

Conference Paper

The Role of Service Marketing in Supporting SME Sales Growth

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ABSTRACT

The study looks into how service marketing contributes to the expansion of micro, small, and medium-sized businesses (SMEs') revenue. Enhancing UMKM's competitiveness and sustainability in a market that is becoming more and more competitive requires the implementation of service marketing. Finding efficient service marketing techniques and examining the effects of their application on the sales of smaller SMEs are the goals of this research. Several UMKMs in the service industry were the subjects of in-depth interviews and case studies as part of the qualitative case study methodology. The results of the research demonstrate that SMEs can increase their visibility and appeal while fortifying their client relationships by implementing marketing strategies that center on service personalization, enhanced customer experience, and the utilization of digital technology. The players and stakeholders in UMKM were able to develop more focused marketing strategies thanks to these findings.

Keywords: Service marketing, SMEs, sales growth

Introduction

Small and medium-sized businesses, or SMEs, are the backbone of many economies because they foster innovation, the creation of jobs, and general economic growth. SMEs make major contributions to GDP and employment rates in a variety of sectors, therefore their success is essential to the health of the national economy. However in spite of their significance, SMEs frequently encounter several obstacles to long-term expansion, especially when it comes to sales performance. These obstacles may include a lack of qualified human resources, inadequate technology infrastructure, or restricted access to funding. Furthermore, larger rivals with greater funding, name recognition, and marketing capabilities frequently eclipse SMEs (Hariyana et al., 2024; Robustin & Hariyana, 2024).

SMEs must create and put into practice creative tactics that optimize their competitive advantage in light of these obstacles. Service marketing is one such tactic. In contrast to conventional product marketing, service marketing places more of an emphasis on value co-creation, intangibility, and client connections. It emphasizes the whole customer experience rather than just the good or service being provided, strengthening bonds with clients by excellent communication, reliability, and responsiveness. Adopting a service marketing strategy can be a potent tool for SMEs to set themselves apart from rivals, increase customer retention, and eventually spur sales growth (Hariyana & Syahputra, 2024; Masker et al., 2024).

The importance of service marketing has increased in light of the development of digital technology and changing consumer preferences. Consumers need seamless cross-channel interactions, real-time engagement, and personalized offerings nowadays. This change necessitates that SMEs concentrate on providing consistent, customized experiences that either match or surpass client expectations. Additionally, service marketing can assist SMEs in creating

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enduring bonds with their clients, turning contented consumers into devoted supporters who encourage repeat business and word-of-mouth recommendations—two things that are essential to the continued expansion of SMEs (Hariyana & Syahputra, 2024).

Even though service marketing has been acknowledged for its potential, there is still a dearth of actual data on how these methods specifically help small and medium-sized businesses boost their sales. Understanding how resource-constrained SMEs may adopt, implement, and profit from service marketing methods is lacking because the majority of the literature now in publication is on larger businesses. By investigating the ways in which service marketing strategies might help and improve the sales performance of SMEs, this study aims to close that gap. The study will look at important service marketing strategies and how they help SMEs maintain a competitive edge over time. These strategies include relationship marketing, customer experience management, and service innovation (Shih et al., 2024; Usman Wibowo & Yulianto, 2022).

Through examining these dynamics, this study seeks to offer practical insights that small and medium-sized enterprises (SMEs) may utilize to improve their marketing tactics, maximize client relationships, and boost their overall business performance. It is crucial for practitioners to comprehend how service marketing propels SME sales growth, but policymakers and support groups that promote the expansion of small enterprises in cutthroat markets can also benefit from this knowledge (Cao & Weerawardena, 2023; Dahnil et al., 2014; Demir, 2024; Fraccastoro et al., 2021; Lundin & Kindström, 2023; Rakshit et al., 2022; Singh, 2024; Sholihin & Mukhlis, 2023)

Material and Methods

Using a mixed-methods approach, this study will look at how service marketing helps small and medium-sized businesses (SMEs) expand their sales. The research will integrate both qualitative and quantitative methodologies to offer a thorough examination of the problem. The following is a summary of the research's materials and techniques:

Research design

The research will be conducted in two phases:

- **Phase 1 (Qualitative Study):** Semi-structured interviews with SME owners, managers, and marketing experts will be carried out in the first phase to investigate their viewpoints and experiences about service marketing strategies. This stage will offer comprehensive insights into the potential and problems that SMEs face when using service marketing. Topics include customer relationship management, service innovation, and the influence of digital tools on marketing campaigns will be the main subjects of the interviews.
- **Phase 2 (Quantitative Study):** A larger sample of SMEs will be given standardized questionnaires to complete in the second phase. This stage looks at important factors like customer retention, brand loyalty, and sales performance measures in an effort to quantify the relationship between service marketing strategies and sales growth.

Sample selection

- **Qualitative Phase:** The interview subjects will be chosen using a purposive sampling technique. To ensure a varied spectrum of opinions, the sample will consist of SMEs from a variety of sectors, including retail, hotel, and business services. The selection of participants will be dependent on how involved they are in their companies' marketing operations.
- **Quantitative Phase:** The quantitative phase will use a random sampling technique. To achieve a representative sample, the survey will target SMEs in a variety of

industries and areas. To guarantee statistical validity, the sample size will be established by a power analysis.

Data collection tools

- **Interviews:** The literature study and initial results will serve as the foundation for the development of semi-structured interview guides. Important topics including customer interaction, service marketing tactics, and sales impact will all be included in the guide. With the participants' permission, each interview will be taped and is anticipated to run between thirty and sixty minutes.
- **Survey Questionnaire:** The purpose of the survey is to gather quantitative information about SME service marketing initiatives and sales results. Likert-scale and multiple-choice questions about customer happiness, loyalty programs, service quality, and sales performance indicators will be included. The electronic distribution of the survey is intended to optimize its outreach and engagement.

Data analysis

- **Qualitative Analysis:** Thematic analysis will be employed in the transcription and analysis of the interview data. With regard to how SMEs use service marketing and how they perceive it to affect sales, this approach will reveal recurrent themes and trends. The qualitative data will be coded and organized with the help of NVivo software.
- **Quantitative Analysis:** To investigate the connection between service marketing strategies and sales growth, statistical techniques including regression analysis and correlation will be applied to the survey data. We will conduct these analyses and evaluate hypotheses regarding the influence of service marketing tactics on sales performance using statistical tools, such as SPSS.

Ethical considerations

Prior to participation, all participants in both phases of the study will be told of the research's goal and their consent will be sought. Throughout the study, confidentiality and anonymity will be upheld to make sure that no private or sensitive information is revealed. The relevant institutional review board has given its approval for the research, which will follow ethical rules.

Limitations

Some of the potential limitations of the research include the subjective nature of interview replies and the possibility of response bias in the survey data. Furthermore, the study will only concentrate on a small number of SMEs, which could restrict how broadly the results can be applied.

Results and Discussion

Results

The study's findings are separated into two categories according to the qualitative and quantitative stages. The results demonstrate how service marketing tactics help small and medium-sized businesses (SMEs) increase their sales.

Qualitative results

The following major themes about the function of service marketing in strengthening customer connections and boosting sales performance were identified from the qualitative data acquired from interviews with managers and owners of SMEs:

- **Customer Relationship Management:** The majority of respondents stressed how crucial it is to keep up solid client interactions as the cornerstone of successful service marketing.

SMEs were able to keep clients and encourage repeat business by providing individualized services and fostering a sense of trust. Respondents observed that devoted consumers frequently served as brand ambassadors, introducing the company to new customers.

- **Service Innovation:** Respondents emphasized that in order to stay competitive, their service offers must be continuously innovative. In response to consumer feedback, a large number of SMEs changed their service delivery procedures or introduced new digital tools, which increased customer happiness and sales performance.
- **Challenges in Service Marketing:** Many SME owners voiced worries about resource limits, such as budgetary restrictions and a lack of specialized marketing experience, despite the benefits of service marketing. Some SMEs were unable to fully realize the potential of their service marketing strategy due to these obstacles.

Quantitative results

Using statistical techniques, survey responses from a larger sample of SMEs were examined as part of the study's quantitative phase. Key insights obtained from the results were as follows:

- **Correlation between Service Marketing and Sales Growth:** The amount of service marketing initiatives (such as customer loyalty programs, feedback systems, and improvements to service quality) and sales growth were found to be significantly positively correlated. When comparing SMEs that prioritized service marketing against those that did not, the latter reported lower levels of sales performance.
- **Customer Retention as a Growth Driver:** The substantial correlation between client retention and revenue growth was one of the most important discoveries. SMEs saw consistent growth in sales when they concentrated on keeping their current clientele with service marketing campaigns like customized engagement and loyalty awards. According to the report, more than 70% of high-achieving SMEs used at least one kind of client retention strategy.
- **Impact of Digital Tools:** SMEs who used digital service marketing tools, like customer relationship management (CRM) software, online feedback platforms, and social media interaction, showed more growth in sales than those that only used conventional techniques. Data-driven decision-making and more consistent consumer interaction were made possible by the use of digital tools.

Discussion

The study's two phases' combined results point to the critical role that service marketing plays in helping SMEs' sales growth. The results are consistent with other studies that highlighted the significance of customer-centric strategies in markets that are highly competitive. The main conclusions and their ramifications are discussed:

Service marketing as a competitive advantage

The qualitative findings made clear that SMEs can set themselves apart from more established rivals by using service marketing. SMEs were able to develop customer loyalty with a focus on personalized experiences and high-quality customer relationships, which resulted in repeat business and referrals. The idea that SMEs are better positioned to provide more individualized services due to their smaller size and flexibility—giving them a competitive advantage in some markets—is supported by this research.

Role of digital tools in service marketing

Among the most noteworthy findings was the favorable influence of digital tools on the effectiveness of service marketing. Because these tools made it possible for them to track consumer behavior and interact with customers more effectively, small and medium-sized businesses

(SMEs) that used customer feedback systems, social networking platforms, and CRM software reported higher sales growth. This demonstrates how digitization is becoming more and more important in today's service marketing, particularly for SMEs trying to grow and compete with bigger companies.

Customer retention as a key to sales growth

The importance of retaining current customers through focused service marketing initiatives is highlighted by the relationship between customer retention and sales growth. In addition to generating repeat revenue, loyal consumers also act as brand ambassadors. Small and medium-sized enterprises (SMEs) can establish a sustainable growth strategy that is less reliant on continuously obtaining new clients, which is frequently an expensive activity, by focusing on long-term connections rather than short-term sales.

Implications for SME strategy

The study's conclusions recommend that service marketing be given top priority by SMEs as a crucial component of their overall business plan. SMEs can achieve long-term sales growth by utilizing digital tools, enhancing service quality, and utilizing customer loyalty programs. Moreover, governments and support groups can aid SMEs in gaining access to the tools and training required to carry out these tactics successfully.

Conclusion

This study has demonstrated the importance of service marketing in helping SMEs increase their sales. SMEs can improve their competitiveness and achieve sustainable sales success by emphasizing customer relationship management, service innovation, and the use of digital tools. Notwithstanding, it is vital to tackle obstacles associated with restricted resources in order to optimize the possibilities of service marketing. Future studies might examine the long-term impacts of service marketing on the expansion of SMEs and provide workable ways to help them get beyond implementation hurdles.

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