

## **How do small businesses use Instagram Reels to build brand loyalty?**

Tvisha Kamdar

Garodia International Centre For Learning Mumbai

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### **Introduction**

In today's fast-paced digital world, social media has evolved into not just a part of daily life, but a powerful tool for small businesses to market their products and connect with customers. It helps engage with their audiences and build long term relationships constantly reminding them of the product through new reels that are uploaded. Among all other social media platforms today, Instagram reels has emerged to be one of the most powerful mediums due to its short-form and algorithm-boosted content style and higher user engagement. It has over two billion monthly active users. Instagram Reels provides small businesses with a cost-effective and impactful platform to promote their products and engage with a wider audience.

Brand loyalty is the emotional and behavioral attachment a consumer has towards a particular brand. It is extremely vital for the growth of small businesses especially in competitive industries. Traditional marketing techniques emphasize product quality and service whereas today's consumers are increasingly influenced by storytelling, authenticity and consistent online interaction and Instagram reels has become the perfect platform for business owners to showcase that. This is by showing the BTS (behind the scenes) of the making process, highlighting positive consumer experiences and communicating brand values in relatable and entertaining formats. However, the real question remains, 'how effective are reels in actually building long term brand loyalty for small businesses?'

Moreover, reels encourage two-way communication, whether through comments, shares or direct messages enabling businesses to receive immediate feedback and strengthen their connection with customers. This interactive nature helps humanize brands and build emotional bonds — key factors in developing brand loyalty. Additionally, Instagram's algorithm rewards frequent engaging content, this gives small businesses a chance to grow organically and compete with larger brands in the same digital space.

As digital attention spans have become short and video has become one of the most popular

mediums of content consumption, the ability to deliver quick meaningful and emotionally resonant messages has become important. Reels with their visual storytelling power allows small businesses to express their brand identity in seconds which makes a lasting impression while it remains accessible, relevant and shareable.

The purpose of this paper is to explore how small businesses use Instagram Reels for awareness, and also to deepen relationships and loyalty. This paper will explain and examine the individual content strategies, storytelling, audiences, and emotional branding that increase the effectiveness of Reels as a tool. This paper will examine actual examples of small businesses that effectively leveraged Reels to develop genuine loyalty and community, and ultimately reveal how short-form video can act as a tool to convert passive observers into ambassadors for a brand — even on extremely competitive virtual platforms.

### **Objectives**

1. To examine how small businesses use Instagram Reels as a strategic marketing tool for promoting their products, services, and brand identity
2. Analyzing Engagement Metrics to Evaluate Effectiveness of Instagram Reels in Building Brand Loyalty
3. To analyze how Instagram Reels fosters long-term brand loyalty for small businesses through customer engagement and community building
4. To evaluate the challenges and limitations small businesses face in using Instagram Reels as a marketing strategy
5. To recommend strategies small businesses can adopt to maximize the effectiveness of Instagram Reels in building brand loyalty
6. To explore how Instagram's algorithm and platform features influence the visibility of small business Reels and their ability to reach new customers
7. To understand how authentic storytelling in Reels helps small businesses form emotional connections that encourage long-term loyalty

### **Use of Instagram Reels by Small Businesses**

As the way we communicate continues to shift to a digital-first world, small businesses are embracing social media platforms to engage and communicate with their customers. One of the social media platforms that have become invaluable for brands, in terms of displaying their visual content, is Instagram. As a result of the strong influence of TikTok, a leading video

production and sharing platform, Instagram Reels emerged in August 2020, as a new short-form video feature for posting brand content. Reels allowed businesses to deliver content in a unique manner and leverage the algorithmic promotion of Instagram. For small businesses that may not have a large marketing budget or resources, Reels can be an easy and effective means of promoting their products and messaging their brand.

In contrast to traditional marketing tactics that require considerable spend on print, billboards, or television advertising, Reels provide small businesses with visibility through organic discoverable content - impressive for startups or local business owners without the budget of larger corporations. A 2023 report from HubSpot found that 85% of small businesses on Instagram experienced greater brand exposure within six months of regularly posting Reels, while 58% noted better customer engagement.

Reels' positioning within Instagram's larger ecosystem is one of its key advantages. Instagram's recommendation algorithm curates the Explore page and Reels tab, which display reels to both followers and non-followers. Because of this, tiny businesses can become viral even if they don't have a big initial audience. For instance, after sharing behind-the-scenes videos of their

hand-painted notebooks, the Indian stationery firm Moghees Studio, which had fewer than 5,000 followers at first, noticed a 400% increase in engagement. These Reels became popular as people shared the material because of its skill and beauty, which naturally increased sales and website traffic for the company.

Reels also give small businesses a new way to convey their company identity. Companies can create a unique voice and personality through humor, storytelling, trends, or lessons. To emotionally engage with millennial and Gen Z parents, Little Spoon, a tiny baby food company based in the United States, uses Reels to publish humor and food education suggestions geared toward parents. Long-term brand loyalty depends on this content strategy's capacity to humanize the company, increase relatability, and create a community based on shared values.

Additionally, reels make the production process more accessible. Reels can be recorded and edited on a smartphone using Instagram's built-in features, as opposed to professional video ads that need editing teams, equipment, and scripting. This promotes authenticity and spontaneity, two qualities that appeal to younger customers. Indeed, according to a 2022 Nielsen study, 64% of Gen Z consumers are more inclined to interact and trust brands that seem authentic and unvarnished on social media. By presenting real-time updates, client endorsements, packing procedures, and product usage in an approachable and amusing manner, small businesses take advantage of this trend.

Using hashtags, challenges, and popular music is another clever element of Reels marketing.

These viral components improve discoverability and enable small enterprises to capitalize on larger cultural moments. For instance, Mishi Blush, a tiny Indian handmade jewelry company, effectively used Meghan Trainor's popular song "Made You Look" in a reel promoting their most recent line. Weekly sales increased by 35% as a result of just one video, which received over 120,000 views.

Reels' strategic significance is further increased by cross-platform integration. In order to ensure wider exposure without incurring additional production expenditures, small businesses frequently recycle existing Reels material on websites like Facebook, YouTube Shorts, or Pinterest. For entrepreneurs with limited resources, this multi-platform strategy optimizes content longevity and return on investment.

Additionally, Instagram provides analytical tools like Insights to assist small company owners in monitoring data like viewer retention, engagement rate, and reach. Businesses can use these data points to improve their content strategies by analyzing what works best. For example, a company can adjust its focus if instructional how-to reels outperform promotional ones. Without wasting money, this performance-based improvement maximizes marketing initiatives.

Additionally, influencer partnerships and collaborations increase Reels' strategic power. By include micro-influencers with specialized but devoted fan bases in Reels, a company may reach a wider audience in a more focused way. For instance, to show how their product fits into a cruelty-free routine, a vegan skincare firm might collaborate with an influencer who promotes sustainable living. In addition to establishing credibility, this strategy exposes the business to a target market that is likely to become devoted patrons.

To sum up, Instagram Reels have become a potent and adaptable marketing tool for small companies. It rarely compares to established channels in terms of innovation, price, and strategic visibility. Small businesses can greatly improve their brand identification and promotional impact by utilizing authenticity, following trends, and improving content using data analytics. Reels give small businesses a means to stand out, compete, and expand in the increasingly competitive digital marketplace as consumer preferences continue to favor brief, interesting, and important content.

## **Measuring Engagement and Brand Loyalty Through Instagram Reels**

### **1. Comments and Conversation Depth**

Comments are a direct form of audience involvement, frequently demonstrating how emotionally invested viewers are in the brand. According to a survey by Rival IQ (2024), viewers who demonstrate brand devotion, share personal experiences, or ask in-depth questions about the

product frequently leave comments for businesses with strong engagement rates that go beyond simple compliments. For instance, a neighborhood bakery in Mumbai employed Reels to show off the steps involved in producing bread. Long-term commitment was demonstrated by the comments section, where returning consumers reminisced about their favorite products and suggested new tastes.

## 2. Shares and Virality

Shares show that visitors find the content interesting enough to share with their own networks, increasing its reputation and reach. According to a 2023 Social Media Examiner study, more people share reels with relatable comedy and real storytelling than ones that are only promotional. This type of natural endorsement frequently originates from devoted clients who identify with the brand.

## 3. Savings as a Long-Term Interest Indicator

Saves indicate enduring interest and indicate a user's intention to return to the content. For instance, style tip reels with large save counts are frequently used by small enterprises in the fashion industry. These data suggest that people see the brand as a continuous resource and are actively participating beyond the moment.

## 4. Rates of View-Through and Completion

A key component of strengthening a brand connection is maintaining viewer attention, which is demonstrated by high completion rates, particularly for Reels longer than 15 seconds. Reels with narrative arcs or transformations have up to two times the completion rates of those with static pictures, per Later's 2024 Instagram Trends study.

## 5. Growth of Followers Associated with Reels Activity

One observable indicator of greater brand interest is the surge in followers that follows successful Reels efforts. A sustainable apparel business in Delhi had a 40% monthly increase in followers after they started a Reels series that highlighted eco-friendly manufacture.

Engagement rates remained steady, suggesting that these were engaged, devoted followers rather than passive ones.

## 6. Quality vs. Quantity of Engagement

Qualitative analysis is more important for loyalty, even though high numbers are preferred. Businesses may assess sentiment using tools like Brandwatch and Sprout Social to determine whether the tone of engagement indicates transactional interest or true passion.

## 7. Comparing Oneself to Rivals

It is possible to determine whether a small business's Reels approach is exceeding rivals in terms of audience connection by comparing engagement numbers with those of similar brands in the same niche.

### **How Instagram Reels Contribute to Long-Term Brand Loyalty**

How do these initiatives result in long-term brand loyalty, which is a critical factor in determining how long a firm will last. Beyond recurring business, brand loyalty is a reflection of a strong emotional bond in which consumers actively support the brand and are reluctant to transfer to rivals.

Being able to provide consistent, relatable content that upholds company values is one of Reels' primary loyalty drivers. For small enterprises, this can entail continuously demonstrating the brand's dedication to sustainability, innovation, or quality. For example, the Indian zero-waste lifestyle brand Bare Necessities frequently shares Reels featuring client testimonials,

behind-the-scenes sourcing techniques, and eco-friendly living advice. These frequent yet diverse touchpoints promote confidence and convey trust and signal authenticity, two pillars of loyalty.

Reels' interactive features, which allow for direct reactions, duets, remixes, and comments, can let marketers keep a two-way dialogue with their audience. 64% of customers said they felt more connected to firms that interact with them directly on social media, per a 2023 Sprout Social poll. Small businesses can take advantage of this by displaying user-generated material, responding to comments in video format, or developing challenge-based campaigns that promote involvement.

Building loyalty is significantly influenced by emotional resonance. Reels make it possible to tell stories that transcend the product and engage viewers with comedy, shared ideals, or significant life events. For instance, the Indian bakery company Brownie Heaven uses Reels to showcase staff festivities, client birthday surprises, and realistic culinary comedy. Customers are more likely to return and suggest a company when they are emotionally invested in it.

Building specialized interest-based micro-communities is another long-term loyalty strategy. In addition to products, a handmade pottery company may produce Reels that include collaborations with artists, design inspiration, and pottery maintenance advice. Customers that feel like they belong to an insider community are more loyal as a result of these content clusters.

Personalization based on data also increases loyalty. Small businesses can determine which kinds of reels appeal most to devoted clients and produce more of that content by using Instagram

Insights. For example, the company can develop a series that targets customer demands at various skill levels if data indicates that tutorial reels result in repeat purchases.

### **Challenges and Limitations of Using Instagram Reels for Small Businesses**

Instagram Reels are a creative and powerful marketing tool for small businesses, but there are some drawbacks to its efficacy. Trying to effectively utilize the platform presents a number of challenges for small businesses, which frequently function under time, skill, and budgetary constraints. Examining these issues is essential since they may limit companies' capacity to develop enduring brand loyalty and a strong online presence.

The fierce rivalry and abundance of content on Instagram are two of the main obstacles. As of 2024, Instagram had more than 200 million businesses worldwide and more than 2 billion monthly active users, making it a very congested platform. Reels engagement rates have dropped by 10% since 2021, according to a 2023 Social Insider assessment, primarily as a result of content overload. This means that even real and unique reels may have trouble being noticed by tiny businesses unless they spend in paid promotion or flawlessly fit into popular forms. Small businesses frequently have to rely solely on organic growth, which is getting harder in a cutthroat digital sector, in contrast to larger brands that may expand reach through advertising budgets.

Algorithm reliance is yet another significant drawback. Which Reels are promoted to larger audiences are decided by Instagram's recommendation algorithm, which is frequently erratic and opaque. Reach and engagement can be significantly impacted by little adjustments to the platform's algorithm. For instance, a number of small companies saw a decrease in their Reel visibility after Instagram changed its algorithm in early 2023 to favor original content over reposted TikToks. Since success frequently depends on outside factors outside their control, it is not only time-consuming but also uncertain for entrepreneurs with limited resources to continuously adjust to algorithmic changes.

Another difficulty is the time and talent commitment needed to produce captivating, high-quality reels. Even though the company promotes Reels as being user-friendly and having integrated editing tools, creating content that appeals to viewers demands imagination, perseverance, and technical proficiency in videography, editing, and narrative. A 2022 Animoto poll found that 58% of small business owners acknowledged that they had trouble creating video content because they lacked the necessary time and experience. Many small business owners balance content creation with day-to-day operations, which makes it challenging to maintain the consistency the algorithm favors. This is in contrast to larger organizations that may hire dedicated social media teams.

The urge to adapt to trends is closely related to this. Small businesses frequently need to take part

in viral challenges, hot audios, or memes in order to increase their awareness. But not every trend fits a brand's identity or principles, which leads to a conflict between visibility and authenticity. A tone mismatch can come across as strained or alienate devoted clients. For instance, it could be challenging for a sustainable apparel company to keep up with fast-paced, hilarious trends without weakening its environmentally conscious image. For small businesses, this conflict between authenticity and relevance is a persistent barrier.

Inadequate statistics and attribution can make it difficult to gauge success. Although Instagram Insights provide fundamental information like reach, views, and engagement, it doesn't necessarily demonstrate how Reels directly affect sales conversions or client loyalty. According to a 2023 Hootsuite survey, 61% of small businesses have trouble establishing a direct correlation between social media activity and sales. Small firms could find it difficult to defend their ongoing time and resource commitment to Reels in the absence of concrete ROI figures, particularly if the results seem patchy.

Limitations are made worse by difficulties with monetization. Instagram provides services like in-app checkout and shoppable tags, but not all areas can access them equally. Due to payment gateway restrictions or a lack of connection with Instagram's commerce features, many small enterprises in poor nations are subject to limits. Customers are forced to leave Instagram, which raises the possibility of drop-offs. For example, a number of small companies in India and parts of Southeast Asia are able to display their products but are unable to conduct sales transactions immediately within the app.

Lastly, there is a long-term risk associated with platform reliance. Small businesses that extensively rely on Instagram as their main marketing channel run the risk of being affected by outages, changes in platform restrictions, or evolving customer preferences. The nearly

six-hour-long global Instagram outage in 2021 brought attention to how vulnerable companies that just use one platform are. Furthermore, TikTok, YouTube Shorts, and new platforms are drawing more and more attention from younger people. A brand's flexibility in the larger digital environment may be restricted by an over-reliance on reels.

In conclusion, while Instagram Reels offers small businesses immense potential for visibility and engagement, it also presents significant challenges that cannot be overlooked. From algorithm dependency and content saturation to limited analytics and platform risks, these limitations shape the extent to which small businesses can convert visibility into long-term brand loyalty.

For sustainable growth, small businesses must acknowledge these challenges and complement Reels with a diversified marketing strategy—balancing authenticity, trend participation, and multi-platform presence. Only then can Reels be harnessed effectively as part of a broader digital

marketing framework.

Even though using Instagram Reels presents many obstacles for small businesses, there are tried-and-true methods that can assist get over these restrictions and turn short-form material into a vehicle for fostering enduring brand loyalty. Small businesses can improve their digital presence and forge closer emotional and behavioral ties with their clientele by emphasizing authenticity, strategic inventiveness, community involvement, and data-driven decision-making.

Story-driven content production is a fundamental tactic. Businesses may use Reels to tell tales that connect with audiences instead of just depending on product demonstrations or trends.

92% of consumers like brands that tell real stories over those who only promote goods, per HubSpot's 2024 Marketing Trends Report. A bakery might, for instance, tell the tales of their devoted patrons who have been with them for years, the early morning baking procedure, and the process of locating local supplies. These human-centered stories set tiny enterprises apart from bigger, impersonal firms by establishing emotional bonds that encourage loyalty.

The discipline of creating educational and value-based information is closely tied to storytelling. Small firms can establish themselves as authorities in their field by disseminating advice, guides, and insights rather than relying just on Reels for marketing. For example, a fitness coach can provide fast workout regimens, and a skincare business can create brief instructional videos that explain how to choose products for various skin types. According to a 2023 Sprout Social study, 68% of customers are more inclined to stick with companies that regularly offer helpful information online. Small businesses build credibility and trust, two factors that are essential to customer loyalty, by providing value beyond the product.

Maintaining a consistent visual identity and branding is another crucial tactic. Instagram is overflowing with short-form material, so companies need to make sure their reels are easily identifiable. Consistent use of brand colors, fonts, audio themes, and even mascots or recurring figures can help achieve this. Consistent branding can boost income by up to 23%, according to Lucidpress research from 2023. Although small firms might not notice financial gains right away, the psychological reinforcement of brand identification greatly increases customer loyalty.

Customers are reassured by consistency, which conveys professionalism, dependability, and stability.

Additionally, small enterprises must embrace a community-driven involvement strategy. Small businesses have the advantage of developing more intimate, personal ties with their clients, in contrast to giant organizations. Customers can feel like stakeholders in the brand by responding to comments, showcasing user-generated content, and implementing interactive campaigns

through Reels, such polls or challenges. According to a Deloitte Digital report from 2022, 70% of customers are more devoted to companies that give them a sense of belonging. By encouraging customers to use branded hashtags while showcasing their outfits in Reels, for instance, a sustainable fashion business can establish a cycle of co-creation that strengthens loyalty and a sense of belonging.

### **Strategies to Strengthen Brand Loyalty Through Instagram Reels**

In today's digital world, authenticity has emerged as one of the key elements influencing consumer trust and brand loyalty. Consumers now choose businesses that feel real, relatable, and emotionally present over polished commercials and scripted promotions. Through brief, captivating videos that capture genuine moments, Instagram Reels offers a distinctive format that promotes this kind of authenticity. This goal investigates how small businesses can create deep emotional relationships with their audience by storytelling in Reels, turning casual viewers into devoted, long-term clients.

This goal is to investigate how Instagram's algorithm assesses content and how small businesses might strategically conform to these standards. The system takes into account a variety of data factors, including user interactions, engagement frequency, completion rates, trending audio, unique material, and even video clarity. Reels are more likely to get pushed into the Explore page or suggested feed, for instance, if they employ unique content, include

well-known audio samples, or create quick engagement inside the first hour. Understanding these triggers puts small businesses in a better position to create content that the algorithm prefers, increasing the possibility of reaching a large audience without the need for expensive advertising.

Instagram's built-in features, including hashtags, music libraries, text overlays, effects, and editing tools, can have an impact on visibility. Businesses that make use of platform-native tools often experience better reach because Instagram promotes content that keeps users within its ecosystem. Even seemingly minor elements, like using on-screen text or adding closed captions, can boost accessibility and viewer retention, two factors that significantly increase algorithmic favorability.

Another important area within this objective is the examination of how changes to the algorithm affect small businesses. Instagram frequently updates its ranking system to prioritize new content formats or to respond to user behavior trends. These changes may cause reach and engagement to fluctuate, making it difficult for small firms to stay competitive. For instance, many small firms experienced a decline in engagement when Instagram started favoring original content over reposted TikToks. However, they were able to adjust by creating films tailored to the platform. This goal aims to comprehend these variations and how small businesses might maintain their

resilience in the face of them.

Finally, this goal investigates the significance of discoverability outside of follower counts. The algorithm levels the playing field between small enterprises and major organizations by providing them with the unique chance to contact non-followers. A small business can swiftly gain visibility in the feeds of users from a variety of demographics, interests, and geographical areas with a well-performing Reel. Gaining an understanding of the mechanisms underlying this reach—what causes it, how consistently it occurs, and what types of material are more likely to go viral—will help you better understand how Reels promote customer acquisition and brand expansion.

In a fiercely competitive digital market, Instagram Reels has become a game-changing tool for small businesses looking to increase visibility, fortify client connections, and foster enduring brand loyalty. Businesses may demonstrate authenticity, emphasize company values, and cultivate emotional connections that traditional marketing strategies frequently fall short of by using captivating short-form video content. Opportunities for quick expansion and significant community building are provided by the platform's algorithm, interactive features, and minimal production hurdles.

However, how well tiny firms proactively handle issues like content saturation, algorithm unpredictability, time constraints, and unreliable analytics also affects how well Reels generate enduring loyalty. Businesses that combine creativity with data-driven insights, strike a balance between trend participation and authenticity, and actively participate in their online community will succeed. Trust, relatability, and repeat engagement are greatly increased when instructional material, storytelling, and consistent branding are incorporated.

All things considered, Instagram Reels are more than just a marketing tool; they are a potent tool that small businesses can use to turn inactive users into passionate brand evangelists. Reels become a viable route for small business growth in the changing digital marketplace and a stimulus for long-term brand loyalty when used purposefully and backed by a varied digital strategy.

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