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Marketing Services Amidst Competitive Business Environment for MSMEs

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ABSTRACT

This service seeks to bridge the knowledge gap and execute a comprehensive service marketing strategy (7P) for Micro, Small, and Medium Enterprises (MSMEs) in the service sector of City Y, which has led to their entrapment in unsustainable price competition. The primary issue encountered is the disproportionate emphasis on products and pricing (the traditional 4P's), neglecting the essential components of services, including People, Process, and Physical Evidence. The objective of this program is to deliver comprehensive training and mentorship to enhance service quality, establish distinctive differences, and cultivate customer loyalty through the application of the 7P Service Marketing framework. This service's innovation is the creation of a Customer Journey Simulation-based Service Quality Transformation (SQT) Model for local service MSMEs. The findings indicated a 25% rise in the average customer satisfaction score (CSAT), a 30% enhancement in the adoption of digital feedback systems, and improved service process efficiency, all of which directly bolstered competitiveness and customer loyalty.

Keywords: Service Marketing, MSMEs, Marketing Mix, Customer Satisfaction

INTRODUCTION

The service sector constitutes a fundamental pillar of the national economy, with service MSMEs, including caterers, workshops, beauty salons, and laundries, significantly contributing to labor absorption and stimulating the local economy (Iki, 2024). The expansion of MSMEs in this sector is swift, mostly driven by the escalating demand from urban populations for efficient and prompt services. The intangible, indivisible, perishable, and

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variable characteristics of services present distinct marketing issues that necessitate an approach divergent from that of physical product marketing.

Notwithstanding their considerable potential, numerous service MSMEs struggle to uphold profit margins and ensure business sustainability. The primary issue resides in the propensity of MSMEs to respond to competition by merely reducing prices. This "price war" tactic may adversely affect brand reputation, diminish service quality, and eventually impede corporate growth (Sutikno et al., 2024). Service MSMEs frequently overlook that genuine difference within their sector is rooted in the quality of interactions, consistency of processes, and tangible evidence of customer experience, rather than only offering the lowest price (Kulmie et al., 2023).

A substantial disparity exists between the 7P framework (product, price, place, promotion, people, processes, and physical evidence) and the practices implemented by MSMEs. Typically, MSMEs concentrate solely on the conventional 4Ps (Product, Price, Place, Promotion), neglecting the three components that define excellent services: People (service personnel), Process (workflow and service execution), and Physical Evidence (tangible attributes and digital branding). This disparity renders their services easily replicable, inconsistent, and lacking in value addition; hence, it undermines the establishment of emotional connections and consumer loyalty (Wu & Parkvithee, 2017).

This service program addresses the gap through the adoption of the Service Quality Transformation (SQT) Model. The SQT model prioritizes simulation-based training, motivating participants to scrutinize every stage of the customer experience and identify critical moments for optimization. This course notably emphasizes Module 7P Services, concentrating on enhancing communication skills (People), standardizing digital and manual workflows (Process), and visualizing services via social media and digital catalogs (Physical Evidence). This method guarantees quantifiable and enduring modifications in behavior and operations.

This service program aims to (a) help MSME participants better understand and use the 7P Service Marketing framework, (b) make service processes consistent to ensure quality, and (c) create convincing physical evidence of service, both in real life and online, to improve customer satisfaction and stand out from competitors. This program aims to establish MSMEs as distinctive service providers who prioritize quality over price competition.

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RESEARCH ELABORATIONS

The service activity was conducted over five months at the Kota Y MSME center, engaging 25 MSME proprietors and staff from several sub-sectors, including catering, salons, laundry, and electronic repair. The employed methodology is Participatory Action Research (PAR) integrated with blended learning techniques, including interactive lectures, practical workshops, and on-site mentoring.

Phase 1: Evaluation and Diagnosis (Month 1) A preliminary survey was executed utilizing a Servqual (Service Quality) questionnaire to assess the disparity between customer expectations and views of partner MSME services. We utilize the findings of this diagnosis to develop a tailored SQT Model curriculum and address critical deficiencies.

Phase 2: Implementation of the SQT Model (Months 2-3) The extensive training of the SQT model centers on three fundamental pillars:

Personnel and Procedures: Instruction on proficient communication, service ethics, and the formulation of concise Standard Operating Procedures (SOPs) for each service type.

Physical Evidence: Service photography class, design thinking for store/business layout, and digital catalog development (e-menu/e-catalog).

Digital Service Management: Utilization of instant messaging programs for reservations and a digital feedback system (Google Form/QR Code).

Phase 3: Oversight and Assessment (Months 4-5) Ongoing mentorship is conducted to guarantee the constant use of SOPs and digital initiatives. During this phase, a post-intervention survey was administered to assess alterations in customer satisfaction scores (CSAT) and to compute average service time for evaluating process efficiency.

RESULTS AND DISCUSSIONS

The discourse indicates that emphasizing the people and process components has a direct effect. All participants (100%) demonstrated an enhanced comprehension of the significance of exceptional service. The SOP preparation training produced 15 new streamlined and customer-focused workflow documents for each MSME. For instance, laundry MSMEs have

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effectively standardized the processes of receiving, washing, and shipping, thereby decreasing inefficiencies that frequently arise, particularly around missing or delayed garments.

Process standardization enhances both uniformity and the efficiency of service time. Analysis of data from the five sample MSMEs indicated a notable decrease in the average duration for completing essential services. Table 1 presents a comparison of the average service time prior to and subsequent to the deployment of the new Standard Operating Procedure alongside the service team. The decrease in service time is favorably associated with MSMEs' capacity to accommodate a greater number of clients while maintaining quality standards.

Table 1: Comparative Analysis of Average Lead Service Duration (in Minutes)

MSME Samples	Type of Service	Prior to SQT (Minutes)	Subsequent to SQT (Minutes)	Efficiency Ratio
Laundry A	Express Laundry	150	150	30%
Catering B	Response to Order	45	30	33%
Workshop C	Oil Replacement	35	25	28%
Living room D	Reservation Service	15	5	66%

The execution of the Physical Evidence Module has effectively transformed the brand image of MSMEs. Up to 80% of MSME partners have restructured the physical arrangement of their enterprises to enhance cleanliness and professionalism. All MSMEs have successfully established a visual catalog of professional services digitally. A comparison of physical and digital displays before and after the intervention highlights improvements in information clarity and visual appeal. This visual alteration instills initial trust in the prospective customer and reinforces the perception of professionalism.

The final evaluation findings demonstrate the actual effect of the 7P quality enhancement on consumer acceptability. The mean Customer Satisfaction Score of the 25 sampled MSMEs rose from 65% (before the intervention) to 81% (subsequent to the intervention). The 16 percentage point rise signifies the efficacy of the SQT model in enhancing customer experience. Subsequent analysis reveals that the most significant enhancement in satisfaction is observed in the qualities of reliability and empathy, both of which are prominently highlighted in the people training.

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This campaign enduringly enhances client loyalty. Most supported MSMEs reported a 40% increase in recurring clients. The commitment to establish a local service MSME association that focuses on sharing best practices related to SOPs demonstrates the program's viability. The program recommends the implementation of a straightforward Client Relationship Management (CRM) system to more efficiently handle client data and preserve the established distinctive differentiator.

CONCLUSIONS

The service initiative "Service Marketing in Addressing Business Competition for MSMEs," utilizing the Service Quality Transformation (SQT) Model, effectively bridged the gap in the application of the 7P Service Marketing framework; (2) achieved an average enhancement in service process efficiency of 30%; and (3) resulted in a 25% increase in the average customer satisfaction score. The innovation of the SQT model has substantially aided in transitioning service MSMEs from price-based competition to competition centered on service quality and distinctiveness. This SQT model is recommended for replication in other service MSME centers.

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