaps in the existing literature.

Design/methodology/approach

Using a qualitative research methodology, this study draws on extensive interviews with ten British digital SMEs and supplementary secondary data. A systematic combining approach is employed to address the research question and develop an abductive framework for the application of signalling theory in international marketing for digital SMEs.

Findings

The findings reveal that for digital SMEs, country of origin, organisational reputation and the digital strategy emerge as the most influential signaller qualities. In contrast, industry and regional reputation appear to have minimal impact. Among the signals examined, customer orientation and innovativeness are perceived as particularly strong, while signals such as leadership appeal, e-service quality, and good employer are viewed as comparatively less effective. Finally, although customer e-loyalty strategies are rarely employed, both formal and informal feedback mechanisms play a critical role in managing information asymmetries between digital SMEs and customers.

Originality

This study makes a novel contribution to the international marketing literature by extending the application of signalling theory to the underexplored context of digital SMEs. It addresses critical gaps in existing research by examining how digital SMEs utilise reputation in international markets as well as overlooked elements such as feedback mechanisms and countersignals.

Keywords

Digital SMEs, Signalling theory, International marketing communication, Digital strategy, Country of origin reputation, Corporate reputation

Paper type

Research paper

Introduction

Small and medium-sized enterprises (SMEs) represent 99.8% of the UK business population, with smaller SMEs (those employing fewer than 50 people) accounting for 99.2% of all businesses (Department for Business and Trade, 2024). According to the Office for National Statistics, the UK experienced a business birth rate of 11.5% and a death rate of 11.8% in 2022. This marks the first time since 2010 that business closures outpaced new business formations reflecting broader challenges for start-ups and SMEs. For example, only 56% of SMEs survive beyond three years, and fewer than 40% make it past the five-year mark (Office for National Statistics, 2023). These figures underline the high-risk environment for new ventures, particularly in the context of increasing global uncertainty (Zahoor and Lew, 2023), where additional complexities may further impact survival rates. SMEs employ a variety of strategic approaches to mitigate the risk of failure including domestic and international geographical expansion (Rahman *et al*., 2017). International market expansion has been identified as one of the most prevalent and effective means for SMEs to achieve both immediate and sustained economic gains (Dabić *et al*., 2020; Child *et al*., 2022). However, fast and early internationalisation is also a high-risk, high growth strategy in which some SMEs may succeed, while many others fail (Kuivalainen *et al*, 2012).

Digitalisation has been shown to significantly facilitate the internationalisation of SMEs and provide them with access to potential customers by lowering traditional market entry barriers and enabling more agile, cost-effective global operations (Sinkovics *et al*., 2013; Jean *et al*., 2020; Bargoni *et al*., 2024; Sousa *et al*., 2025). Even though digitalisation enables SMEs to gain access to potential customers in foreign markets, this access does not mean that they would be legitimate providers in the minds of customers (Reuber and Fischer, 2009). This is because SMEs suffer from liabilities of newness (Stinchcombe, 1965), foreignness (Hymer, 1960;

Zaheer, 1995), smallness (Aldrich and Auster, 1986), and outsidership (Johanson and Vahlne, 2009). Digital SMEs must establish visibility in international markets and communicate their credibility and reliability to customers (Hallen *et al*., 2020). Therefore, the way digital SMEs employ marketing communication is critical to their long-term success in international markets, as it influences their ability to engage effectively with customers.

Signalling theory (Spence, 1973 and 2002; Taj, 2016; Connelly *et al*., 2011 and 2025; Fletcher-Brown *et al*., 2017; Vanacker *et al*., 2020; Arzubaiga *et al*., 2023, Shahid *et al*., 2024) explains how, in contexts of incomplete or imperfect information, individuals or organizations (signallers) convey observable and credible signals to communicate otherwise unobservable qualities, thereby supporting more informed decision making by external parties such as customers. Signalling theory (ST) addresses a key challenge for new ventures and SMEs by helping to reduce significant information asymmetries faced by critical stakeholders such as customers (Lu *et al*., 2024). Nevertheless, despite the increasing attention to the use of ST and its application and relevance to international marketing (Kharouf *et al*., 2020; Mandler *et al*., 2021), empirical explorations for new ventures remain limited (Bafera and Kleinert, 2023), and application of ST to the internationalisation of digital SMEs (Lu *et al*., 2024) as well as the specific signals used by these SMEs remain insufficiently examined (Shahid *et al*., 2024). Given the critical importance of overcoming liabilities and engaging with customers in international markets for digital SMEs, it is somehow surprising that existing research has paid little attention to how these companies utilise signals to reduce information asymmetry during the early stages of internationalisation, as well as how they interpret and respond to customer countersignals (feedback).

To address this gap, this study investigates the international marketing communication strategies of British digital SMEs utilising the signalling theory. We explore a range of signals that may be leveraged to build reputation and gain legitimacy in international markets yet have not been thoroughly examined through the lens of ST in the context of early internationalisation of digital SMEs. These signals include national and corporate reputation, as well as organisational attributes such as customer orientation, good employer, leadership appeal, and the quality of e-commerce/service. We also investigate how digital SMEs utilise feedback mechanisms to identify, interpret and respond to countersignals. The rationale for focusing on these specific signals is outlined in the remainder of this section and further elaborated in the literature review.

Although, country of origin (COO) and corporate reputation could act as powerful signals in influencing customer perception and behaviour (Kirmani and Rao, 2000; Swoboda and Hirschmann, 2017; Swoboda and Batton, 2020), how digital SMEs may utilise such signals and their potential interplay remain a gap in previous research. While previous studies have examined the role of COO and its impact on customer trust and purchasing behaviour, "there are a limited number of studies linking signalling theory with country-of-origin literature" (Shahid *et al*., 2024, p.550). More importantly, since digital SMEs often face challenges such as limited brand recognition, underdeveloped corporate reputations, and constrained marketing resources, they may rely on the positive image of COO to signal trust and credibility in attempt to enhance organisational reputation signals. Nonetheless, existing research is yet to sufficiently investigate how digital SMEs utilise the positive image of their COO to enhance or amplify organisational reputation signals. Therefore, one of the objectives of this study is to explore how digital SMEs utilise COO reputation to enhance corporate reputation signals in international markets.

A critical element of ST is the role of feedback mechanisms which is defined as "the receivers sending information back to signallers about the effectiveness of their signals" (Connelly *et al*., 2011, p.55). Surprisingly, existing research on ST has largely overlooked the role of feedback mechanisms (Taj, 2016; Bafera and Kleinert, 2023; Connelly *et al*., 2025) and the ways in which signallers capture countersignals. The limited application of ST in international marketing research seem to focus predominantly on signals and their characteristics in isolation without paying attention to the mechanisms through which feedback is captured or interpreted. Therefore, another objective of this study is to explore the feedback mechanisms that digital SMEs implement in international markets.

Consequently, the central research question guiding this study is: *Through the lens of signalling theory, how do UK digital SMEs signal reputation and strengthen their credibility in foreign markets as part of their international marketing strategy?* In doing so, we address several significant gaps in the existing research in the application of ST to international marketing research.

This study contributes to the current body of literature on internationalisation of SMEs by offering new insights into how digital firms can strategically mitigate various liabilities through the effective use of direct signalling mechanisms aimed at international customers. Drawing on qualitative data from in-depth interviews with ten UK digital SMEs and employing a systematic combining approach, the integrated abductive model of ST offers several theoretical contributions for future research, as well as practical implications for SME owners and managers operating in international markets. The findings highlight that signaller qualities such as COO reputation, organisational credibility, and digital strategy coherence, play a critical role in enhancing legitimacy in foreign markets. Crucially, the findings of this study demonstrate that, in the absence of fully established organisational credibility in international markets, digital SMEs leverage the positive image of their COO to signal corporate reputation and foster trust. Strong signals such as customer orientation and innovativeness were especially impactful, while feedback mechanisms emerged as strategically important for interpreting countersignals. The abductive approach further enabled the identification of several novel strong signals employed by digital SMEs in their efforts to market to international customers, notably including *flexibility, trust*, and the *speed of service delivery*. Conversely, signals like leadership appeal and good employer were perceived as ineffective, suggesting that digital SMEs should prioritise high-impact signals when operating with limited resources.

Literature review and theoretical underpinnings

SMEs aiming to establish an international brand presence suffer from several disadvantages due to the inherent limitations of being small, new and foreign (Zaheer, 2015; Chang *et al*., 2024). Even for digital businesses and platforms, expanding internationally via digital networks remains difficult due to the heightened challenges associated with being an outsider, that is to be not part of the networks of the target market (Brouthers *et al*., 2016). It is more difficult to find opportunities in the market if one is not an insider in the target market networks (Johanson and Vahlne, 2009). Several strategies have been suggested how to overcome these liabilities such as radical innovations (Love *et al*., 2016) or development of international entrepreneurial orientation (Chang *et al*., 2024). Early and rapidly internationalising firms can use the Internet to enter new markets and overcome some liabilities and export barriers (Sinkovics *et al*., 2013) as the Internet (also various social media platforms) can serve as a distribution and promotion channel. If the companies' offerings were digital, they may be easily made available to potential international customers, but the quality of digital artefacts, and credibility of the digital company altogether may be difficult to ascertain, as there may be several similar competitors (Petersen *et al*., 2002; Reuber and Fischer, 2009; Mandler *et al*., 2021; Ojala *et al*., 2023). Overall, an important strategy for overcoming these liabilities is leveraging marketing communications to build a strong brand and effectively promote products and services to a targeted audience in the chosen international market It may also be possible to use reputational resources of other parties, which can be seen as a facilitator for early and rapid internationalisation (cf. Oviatt and McDougall, 1994 and that international new ventures do not have to own their resources but they can use other parties' resources).

Marketing communications of SMEs

SMEs typically lack significant brand recognition and experience in brand marketing in comparison to larger and more experienced firms (Kusi *et al*., 2022). Hence, in order to internationalise effectively, SMEs need to be able to establish a reputation (Reuber and Fischer, 2009). For digital young or adolescent SMEs, reputation building comes down to both marketing communications, which is, according to the Universal Marketing Dictionary (2024), "coordinated promotional messages and related media used to communicate with the market" (i.e. things which a company may control), and further to the factors which are outside of the company's control. In case of the latter, e.g., Reuber and Fischer (2009) give an example of online user ratings, which are online word-of-mouth and uncontrolled. A company is, however, able to control some signals such as advertising and website content and hence, its digital marketing strategy. Digital marketing strategy can be seen to contain several digital marketing tactics such as content marketing, search engine optimisation, email marketing, data driven personalisation, marketing technology use, and social media advertising (Olson *et al*., 2021), which a company can use to communicate to the selected target audiences. Additionally, classic marketing communications tactics could be used such as advertising in print media, billboards and TV, although these media outlets are often more expensive and may require more resources.

If the SME would be a digital-based new venture, and it would produce digital artefacts, then there would be many possibilities to create more complex products and services (Vadana *et al*., 2019) and modify and update the artefacts (Ojala *et al*., 2023) to signal e.g., quality – with the aim to be able to build trust and e-loyalty. In contrast some signals that are mostly outside of the company's control are COO image, which relate to the home location of the company. Both types of signals can be studied under the umbrella of ST, and as the companies mature, they would suffer less from the liability of newness and can develop and control their own reputation more easily (Bafera and Kleinert, 2023).

Signalling theory

Rooted in economics, ST (Spence, 1973, 2002) is a way to address information asymmetries in markets characterised by uncertainty (Bafera and Kleinert, 2023). According to the ST, one party, referred to as the sender, must determine whether to transmit a signal and in what form, while the other party, known as the receiver, must decide how to interpret and respond to that signal (Connelly *et al*., 2025). From an organisational standpoint, the role of the signaller is typically assigned to managers, who are responsible for conveying various messages (signals) related to the firm's business activities. Conversely, the role of the receiver is attributed to stakeholders such as customers, vendors, or shareholders who interpret these signals (Connelly *et al*., 2011).

ST is widely used in different literature streams (Taj, 2016; Connelly *et al*., 2011; Fletcher-Brown *et al.*, 2017; Jean *et al.*, 2021; Arzubaiga *et al*., 2023; Bafera and Kleinert, 2023; Connelly *et al*., 2025), also in the international marketing field and to a limited extent to the SME context, in recent years (Jean and Kim, 2021; Lu *et al*., 2024). The use of effective signals is seen helpful for internationally operating companies when they aim to increase the understanding between the various international stakeholders and reduce knowledge gaps and enhance communication (Mandler *et al*., 2021; Swoboda and Batton, 2020). Nevertheless, despite the increasing attention to the use of ST in international marketing and its relevance to the field (Kharouf *et al*., 2020), no theoretical consensus exists regarding the underlying assumptions and existing studies on digital marketing are scarce with limited focus on international marketing strategies (Shahid *et al*., 2024).

Information asymmetry is a danger and risk for many companies and more so for SMEs (Lu *et al*., 2024). This is because it may cause uncertainty regarding the quality of products or services, as well as their characteristics, and qualifications (Baek *et al*., 2010). Therefore, it becomes important for all companies, especially SMEs, to decrease or avoid this uncertainty, by sending the right signals about the SME (signaller), as such signals about for example, their product quality and value they add is important to retain and attract customers (see for example, Schellong *et al*., 2019). Utilising the ST, we argue that digital SMEs send signals about their businesses through their online marketing communication strategies to existing and future customers. The four key tenets of ST are based on four aspects the signaller, the signal, the receiver and feedback (Bergh *et al*., 2014).

Signallers can be defined as insiders (leaders and managers), who possess information about organisations, their products or individuals (Taj, 2016; Bafera and Kleinert, 2023). In this case, we argue that SME business owners and/or managers are the signallers. The key here is that this information is not available to the receivers the information could be perceived as positive or negative and the receivers consider the signals important and valuable. The information may consist of details about services or products related to the SME. This information can help the receivers to have perceptions about the quality of the characteristics related to employees, organisation, services or products within these SMEs (Lu *et al*., 2024; Connelly *et al*, 2025). Naturally it is acknowledged that some signals such as COO reputation are external to the signaller and outside their sphere of influence. Digital SMEs may provide the customers with a large amount of information as signals, to overcome liabilities and reduce information asymmetry (Lu *et al*, 2024). Nonetheless, the distinct signals communicated by digital SMEs to customers during the early stages of internationalisation have received limited scholarly attention in the existing literature (Gong et al., 2024). Additionally, the extant literature on the internationalisation of digital SMEs through the lens of ST has predominantly concentrated on the role of third-party digital platforms, particularly how SMEs leverage these platforms to deliver their products and services (see for example: Nambisan *et al*., 2019; Jean and Kim, 2021; Jean *et al*., 2024) and there is scant research on how digital SMEs directly utilise signals outside these platforms to engage with customers.

According to ST, organisational reputation functions as an important signal for reducing information asymmetries, particularly in international markets where trust and credibility are not easily established (Kirmani and Rao, 2000; Swoboda and Hirschmann, 2017; Swoboda and Batoon, 2020). Nonetheless, for SMEs entering new international markets, the absence of an established reputation often poses a significant barrier to gaining legitimacy and customer trust (Rahman *et al*., 2017) making it difficult for them to signal quality and reliability effectively (Lu *et al*., 2024). In such cases, the reputation of the firm's COO plays a significant role as a valuable signal (Magnusson *et al*., 2015; Mandler *et al*., 2021). COO refers to how the origin of where the products and services are from could potentially influence the purchasing behaviour of customers (Magnusson et al., 2015). Accordingly, this study seeks to explore the role and interplay of organisational reputation and COO as potential signalling mechanisms employed by digital SMEs in their internationalisation efforts.

Although corporate reputation encompasses various dimensions, it is essential to prioritise signalling dimensions that are particularly relevant and applicable to the context SMEs as part of our a-priori codes. Swoboda and Batton (2020) identified customer orientation defined as the degree to which an organisation prioritises consumer needs and the fulfilment of customer satisfaction, and good employer as the extent to which a company is effectively managed and has capable personnel who are treated well. Furthermore, in environments marked by information asymmetry, such as new international markets, observable traits of leadership such as charisma, creativity, and flexibility can signal firm quality and strategic intent (Kromidha and Li, 2019). Charismatic leadership has been identified as a potentially powerful signal, as it reflects confidence, vision, and the ability to mobilise resources and networks, all of which are crucial for navigating foreign market entry (Ernst *et al*., 2022). These personal attributes can thus function as proxies for organisational competence, especially when traditional signals such as financial performance or brand equity are limited. Consequently, we explore the customer orientation, good employer and leadership appeal of the digital SMEs as potential signals in this research.

Consumers are increasingly engaging in transactions within virtual environments, which introduce distinct forms of information asymmetry and, necessitate unique signalling mechanisms and decisions (Connelly *et al*., 2025). In the digital sphere, e-commerce quality could act as an important signal (Zhang and Chen, 2022) for internationalising companies (Gong *et al*., 2024). For digital SMEs, which often lack physical presence and brand recognition internationally, the quality and sophistication of their online service offerings such as user-friendly websites, secure payment systems, responsive customer service, and multilingual interfaces can convey important cues about their professionalism and reliability (Swoboda and Sinning, 2022; Sinkovics *et al*., 2013). As a result, we explore e-commerce quality as a signal within this study.

According to the ST, the receiver is the second party or the outsider who lacks information about the signalling organisation and is willing to receive the information (Connelly *et al*., 2011, 2025). In the context of this study, these are existing and potential customers of/for the digital SMEs. The effectiveness of a signal for the receiver is contingent upon the degree to which it aligns with the desired attributes of the signaller (Connelly *et al*., 2011). Certain quality signals may be more perceptible or interpretable than others, prompting management scholars to differentiate between "strong" and "weak" signals (Gulati & Higgins, 2003; Tumasjan *et al*., 2021). To enhance signalling efficiency, receivers may issue countersignals (feedback) that informs signallers about the salience, clarity, and perceived credibility of their signals (Connelly *et al*., 2025). This perspective rests on the premise that information asymmetry is bidirectional (Taj, 2016) and while receivers seek insights into signallers; signallers likewise require information about receivers to refine their signalling strategies. Therefore, signallers can also improve the signalling effectiveness by paying more attention to countersignals in the same way as the receiver (Srivastava, 2001).

Existing research on ST has largely neglected the role of feedback mechanisms (Bafera and Kleinert, 2023; Connelly *et al*., 2025) and the ways in which signallers capture countersignals. This remains a critical yet often neglected component of ST and given the centrality of feedback loops in systems thinking, signalling research stands to benefit from a deeper exploration into how signallers capture feedback and how receivers respond to signals (Connelly *et al*., 2025). Equally, the ways in which companies leverage loyalty programmes to signal their commitment to customers is an under-researched area of ST in international marketing (Shahid *et al*., 2024). Digital companies could benefit from appropriate strategies to capture customer e-loyalty as well as feedback mechanisms. Consequently, this study explores the way which digital SMEs may capture countersignals from receivers (customers) and if they employ loyalty programmes to signal their customer commitment.

Methodology

Research design

Although existing research on ST within international marketing has employed diverse methodological approaches, several significant limitations have been identified. In their comprehensive review of ST research within international marketing, Shahid *et al*. (2024) identified several significant methodological shortcomings in prior studies. They concluded that most prior research has predominantly employed quantitative methodologies, with only 5.2% of studies utilising qualitative approaches, thereby underscoring a notable paucity of qualitative research in the field. Furthermore, only 4.8% of the reviewed studies employed interviews as a data collection method, while thematic analysis was evident in merely 1.6% of cases.

Another significant methodological concern pertains to participant selection. Most existing studies have relied on convenience sampling, while only 14.5% had employed purposive sampling (Shahid *et al*., 2024) which is well-suited for in-depth and detailed investigation of phenomena within case study research (Poulis *et al*., 2013). Purposive sampling has demonstrated effectiveness in international marketing research (Naidoo and Wu, 2011), as it enables the strategic selection of participants based on expert knowledge, prior experience, and theoretical relevance Singh *et al*., 2021). Therefore, the predominant emphasis of previous research on quantitative methodologies, coupled with an overreliance on secondary data and convenience sampling, has hindered conceptual clarity in the field. This methodological imbalance has further contributed to ambiguity and misinterpretation regarding the application of ST within international marketing research (Shahid *et al*., 2024).

The research design for this study is a qualitative multiple case study design (cf. Yin, 2016) based on systematic combining (Dubios and Gadde, 2002) that allows us to triangulate our findings from several sources that would complement the primary data obtained through semi-structured interviews. The sample organisations are digital SMEs located in the Greater Manchester in the North-West UK. Consistent with Thrassou *et al*. (2020) definition of digital SMEs, this study defines digital SMEs as those that leverage digital technologies to transform their internal and external operations to provide products and services to their customer base. Purposive sampling was employed based on two primary criteria: first, the selected firms were required to have an established international presence; and second, they needed to align with the study's operational definition of digital SMEs. All the selected participants are SMEs, consistent with the UK Government definition, which states that "an enterprise must have fewer than 250 staff and either an annual turnover not exceeding £44 million or a balance sheet total not exceeding £38 million" (Cabinet Office, 2024, p. 3). These companies were selected from Manchester Tech Incubator database (also known as Manchester Technology Centre) which is home to some of the fastest growing digital startups in the UK. All the companies in the sample recognised themselves as 100% digital SMEs in the initial phase of the study conducted in 2019. Further information on these companies and the products or services they provide is included in table I.

Source of information is primary data through interviews with owners and managing directors. Interviews have been conducted as thematic, semi-structured interviews. Even though we have a theory driven (i.e., ST) set of questions (a-priori codes) as a starting point in our study, we also analysed the primary interview data from the inductive perspective. Consequently, we have followed abductive logic (Dubois and Gadde, 2014) in our research employing a systematic combining as an iterative process in which the theoretical framework, empirical data collection, and case analysis develop in parallel and continuously inform one another (Dubios and Gadde, 2002). Systematic combining allows refinement of existing theories where unlike deductive or inductive approaches, it treats the theoretical framework as flexible, adapting it throughout the research in response to empirical findings and emerging theoretical insights (Dubois and Gadde, 2014). This iterative process fosters a productive integration of established models with new concepts grounded in real-world data. Therefore, the abductive research strategy enables the exploration of established assumptions from ST to examine how digital SMEs utilise signals during the process of internationalisation. Simultaneously, it allows for the iterative refinement of these assumptions through insights derived from the empirical data.

Data collection

All case companies were interviewed twice. Initial contact with the sample was taken in 2019 and descriptive information about the companies, their products/services and their internationalisation and marketing strategy were collected either via face-to-face or phone interviews. The initial phase of the study primarily concentrated on examining the motivations driving these firms to pursue internationalisation, conducted as part of a different research project. The initial phase of the study revealed that digitalisation played a pivotal role in facilitating the internationalisation of these firms. This paper focuses especially on the follow-up interviews, conducted in 2021-22, when we approached companies again with more detailed themes focusing on marketing communications strategies from the ST perspective. Each interview lasted for about 90 minutes and was transcribed through the software Otter.

INSERT TABLE I

The core themes explored in the semi-structured interviews were grounded in key dimensions of ST—namely, the signaller, the signals, and the receiver. Emphasis was placed on examining signals such as COO and corporate reputation and their potential interplay. Similarly, preliminary findings from the initial interviews revealed several novel elements that may function as influential signals for digital SMEs. Consequently, certain interview questions were reformulated to incorporate these emerging insights particularly in relation to digital strategy, regional and industry reputation, and innovativeness. This further underscored the value of employing an abductive research approach in advancing our understanding of ST within the context of international marketing research.

Data analysis

As discussed earlier, we followed the abductive logic in the analysis of the data. This means that we conducted thematic analysis (Braun & Clarke, 2012) using elements of ST as a-priori codes (Tables II, III, and IV; see supplementary appendix). Some of the codes like *Trust*, *Flexibility and speed of service delivery* emerged from the data. The codes were compared and refined to find similarities, differences and tendencies whilst considering the objectives of the paper. Furthermore, the data collected through these semi-structured interviews triangulated with information from company websites and reports. Consistent with our abductive research strategy, we employed the Gioia method for our data analysis of the cases. The Gioia method is a qualitative data analysis approach that adheres to rigorous research standards (Magnani & Gioia, 2023) and enhances methodological rigor by employing a structured and systematic process (Grøgaard *et al*., 2019). This method facilitates a step-by-step abstraction, moving from raw data to first-order concepts, then to second-order themes, and ultimately to aggregate dimensions. Derived from the case studies, figure I, II and III present the results generated through the Gioia method applied to the interview data. After coding the data and synthesising it into conceptual themes, we proceeded to explore the dynamic interconnections among the emerging concepts. Figure IV integrated our key findings of the study and their dynamic interplay with exiting assumptions of the ST.

Findings

The results of our study, as reflected in Figure I, II and III (together with Table II, III and IV), highlight several important findings. The analysis also demonstrates evidence on how digital

SMEs (signallers) communicate (signal) about themselves and their products and services towards customers (receivers), and the feedback (countersignals) received.

Signallers

For British digital SMEs, this study finds that organisation reputation and digital strategy were important factors when internationalising in new markets. Company reputation has been found to act as a moderator in the relationship between company's marketing capabilities and outcomes such as competitive advantage, strategy and international commitment (Morgan, *et al*., 2018) in the international marketing context. Hence, our study broadly supports this. We also found evidence that the UK's reputation (COO) as a home market is essential for enhancing organisational reputation of these companies. For example, Company E's CEO stated, "*I think being a British company definitely helps. I think, generally, no matter which country you work with, whether you're operating in America, or Australia or Germany, generally, there's a good feeling about it. It's almost like a seal of approval in a way and you kind of automatically trust it a little bit."* In this case the company operates in social media marketing domain. The UK was seen also a good provider of trust based on standards created early and trust towards the working institutions in general *(e.g. Companies G and J).* This finding provides evidence about the importance of COO for digital SMEs during early internationalisation stages. The study found little evidence that regional reputation is of any significance for internationalisation of these companies and industry reputation was only noteworthy in two cases. If one aims for an international market, the focus may indeed be more on global niche segments or other well-defined customer segments who value more product/service fit to their needs and value created (cf. Companies F, H, and I).

As the context of our study is digital SMEs, corporate and digital strategy were often seen very intertwined. Being small and new can also be part of (transparent) marketing communication strategy, as pointed out by CEO of Company C: "*...we have been very honest with our customers in terms of, you know, we are a startup. And it's very easy to put an image out on because if you are a digital business, it's very easy to create a website to create an image, that doesn't really reflect for business, it's very big, it's easy. You can, be a temporary business, but have a website that makes you look as though you're a billion-pound business. But what we've done is that we have said to all of our customers, we are a startup, you know, we're gonna make mistakes, but if we do make mistakes, we're gonna own up to those mistakes..."*. This finding highlights how digital SMEs can signal their nimbleness, demonstrating that small size is not always a disadvantage.. It also further reinforces the importance of establishing trust with customers at early stage.

A general note about signalling can also be made. All the respondents conducted their marketing communications in digital format. As one of the respondents (Company D) pointed out, "*I don't think our customers would use us if we were doing things in a very manual or physical way...*", and consequently, in this stage of their internationalisation, digitalisation seems to be the preferred modus operandi.

INSERT Figure I

Signals

There is overwhelming evidence that customer orientation and innovation are the most important signals in the context of digital SMEs in this study. Company F CEO highlights the importance of customer orientation: "*...really focusing on the need of the client and the end user is huge. One thing we strive to do is just keep it really as simple as possible. Try not to overcomplicate it, try not to build too many things that people don't need. Just create that all around great experience*." Company C manager worded it slightly differently, but the focus was also clearly on responding to customers' needs: "*We have expanded our customer base mainly because of word of mouth and our reputation to be customer focused and agile"*. Although innovation and organisational innovativeness were not initially included among the a-priori codes, the data emerging from the interviews and interpreted utilising systematic combining suggests that digital SMEs actively communicate their innovativeness as a strong signal to their customers. For example, Company A CEO indicates: "*I think being a small company what really matters is how good our technology is and how much we can help our customers using.*"

While there is some limited evidence to underline the importance of e-commerce quality, we found no evidence that good employer or leadership appeal played any role as strong signals in internationalisation of these companies. This might be because the focal companies in our study are young SMEs, and the stage these companies are in may indicate that not all the signals are important to the receivers, hence signallers may not fully utilise these signals. In other words, the important elements vary between the potential customers. Reuber and Fischer (2009, p. 382) give guidance for entrepreneurs attempting to internationalise through online markets, from their study focusing on companies signalling their online reputation, that "*...the strategies for building credible reputations with prospective customers need to be customized to the new context*", and that "*different advertising and branding strategies are likely to be effective for different types of firms*". Our study uncovered substantial evidence across nearly all participating firms that tailoring products and services to meet customer needs is central to their internationalisation strategy. Additionally, demonstrating the capability to provide such products and services (flexibility and speed of service delivery), and trust function as a powerful signals to customers. Thus, based on our findings this idea is supported and we can conclude that in the digital SME context, some international marketing communications strategies and content are more relevant than others.

INSERT Figure II

Receivers

Our study finds the digital SMEs rarely had mechanisms in place to capture customer e-loyalty with exception of one, albeit this was limited to a company with a retail focus (and a larger customer body at the same time). As Company B CEO puts it: "*We offer a 10% discount code for second purchases via email…when we do a promotion campaign you know we target previous customers and those signed up to the newsletter*". On the other hand, most of these companies had formal or informal feedback mechanisms built in through their products and services, and as the companies would grow there are also plans to automate things more: "*So we have intercom built into the platform, so they could just message us, or they could just email us. Because again, our clients are not numerous, such that we could still maintain that one to one kind of personal relationship, as if they had an account manager. So they get in touch with us, either on the phone or email or, or intercom. It works well as it is now. But I think when we start getting more customers, we're gonna need to automate some system. You know, either sending out a survey, like a quick survey, or just like, how do we do on a scale from one to five, like Trustpilot always sends these things out* "(Company I, IT and Digital Consultancy). This was case with Company H as well, as they target for both B2C and B2B markets: "*From clients [B2B], it's much more informal and less process driven. I think we asked for feedback. But it's like it was chatting now, asking me how's it going?"*. This suggests that digital SMEs make efforts to capture countersignals; however, a more in-depth analysis of the data reveals that both formal and informal feedback mechanisms are predominantly oriented toward gathering information on the functionality of products and services. The analysis found no evidence to indicate that these firms actively seek feedback on other strong signals, such as reputation.

INSERT Figure III

Discussion and Conclusions

SMEs account for 99.8 of all businesses in the UK and their survival and growth is pivotal to the long-term health of the economy. International market expansion is widely recognised as one of the most prominent and effective strategies through which SMEs can achieve growth and economic sustainability and digitalisation makes internationalisation possible for many SMEs. Therefore, to succeed, digital SMEs must establish visibility in international markets and effectively communicate their credibility and reliability to customers. Previous studies have acknowledged that there are many liabilities young digital SMEs need to overcome in their internationalisation such as liabilities of newness, foreignness, and smallness, and as Zahra (2005) points out, in many cases these liabilities may happen at the same time. Information asymmetry represents a critical challenge for many firms, particularly SMEs (Lu *et al*., 2024). ST addresses a key challenge for new ventures and SMEs by helping to reduce significant information asymmetries faced by critical stakeholders such as customers. This research examines how digital SMEs employ marketing communication strategies to overcome these barriers through the lens of ST. In doing so, this study seeks to address several critical gaps in the current literature concerning the application of ST within the domain of international marketing research.

Although ST has garnered increasing attention in international marketing research due to its relevance and explanatory power (Kharouf *et al*., 2020), there remains a lack of theoretical consensus regarding its "underlying assumptions" (Bafera and Kleinert, 2023). Moreover, empirical studies specifically addressing its application within the context of digital international marketing remain limited (Shahid *et al*., 2024). In the context of internationalising digital SMEs, existing literature appears to place greater emphasis on examining how firms signal their value to potential investors (e.g., Kromidha & Robson, 2021), the role of digital platforms in enabling new forms of internationalisation (e.g. Nambisan *et al*., 2019) and how exporting SMEs utilise signals in leveraging third-party digital platforms to access international markets and engage with foreign customers (e.g., Jean *et al*., 2021). Furthermore, prior research in this area has predominantly relied on quantitative methodologies, often accompanied by an overdependence on secondary data and convenience sampling, which has contributed to a lack of conceptual clarity and theoretical depth in the field (Shahid *et al*., 2024).

Our qualitative in-depth study on ten British digital SMEs and their marketing communication strategies using the ST demonstrate several important findings. First, in most cases the signallers' attributes in terms of organisational reputation and digital strategy are consistent with signallers' quality (Connelly *et al.*, 2011 and 2025) which is manifested as reputation in this study. In case of the industry, region and country reputation, the country reputation was considered the most relevant. Most respondents indicated that they saw COO image (COI) at the country level important for their success as Britain as a base for the company and its standards were seen as a positive factor. In the absence of brand recognition and underdeveloped corporate reputations, it has been suggested that COI should be more strategically managed by companies in their internationalisation (Suter *et al*., 2021) and our study provides some support for this idea. We found that digital SMEs strategically leverage the positive COO image to strengthen and amplify organisational reputation signals in international markets. Most previous research explore COI at country and company level, and less at the industry level (Suter *et al*., 2020). Suter *et al*. (2020) found that industry reputation can mediate the relationship between country and product images. Our findings show that in the digital context, industry may not play a large role, but the importance of the digital strategy comes through in signalling. Interestingly our cases did not indicate that offline marketing communications would be of importance. This might be a useful avenue for future research, as when internationalisation progresses, previous studies have indicated that some physical presence might be required in the overseas markets to build brand and trust and interact with customers and other stakeholders (Monaghan *et al*., 2020; Yamin & Sinkovics, 2006). Nevertheless, our findings indicate that trust is already of significance in the digital market domain.

Second, in terms of other signals, customer orientation and innovation clearly reinforce Connelly *et al*. (2011, p.44) argument that "*signalling theory focuses primarily on the deliberate communication of positive information in an effort to convey positive organisational attributes.*" In particular, the strong customer orientation signal by these British digital SMEs are good examples of actions these companies take to intentionally communicate positive and imperceptible qualities to the receiver. Even though the signaller may have further information about the company, they may decide against signalling some of this information such as the case of leadership appeal and good employer in our empirical findings. Furthermore, our empirical findings revealed several insufficiently investigated, yet strong signals employed by digital SMEs in their international marketing efforts; most notably, signals related to organisational flexibility, trustworthiness, and the speed of service delivery.

Third, the findings of this research demonstrate that receivers desire information from signallers (quality in shape of customer orientation) and signallers desire information (feedback) from receivers (feedback) to assess which signals are most reliable (Reuber and Fischer, 2009; Connelly *et al.*, 2025). Although, the role of feedback mechanisms in capturing countersignals remains one of the most underexplored aspects of ST (Bafera & Klienert, 2023; Connelly *et al*., 2025) and international marketing (Shahid *et al*., 2024), our findings show that digital SMEs primarily rely on formal and informal, feedback channels to identify countersignals and respond accordingly. However, the countersignal capture is largely focused on product and service functionality, with limited attention to signals such as reputation. Finally, the findings indicate that customer orientation is overwhelmingly the strongest signal with all the companies advocating the desire for this signal to be received by the customer while innovation ranks second in terms of signals portrayed. Customer orientation can be linked to service, and it is often a differentiation strategy for SMEs from competitors – which are often larger. While this is not a surprising strategy, it is important to point out that in digital marketing strategy, the signals should be consistent, and support overall strategic objectives set for internationalisation. Figure IV derived from systematic combining approach, illustrates an abductive framework of how ST could facilitate the internationalisation of UK digital SMEs.

INSERT FIGURE IV HERE

Theoretical and methodological contributions

The application of ST in international marketing literature has predominantly drawn from general marketing and management fields (Taj, 2016; Connelly *et al*., 2011; Fletcher-Brown *et al*., 2017; Jean *et al*., 2021; Arzubaiga *et al*., 2023; Connelly *et al*., 2025). Nevertheless, despite the increasing attention to the use of ST in international marketing and its relevance to the field (Kharouf *et al*., 2020), no theoretical consensus exists regarding the “underlying assumptions” (Bafera and Klienert, 2023) and existing studies on digital marketing are scarce with limited focus on international marketing (Jean *et al*., 2024; Shahid *et al*., 2024). Additionally, the application of ST to SMEs internationalisation remains significantly limited (Lu *et al*., 2024). Among the limited studies that address digital SMEs, the emphasis has largely been placed on their use of digital third-party platforms such as e-marketplaces and social media intermediaries (Jean and Kim, 2021; Jean *et al*., 2021; Jean *et al*., 2024; Gong *et al*., 2024). Therefore, this study addresses a significant gap in the literature addressing how digital SMEs engage in direct signalling to international customers outside of these third-party infrastructures.

In the context of ST within international marketing, several critical gaps remain, including how digital SMEs strategically utilise COO reputation as a marketing signal, the specific digital signals employed by these firms, and the use of loyalty programmes to convey long-term commitment to customers (Shahid *et al*., 2024). This study contributes to advancing the theoretical and empirical discourse by directly addressing these gaps. It shows how digital SMEs draw on COO positive image as an external resource to compensate for lack of an established brand (piggy backing) and strengthen corporate reputation signals in overcoming liabilities as well as the importance of customer orientation and innovativeness as strong signals in early stages of internationalisation. Furthermore, existing research on ST has mainly "ignored" (Taj, 2016) the importance of feedback mechanisms and the processes through which signallers interpret and respond to countersignals (Bafera and Kleinert, 2023; Connelly et al., 2025), limiting understanding of this theory in international marketing contexts. This research addresses this existing gap in the literature by advancing our understanding of the role formal and informal feedback mechanisms digital SMEs use to observe countersignals in international marketing.

This study also makes a significant methodological contribution to studies of ST in international marketing by addressing the notable under-representation of qualitative methodologies. While majority of existing studies of ST in international marketing have employed quantitative methods contributing to the increasing ambiguity and lack of consensus around theoretical underpinnings (Shahid *et al*., 2024), our research adopts an in-depth qualitative design grounded in semi-structured interviews and thematic analysis. This approach enabled a deeper, contextually rich exploration of signalling mechanisms that quantitative methods have overlooked. Furthermore, we employed purposive sampling to strategically select participants based on their relevance to the research context, countering the prevalent reliance on convenience sampling identified in prior studies. Employing systematic combining and abductive reasoning enabled us to identify and refine the specific signals employed by digital SMEs in their communication with international customers, thereby addressing a significant gap (Bafera and Kleinert, 2023; Shahid *et al*., 2024) in the literature on ST and international marketing communication. For instance, signalling innovativeness emerged as one of the key signals employed by digital SMEs identified through the application of the systematic combining approach. Likewise, the extent to which digital SMEs seek to convey trustworthiness and offer tailored customer service was revealed because of the abductive reasoning adopted in this study. Furthermore, the iterative nature of the systematic combining methodology facilitated an in-depth exploration of both formal and informal feedback mechanisms of digital SMEs, an area that remains underexamined in existing ST research (Connelly *et al*., 2025).

Managerial implications

This study also offers practical implications for owners and managers of digital SMEs. The findings demonstrate that reputational qualities, particularly those linked to COO, organisational credibility, and the coherence of digital strategy, serve as prominent signaller qualities that enhance legitimacy in foreign markets. Additionally, signals such as customer orientation and innovativeness emerged as especially influential, as they convey responsiveness and adaptability in dynamic international markets. This research also underscores the strategic importance of feedback mechanisms for digital SMEs, which enable them to assess the reception and interpretation of their signals across diverse international contexts further emphasising the importance of countersignals to ST. In contrast, signals such as leadership appeal and good employer were perceived as relatively weak in influencing international customers, suggesting that resource-constrained SMEs should prioritise signals with demonstrably higher impact. These insights offer a theoretically grounded and empirically informed implications for digital SMEs' managers to strategically deploy signalling mechanisms that support successful international market entry and positioning.

Limitations and future research

The limitations of this study include the data collection. Although this research was conducted using longitudinal data from the focal SMEs, the study does not have direct information from the receivers, and hence the focus of the study is on the perceptions of the managers of digital SMEs. Future research could explore this dyadic perspective. Furthermore, there is a need to focus more on the process and evolution of signals as it is evident that the companies' strategies, being that digital strategy or international marketing communications strategy evolve rapidly in this context. As the companies grow, their customer body grows, and more automated marketing will be required (as already highlighted by some of the respondents in this study). In the early days of 'digital business' it has been suggested that software companies (which have a 'digital product' or 'service') with customer-centric' products that target business-to-business markets tend to internationalise in a gradual manner as their products were tailormade (McHugh, 1999). As discussed earlier, this study did not find much substantive evidence on offline international marketing. In the early stages of development this may be something the companies are not able to do (as there are resource limitations) or it is not yet seen required as the current target segment is active online. However, given the digital nature of these companies, offline international marketing strategies may generally play a far less significant role in the international expansion of these companies, yet this could serve as one of the areas to explore further in future studies.

This study focused specifically on digital SMEs operating within the UK context; therefore, extending the research to other national settings would be a useful avenue for future research. A promising avenue for future research involves examining how COO reputation varies across contexts and the extent to which it influences perceptions of organisational reputation in international markets. Finally, exploring sector specific signalling strategies and the role of emerging technologies such as artificial intelligence (AI) in shaping international marketing communication could provide a deeper understanding of how digital SMEs adapt their signalling approaches in increasingly complex and dynamic global environments.

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Table I: **information about case companies**

Company	Industry/product	Interviewee's role	Company age as of 2022	No of employees	Internationalisation	Annual Turnover/Revenue as of 2022
Company A	Environmental Services Software Solutions	Co-founder	4	5	Since 2021	£675,000
Company B	Online retailer of plants	Founder	19	9	Since 2017	£1,943,000
Company C	Digital data management	CEO	6	10	Since 2020	£1,218,000
Company D	Digital data management	Founder	5	8	Since 2018	£724,000
Company E	Digital online marketing services	CEO	8	6	Since 2016	£920,000
Company F	Digital training provider	Founder	5	4	Since 2019	£463,000
Company G	Digital training provider	Director	7	6	Since 2021	£592,000
Company H	Digital content creator	Co-founder	9	12	Since 2015	£1,465,000
Company I	Digital and IT services consultancy	CEO	6	15	Since 2017	£1,800,000
Company J	Fintech	CEO	7	5	Since 2021	£825,000

Figure I: Reputation signals

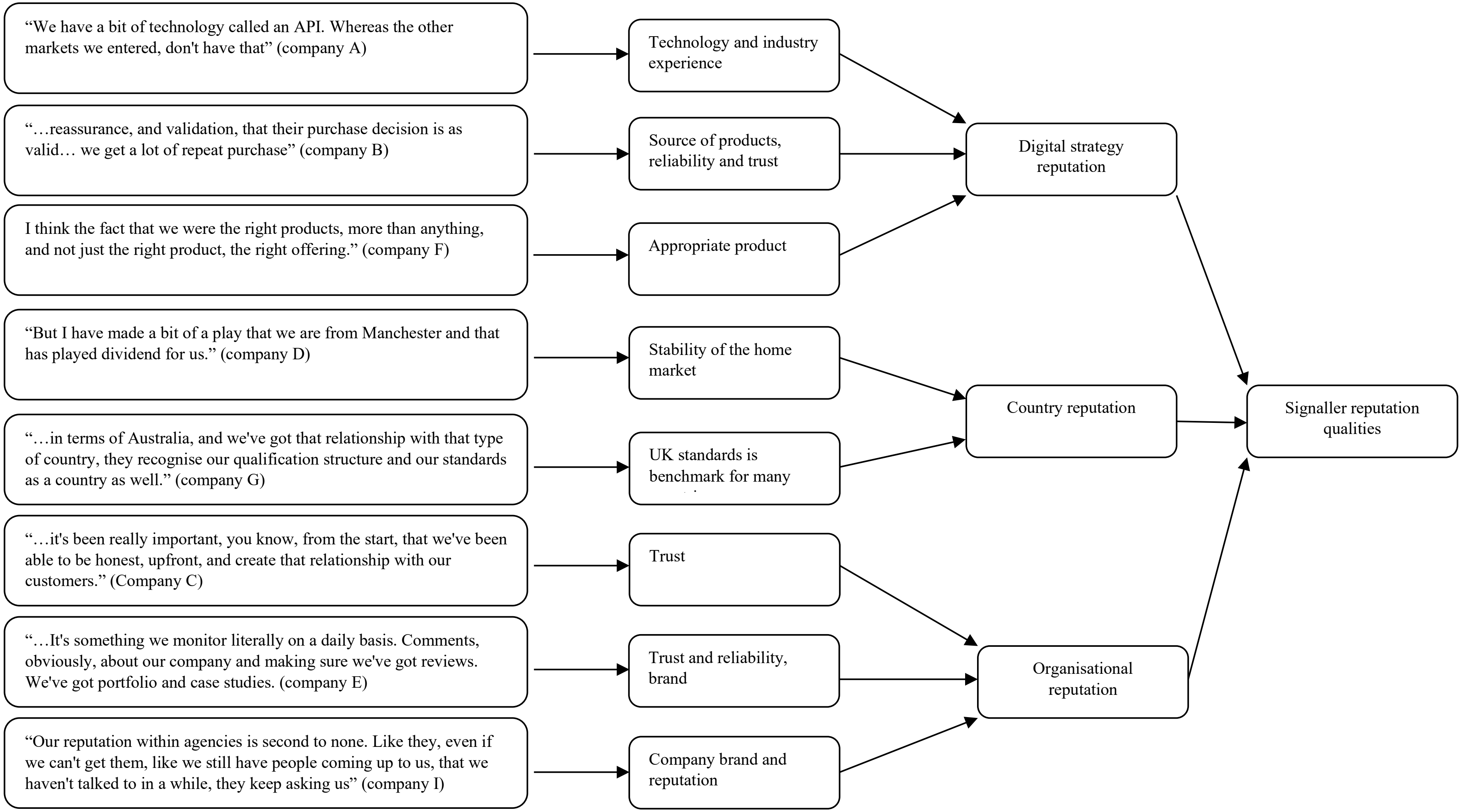

Figure II: Other signals

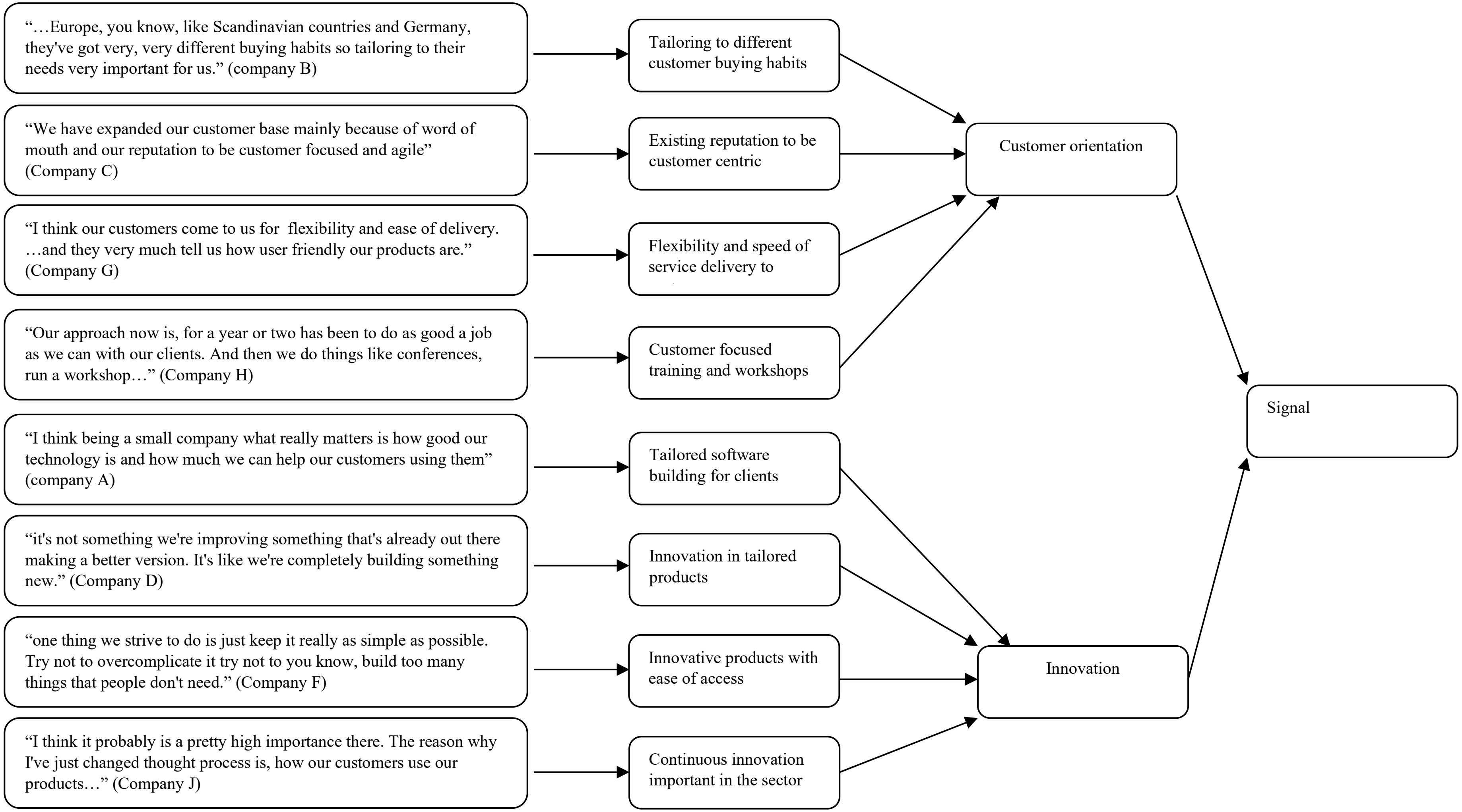

Figure III: receiver and countersignal

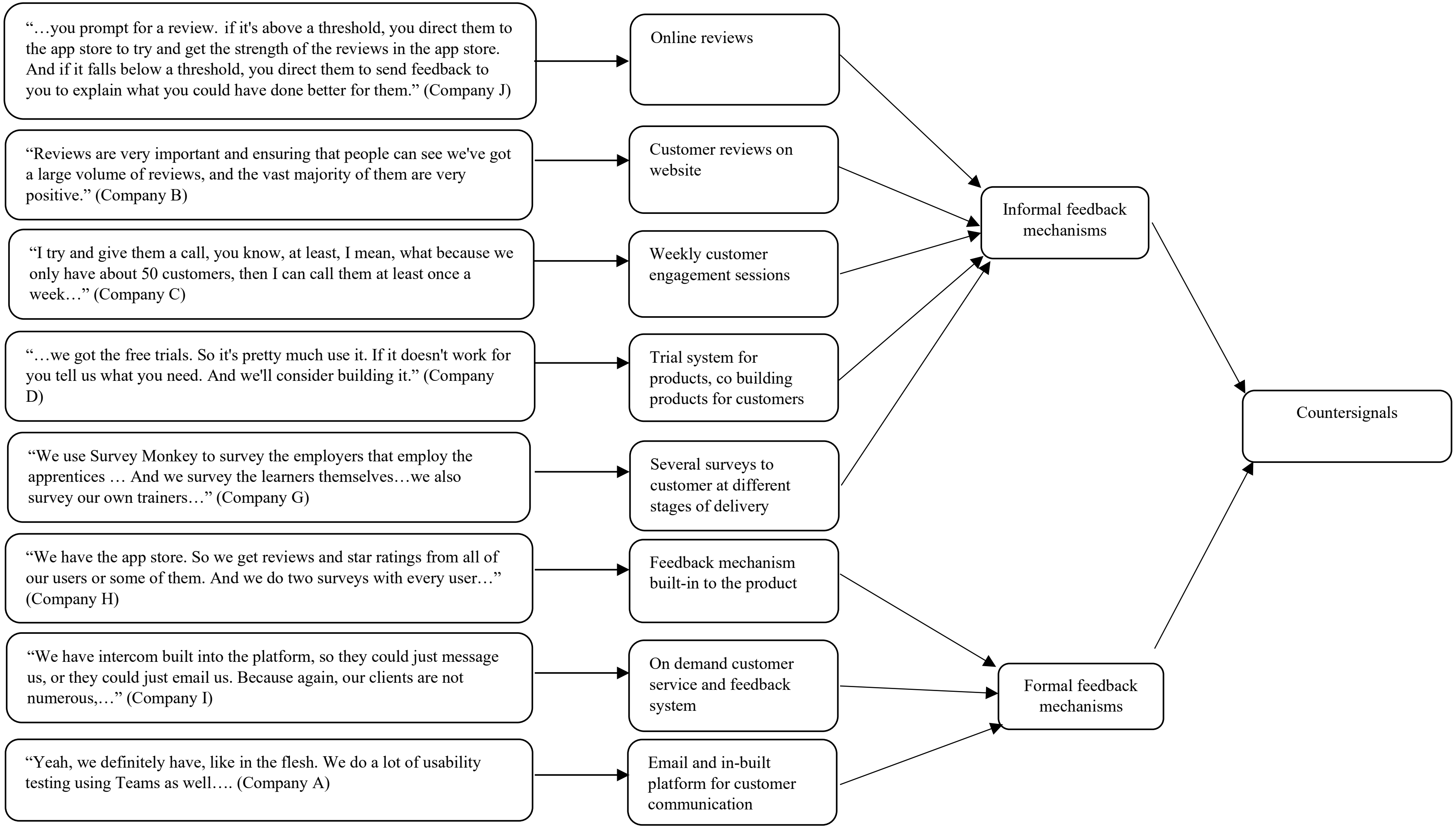

Figure IV: Abductive framework of signalling theory for digital SMEs in international markets