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## **ADVERSE IMPACT OF INTERNET SHUTDOWN ON E-COMMERCE AND SOCIAL MEDIA MARKETING IN BANGLADESH**

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### **ABSTRACT**

*The rise of e-commerce and social media marketing in Bangladesh has been a significant driver of economic growth, fostering entrepreneurship and expanding market accessibility. However, the frequent shutdowns of internet services, often due to political or security concerns, have posed substantial challenges to the e-commerce sector. Very recently Bangladesh has experienced internet shutdowns for prolonged periods that have had profound implications for e-commerce and social media marketing endeavors. This study examines the ramifications of this shutdown on the digital economy, focusing on the operational and strategic challenges faced by E-commerce businesses and social media marketing activities. During the latest internet shutdown episode, E-commerce platforms witnessed a significant decline in sales compared to periods of regular and uninterrupted internet connections. The inability to place orders and to process online payments by the consumers coupled with the failure to manage inventory by the sellers effectively were the key factors behind this decline. Social media marketing was severely impacted as well, with a huge reduction in engagement metrics due to disrupted content delivery and advertising efforts. To adapt to the sudden disruptions, E-commerce businesses responded by shifting to offline sales and alternative marketing channels. However, these measures helped only partially to recover the financial losses incurred by the disruption. By utilizing data from market reports, online retail platforms, and consumer surveys, the research highlights the immediate and long-term effects of internet shutdowns on online sales, business operations, and consumer behavior. The findings highlight the critical role of internet connectivity in modern business operations and suggest businesses' need for robust and adequate contingency plans to address such disruptions. The study contributes to the understanding of the digital economy and social media marketing-related*

*vulnerabilities and offers insights into strategies for enhancing resilience against internet-related disruptions.*

**Keywords:** Digital Economy, E-commerce, Internet Shutdown, Social Media Marketing, Strategy

## **1. Introduction**

The advent of broadband and mobile internet has revolutionized business operations, particularly in e-commerce and social media marketing activities adopted by most Fast-Moving Consumer Goods (FMCG) companies. The digital economy in Bangladesh has experienced remarkable growth in recent years, with e-commerce emerging as a significant contributor to economic development. E-commerce and digital marketing are driving job creation, fostering innovation, and supporting the economic diversification efforts of the country. The sector's growth has been fueled by the widespread adoption of broadband and mobile internet services (Rahman & Islam, 2022), which have enabled businesses to reach a broader customer base and consumers to access a wide range of products and services with ease. By 2023, Bangladesh's e-commerce market was valued at approximately \$3 billion, with projections indicating continued growth (Bangladesh E-commerce Association, 2023). However, the increasingly frequent episodes of internet shutdowns in the country pose a significant threat to this burgeoning sector. Internet shutdowns, including those of broadband and mobile services, are increasingly employed as tools by governments worldwide for various reasons, ranging from national security to curbing misinformation. In July 2024, Bangladesh faced a significant challenge with a nationwide broadband and mobile internet shutdown, disrupting digital commerce and social media marketing activities severely. This article aims to analyze the impacts of this internet shutdown comprehensively, with a focus on the financial losses incurred. In addition, it sheds light on the various strategies businesses which businesses can pursue to minimize the impacts and suggests probable ways to withstand such future shocks more effectively. By analyzing the operational impacts and strategic responses of affected businesses, the study aims to provide insights into the broader implications of internet connectivity disruptions on the digital economy.

### **1.1. The E-commerce Landscape in Bangladesh**

The e-commerce sector in Bangladesh has witnessed rapid growth over the past decade, supported by a young population, increasing digital literacy, and improved infrastructure with the market estimated to be worth approximately \$3 billion in 2023 (BTRC, 2023). The government of Bangladesh has also been supportive of the digital economy, launching initiatives like "Digital Bangladesh" to encourage the use of technology

in various sectors. Major players in the digital market space include local giants like Daraz (a subsidiary of Alibaba), Bikroy, and Chaldal, as well as numerous small and medium-sized enterprises (SMEs) that rely on various digital platforms to reach target customers across the country. The e-commerce industry has transformed the way people shop, offering convenience and accessibility that traditional retail models cannot match.

However, the success of e-commerce is heavily reliant on uninterrupted access to high-speed internet. Broadband and mobile internet services are crucial for both businesses and consumers, facilitating everything from online transactions and digital marketing to customer service and supply chain management. Any disruption in these services can have immediate and severe impacts on e-commerce activities.

## 1.2. Objectives of the Study

The primary objective of this study is to analyze the impact of the broadband and mobile internet shutdown in Bangladesh during July 2024 on e-commerce and social media marketing. The specific objectives are as follows:

- i) **Evaluate the Effect on E-Commerce Operations:** To assess how the internet shutdown affected online transactions, operational efficiency, and revenue streams for e-commerce platforms in Bangladesh. This includes examining changes in transaction volume, payment processing issues, and inventory management challenges.
- ii) **Assess the Impact on Social Media Marketing:** To determine the extent to which the shutdown disrupted social media marketing efforts, including the reach and engagement of marketing campaigns, the effectiveness of advertising spend, and overall brand visibility.
- iii) **Identify Business Adaptation Strategies:** To explore the strategies employed by businesses to mitigate the adverse effects of the internet shutdown on their online sales operations. These include analyzing alternative marketing channels, switching to offline sales approaches, and other adaptive measures.
- iv) **Suggest Recommendations for Enhancing Digital Resilience:** To offer insight into and recommendations for businesses and policymakers on improving resilience against digital disruptions. This involves suggesting strategies for developing robust contingency plans and strengthening digital infrastructure.

The study aims to provide a comprehensive understanding of the impact of internet disruptions on the digital economy and offer practical

guidance for managing such challenges in the future.

## **2. Background of Study**

The rapid growth of digital technologies has significantly transformed business operations worldwide, with e-commerce and social media marketing emerging as key components of modern economic activities. In Bangladesh, the digital economy has expanded rapidly, driven by increasing internet penetration and the adoption of online platforms by both consumers and businesses. According to the Bangladesh Association of Software and Information Services (BASIS), e-commerce sales have been on a growth trajectory, contributing to approximately 5% of retail sales in 2023 (BASIS, 2024). According to a report by the e-Commerce Association of Bangladesh (e-CAB), the sector was expected to reach BDT 45,000 crore by the end of 2024, largely driven by increased consumer trust in online transactions and a growing number of internet users (e-CAB, 2023). Concurrently, social media platforms such as Facebook, Instagram, and TikTok have become essential tools for businesses, especially for small and medium enterprises (SMEs), to reach customers, advertise products, and conduct sales.

However, the dependency on internet connectivity has also exposed businesses to vulnerabilities associated with digital disruptions. The 10-day broadband and mobile internet shutdown in July 2024 in Bangladesh provides a critical case study for understanding these vulnerabilities. The shutdown, which affected both urban and rural areas, was implemented due to security concerns and regulatory measures (Dhaka Tribune, 2024). This interruption had widespread implications for various sectors, but its impact on e-commerce and social media marketing activities was particularly pronounced.

E-commerce platforms rely heavily on Internet connectivity for daily operations, including order processing, digital payment to complete sales transactions, and customer communication. The latest disruption led to a significant decline in online transactions and sales, with data showing a 40% drop in daily transactions during the shutdown period (E-Commerce Bangladesh, 2024). Similarly, social media marketing, a vital tool for brand engagement and consumer outreach, faced severe setbacks. The shutdown resulted in a 60% reduction in engagement metrics, disrupting marketing campaigns and reducing the effectiveness of advertising efforts (Social Media Analytics Report, 2024).

The shutdown highlighted the critical role of reliable internet infrastructure in sustaining digital business operations and exposed the challenges faced by businesses in managing and mitigating the effects of such disruptions. This study aims to provide a comprehensive analysis of these impacts, drawing on industry reports and primary data to offer insights into how businesses can better prepare for and respond to

similar challenges in the future.

### 3. Methodology

To assess the impact of the internet shutdown, this study employs a mixed-methods approach. Quantitative analysis involves examining e-commerce sales data from major platforms before, during, and after the shutdown period. Qualitative data was gathered through interviews with business owners, marketing professionals, and industry experts. Secondary data from industry reports and news sources provided additional context. This combination of methods has allowed for a comprehensive understanding of the shutdown's impact on E-commerce as well as social media marketing operations.

Interviews with five E-commerce representatives were taken over the phone and they wished to be anonymous about this study.

### 4. Limitations

The study was performed on the latest episode of the internet shutdown in Bangladesh in July 2024. Hence, the findings related to impacts, strategies followed to overcome the challenges and suggestions are relevant for Bangladeshi organizations.

## 5. Results/Analysis and Discussion

### 5.1. The Recent Internet Shutdown: Causes and Implementation

In July 2024, Bangladesh experienced a widespread internet shutdown, initiated by the government in response to escalating political protests. The shutdown, which lasted for almost 10 days, was one of the most significant digital blackouts in the country's recent history. While the government justified the move as necessary to maintain public order, the decision faced criticism from various sectors, including the business community.

The shutdown was nationwide, affecting all major cities and rural areas alike. Both broadband and mobile internet services were suspended, which essentially paralyzed digital communication and online activities. The e-commerce sector, heavily reliant on internet connectivity, was particularly hard-hit.

### 5.2. Impact on E-Commerce Operations

The impact of the internet shutdown on e-commerce in Bangladesh was immediate and severe. Key areas of impact include:

- i) **Revenue Loss:** The shutdown resulted in an estimated revenue loss of \$20 million per day for the e-commerce sector. Major online retailers reported a 90% drop in sales during the shutdown period (E-Commerce Bangladesh, 2024). SMEs, which typically have lower cash reserves and

- rely heavily on daily transactions, were particularly vulnerable due to the disruption.
- ii) **Disruption of Supply Chains:** The shutdown disrupted logistics and delivery services, leading to delays in order fulfillment. Many e-commerce businesses rely on just-in-time inventory management systems aided by Internet services. The disruption in communication with suppliers and customers created major bottlenecks in their supply chain that persisted even after the internet connection was restored.
  - iii) **Consumer Behavior and Trust:** The Internet shutdown also had a profound impact on consumer behavior. A survey conducted by the Centre for Policy Dialogue (CPD) revealed that 60% of regular online shoppers were unable to make purchases during the shutdown, leading to a shift in consumer trust (CPD, 2024). Many consumers expressed frustration and concerns over the reliability of e-commerce platforms, which could have long-term implications for customer loyalty. The inability to access customer support services during the shutdown further aggravated consumer dissatisfaction.
  - iv) **Operational Challenges for Businesses:** Businesses faced operational challenges, including difficulties in communicating with employees, coordinating with suppliers, and processing payments. The shutdown also highlighted the lack of offline contingency plans among many e-commerce businesses, exposing vulnerabilities in their operational models.

**5.3. Impacts on the Major E-commerce Platforms of Bangladesh**  
**Daraz Bangladesh:** Daraz, one of the largest e-commerce platforms in Bangladesh, reported severe impacts due to the shutdown. The company experienced a 65% drop in sales and faced logistical challenges in delivering products. The shutdown also affected their customer service operations as call centers and online support activities were disrupted (Daraz, 2024).

**Chaldal:** Chaldal, a leading online grocery delivery service, faced significant challenges. The disruption in internet services hindered their ability to process orders and coordinate deliveries. Chaldal reported a 55% decrease in orders and struggled to maintain its supply chain, leading to shortages of essential items (Chaldal, 2024).

Moreover, the disruption in logistics, which is increasingly dependent on digital communication for coordination, led to delays and cancellations of orders. The shutdowns also affected digital payment systems, which are integral to the operation of e-commerce platforms.

With mobile banking and payment services such as bKash and Nagad going offline, both businesses and consumers faced significant challenges in completing transactions through digital payments.

#### **5.4. Impact on Social Media Marketing Activities**

Social media has become a crucial platform for advertising, promotions, and brand engagement of all kinds of products and services across the world considering its efficiency as well as effectiveness. Bangladesh boasts one of the largest social media user bases in the world due to the ease of internet accessibility and mobile phone penetration. Hence, all types of businesses utilize social media platforms for key marketing activities (e.g. branding, and promotions). However, with the shutdown of the internet services, these marketing activities came to an abrupt halt. According to a survey conducted by the Bangladesh Association of Software and Information Services (BASIS), over 80% of businesses reported a significant loss in customer engagement during the shutdowns, with many unable to reach customers for updates, promotions, or support (BASIS, 2024).

The July 2024 internet shutdown severely impacted social media marketing efforts, manifesting in several ways:

##### **i) Communication Breakdown:**

Social media platforms are vital communication tools in Bangladesh. Internet shutdowns disrupt personal and professional communication, affecting social interactions and businesses' marketing efforts. Businesses that rely on social media for customer engagement and advertising face significant challenges in reaching their target markets. The estimated loss in advertising revenue for businesses during the shutdown period was around \$50 million (Islam & Hossain, 2024).

##### **ii) Loss of Revenue for Content Creators:**

The shutdowns also impacted content creators who depend on social media platforms for their livelihoods. Many influencers and digital marketers reported a sharp decline in engagement and revenue, with some losing up to 90% of their monthly earnings during the shutdown period. The total estimated loss for content creators was approximately \$40 million (Digital Marketers Association, 2024).

##### **iii) Public Discontent and Misinformation:**

The inability to access social media-fueled public discontent and gave rise to misinformation, as people turned to less reliable sources for news and updates. This scenario underscores the critical role of social media in maintaining informed and connected communities. While the exact financial impact of misinformation is difficult to quantify, the social implications were significant, with estimated indirect economic losses due to misinformation-related disruptions amounting to \$10 million (Rahman, 2024).

##### **iv) Ad Spend Inefficiencies:**

Advertisers faced difficulties in managing and optimizing ad campaigns due to the lack of real-time data. Many campaigns were rendered ineffective, leading to wasted ad spending and reduced return on investment.

**v) Brand Visibility:**

The disruption in online presence resulted in decreased brand visibility and consumer engagement. Businesses struggled to maintain their brand image and connect with their audience during the shutdown.

In response to these challenges, businesses explored alternative marketing channels such as SMS, and traditional media. Community outreach and grassroots marketing efforts were also employed to maintain brand presence and consumer engagement (The Daily Star, 2024). However, these alternative methods only partially offset the huge negative impact of social media marketing.

### 5.5. Long-Term Implications

While the immediate impact of the shutdown was severe, the long-term implications for the e-commerce sector are complex. Some potential long-term effects include:

- i) Investment Hesitation:** The shutdown has raised concerns among both local and foreign investors about the stability of Bangladesh's digital economy. Future investments in the sector may be affected by the perceived risk of further internet disruptions.
- ii) Regulatory Uncertainty:** The shutdown has led to calls for clearer regulations governing internet access during times of crisis. Businesses are advocating for policies that balance national security concerns with the need to maintain economic stability.
- iii) Shift in Consumer Behavior:** The shutdown may lead to a lasting shift in consumer behavior, with some customers becoming more cautious about relying exclusively on digital platforms. This could slow the growth of e-commerce in the short term, as businesses work to rebuild trust.
- iv) Innovation in Offline Capabilities:** In response to the shutdown, some businesses are likely to invest in developing offline capabilities, such as enabling cash-on-delivery services or creating more resilient supply chains that can operate independently of digital networks.

### 5.6. Recommendations for Mitigating Impacts of Future Disruptions

To mitigate the impact of future internet shutdowns, the following measures are recommended:



- i) **Business Continuity Planning:** E-commerce businesses should develop robust business continuity plans that include offline alternatives for critical operations. This could involve partnerships with traditional retail outlets or the creation of backup internet communication systems.
- ii) **Advocacy for Regulatory Clarity:** The private sector should engage with the government to advocate for clearer regulations on internet shutdowns. This includes defining the conditions under which shutdowns can be implemented and establishing protocols to minimize economic disruption.
- iii) **Investment in Resilient Infrastructure:** Both the public and private sectors should invest in infrastructure that can withstand disruption. This could involve the development of decentralized networks or the promotion of alternative communication technologies.
- iv) **Consumer Education:** Educating consumers about the reasons for internet disruptions and the measures being taken to mitigate their impact can help maintain trust in e-commerce platforms. Transparency and communication are key to rebuilding confidence after a disruption.

### 5.7. Policy Implications and Recommendations

To ensure uninterrupted internet connectivity throughout the country, the following recommendations are made:

- i) **Improving Internet Resilience:** The government and private sector should invest in infrastructure to improve the resilience of Internet services against shutdowns. This includes developing alternative communication channels and backup systems to ensure continuity of digital services. The potential cost of implementing these measures is estimated at \$25 million, but the long-term benefits would likely far exceed this investment (Ministry of ICT Bangladesh, 2024).
- ii) **Regulatory Framework:** Establishing a clear regulatory framework governing the internet shutdown is essential. Such a framework should balance national security concerns with the need to protect the digital economy and the rights of citizens to access information and communication platforms. A well-implemented regulatory framework could prevent future economic losses of this magnitude (Bangladesh Policy Forum, 2024).
- iii) **Support for Affected Businesses:** Providing financial and technical support to businesses affected by the shutdowns can help mitigate the economic impact. This includes offering grants, loans, and training programs to help SMEs adapt to

digital disruptions. The estimated cost of such support measures is around \$20 million, which could significantly alleviate the burden on struggling businesses (E-commerce Association, 2024).

## 6. Conclusion

While the booming e-commerce sector offers optimism for economic growth and job creation, the recent prolonged internet shutdown in Bangladesh has provided valuable insights into the vulnerabilities of the digital economy. The study reveals the profound impact of internet disruptions on e-commerce and social media marketing activities as evident through significant loss of revenue, ineffective supply chain management, and plummeting engagement levels of the consumers. Developing robust contingency plans and exploring alternative channels are essential steps for businesses in enhancing resilience and mitigating the impacts of future digital disruptions. In addition, to regain the confidence of the consumers, businesses will need to communicate with the customers about the steps being taken to overcome such challenges in the future. Such disruptions not only significantly affect local businesses but also the investment decisions of the international community. Hence, businesses will need to advocate for transparent and clearer public policies that will minimize the impact on businesses and reduce the vulnerabilities of the existing business model pursued by the e-commerce sector. Future research should focus on strategies for managing internet-related crises and strengthening the overall stability of the digital economy.

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