

The Role of Services Marketing Management in Increasing Customer Satisfaction and Loyalty

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Abstract. The service industry has become one of the main drivers of economic growth, making service marketing management a crucial strategy in building long-term customer relationships. This study aims to analyze the role of service marketing management in enhancing customer satisfaction and loyalty. By applying the service marketing mix (7Ps: product, price, place, promotion, people, process, and physical evidence), businesses are expected to deliver superior value and memorable experiences to customers. The research employs a qualitative approach supported by literature review and case analysis to identify the relationship between service quality, satisfaction, and loyalty. The findings indicate that effective service marketing management not only improves customer satisfaction but also fosters loyalty through trust, positive word-of-mouth, and repurchase intention. Furthermore, digitalization and personalization of services strengthen the bond between service providers and customers. This study highlights the importance of integrating service marketing strategies into organizational practices to achieve sustainable competitive advantage.

Keywords: service marketing management, customer satisfaction, customer loyalty, service quality, 7Ps

I. Introduction

In today's competitive business environment, service-based industries have become a central pillar of economic development and value creation. Unlike physical products, services are intangible, heterogeneous, and inseparable from the provider, which presents unique challenges for marketers in delivering consistent quality (Kotler & Keller, 2016). These unique characteristics highlight the importance of service marketing management as a strategic approach to creating and sustaining customer value.

Customer satisfaction has long been recognized as a key determinant of organizational success. According to Parasuraman, Zeithaml, and Berry (1988), service quality is strongly linked to customer satisfaction through the SERVQUAL dimensions—tangibles, reliability, responsiveness, assurance, and empathy. When service quality is effectively managed, customers are more likely to experience positive emotions that translate into satisfaction. Satisfied customers not only return for repeat purchases but also become advocates who influence others through positive word-of-mouth (Oliver, 1999).

Moreover, customer loyalty has been extensively studied as a strategic outcome of effective service management. Dick and Basu (1994) emphasize that loyalty is the result of both high relative attitude and repeated patronage behavior. In the context of services, loyalty extends beyond transactional exchanges; it involves building trust, commitment, and long-term relationships (Morgan & Hunt, 1994). Loyal customers are less sensitive to price changes and contribute to long-term profitability, making loyalty a valuable intangible asset.

To achieve these outcomes, many researchers highlight the role of the service marketing mix or 7Ps—product, price, place, promotion, people, process, and physical evidence—as a comprehensive framework for designing service strategies (Booms & Bitner, 1981). Each element of the mix contributes to shaping customer perceptions and experiences. For example, “people” represent the human interaction that is crucial in service delivery, while “process” ensures consistency and efficiency in customer encounters.

Recent studies also underline the transformative role of digitalization in service marketing. Technology has changed the way customers interact with businesses, from online booking systems to personalized digital experiences. Research by Lemon and Verhoef (2016) highlights that managing the customer journey in digital environments is critical to sustaining satisfaction and loyalty. Companies that successfully integrate traditional service marketing principles with digital innovations are better positioned to compete in the modern marketplace.

Therefore, building upon these theoretical and empirical foundations, this study aims to investigate the role of service marketing management in enhancing customer satisfaction and loyalty. By synthesizing perspectives from classical theories and contemporary practices, the research seeks to provide insights into how service firms can leverage marketing strategies to achieve sustainable competitive advantage and long-term customer engagement.

II. Literature Review

2.1 Service Marketing Management

Service marketing management refers to the strategic process of planning, implementing, and evaluating marketing activities specifically designed for service-based businesses. Unlike product marketing, service marketing is characterized by intangibility, inseparability, heterogeneity, and perishability (Kotler & Keller, 2016). These characteristics require a distinctive approach that focuses on customer experiences and relationship-building.

Booms and Bitner (1981) expanded the traditional 4Ps of marketing mix into 7Ps—product, price, place, promotion, people, process, and physical evidence—to better reflect the nature of service industries. These seven elements form the foundation of service marketing management and are frequently used as a framework for evaluating marketing effectiveness in service contexts.

2.2 Service Quality and Customer Satisfaction

Service quality has been a central theme in marketing literature as a determinant of customer satisfaction. Parasuraman, Zeithaml, and Berry (1988) introduced the SERVQUAL model, which identifies five dimensions of service quality: tangibles, reliability, responsiveness, assurance, and empathy. Studies consistently show that higher perceived service quality leads to higher customer satisfaction (Cronin & Taylor, 1992).

Customer satisfaction itself is defined as the result of a customer's evaluation of a service experience, reflecting whether expectations are met or exceeded (Oliver, 1999). Research highlights that satisfied customers are more likely to demonstrate repurchase intentions, reduced price sensitivity, and positive word-of-mouth, which directly contribute to long-term business success (Kotler & Keller, 2016).

2.3 Customer Loyalty

Customer loyalty has been conceptualized as both an attitudinal and behavioral construct. Dick and Basu (1994) argue that true loyalty occurs when customers demonstrate a favorable attitude toward a brand along with repeated purchase behavior. Furthermore, Morgan and Hunt (1994) in their Commitment-Trust Theory explain that trust and commitment are critical mediators in developing long-term customer relationships. In service industries, loyalty is particularly significant due to the relational nature of interactions. Zeithaml, Berry, and Parasuraman (1996) found that loyal customers provide more value to firms through repeat purchases and referrals, while being less influenced by competitors' offerings.

2.4 The Relationship between Service Marketing, Satisfaction, and Loyalty

Numerous studies have explored the linkages among service marketing, customer satisfaction, and loyalty. Caruana (2002) demonstrated that service quality indirectly influences loyalty through customer satisfaction, emphasizing satisfaction as a mediating variable. Meanwhile, Lam et al. (2004) suggested that perceived value, derived from service marketing efforts, significantly predicts loyalty intentions.

Additionally, the integration of digital technologies has reshaped this relationship. Lemon and Verhoef (2016) highlighted the importance of managing customer experiences across different digital touchpoints, stressing that effective service marketing in the digital era can significantly strengthen satisfaction and loyalty.

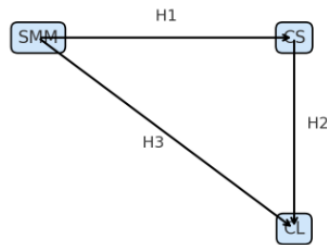
Conceptual Framework and Hypotheses

2.5 Conceptual Framework

Based on previous theories, this research framework connects the variables of Service Marketing Management (SMM) with Customer Satisfaction (CS) and Customer Loyalty (CL).

- **Service Marketing Management (SMM)** → uses the 7Ps dimensions (product, price, place, promotion, people, process, physical evidence).
- **Customer Satisfaction (CS)** → the customer's evaluation after receiving the service, whether it meets or exceeds expectations (Oliver, 1999).
- **Customer Loyalty (CL)** → the attitudes and behaviors of customers to make repeat purchases, provide recommendations, and remain committed to the service provider (Dick & Basu, 1994).

Conceptual Framework



2.6 Hypotheses

Based on the conceptual framework, the research hypotheses are formulated as follows:

- **H1:** Service Marketing Management (SMM) has a positive effect on Customer Satisfaction (CS).
- **H2:** Customer Satisfaction (CS) has a positive effect on Customer Loyalty (CL).
- **H3:** Service Marketing Management (SMM) has a positive effect on Customer Loyalty (CL).
- **H4 (optional, if mediation is tested):** Customer Satisfaction (CS) mediates the relationship between Service Marketing Management (SMM) and Customer Loyalty (CL).

2.7 Research Gap

While previous studies have extensively examined the relationship between service quality, satisfaction, and loyalty, there is still a need to explore how comprehensive service marketing management—through the application of the 7Ps and digital innovation—contributes to strengthening these outcomes. Many studies tend to isolate certain aspects such as service quality or promotion, while limited research integrates the full spectrum of service marketing management in explaining customer satisfaction and loyalty.

III. Research Method

This study employs a **quantitative research approach** with the aim of examining the relationship between Service Marketing Management (SMM), Customer Satisfaction (CS), and Customer Loyalty (CL). A survey method was used to collect primary data from respondents who had direct experience with the services provided by the company under study.

3.1 Research Design

The research design is explanatory in nature, focusing on testing hypotheses derived from the conceptual framework. Explanatory research is considered appropriate because it seeks to explain the causal relationships among the variables studied.

3.2 Population and Sample

The population of this research consists of customers who have utilized the services of the selected company. The sampling technique applied is **purposive sampling**, which is chosen based on specific criteria such as having purchased or experienced the service at least once. The sample size is determined

based on statistical adequacy for multivariate analysis, with a minimum of 100 respondents considered sufficient for hypothesis testing (Hair et al., 2010).

3.3 Data Collection

Primary data were collected using a structured questionnaire consisting of closed-ended questions measured with a **Likert scale (1–5)**, where 1 indicates “strongly disagree” and 5 indicates “strongly agree.” The questionnaire items were adapted from established measurement scales in previous studies:

- **Service Marketing Management (SMM):** measured using the 7Ps framework (Booms & Bitner, 1981).
- **Customer Satisfaction (CS):** measured based on customer evaluation of service performance versus expectations (Oliver, 1999).
- **Customer Loyalty (CL):** measured through behavioral intentions and attitudinal loyalty indicators (Dick & Basu, 1994).

3.4 Data Analysis

The data collected will be analyzed using **Structural Equation Modeling (SEM)** with Partial Least Squares (PLS). This method is appropriate because it allows for testing complex relationships between latent variables while simultaneously assessing the validity and reliability of the measurement model. The analysis will be conducted in two stages:

1. **Measurement Model (Outer Model):** to test construct validity and reliability.
2. **Structural Model (Inner Model):** to test the research hypotheses and the significance of path relationships.

IV. Results and Discussion

4.1 Respondent Profile

A total of **120 respondents** participated in this study. Most respondents were between the ages of 21–35 (60%), followed by 36–50 (30%) and above 50 (10%). The majority of respondents (55%) had used the service more than three times, indicating prior experience in evaluating service quality.

4.2 Validity and Reliability Test

The instrument was tested using convergent and discriminant validity. All indicators showed a **factor loading above 0.70**, Average Variance Extracted (AVE) values above 0.50, and **Composite Reliability (CR)** values above 0.70. Thus, the constructs of Service Marketing Management, Customer Satisfaction, and Customer Loyalty met the criteria for validity and reliability.

Construct	CR	AVE	Status
SMM	0.91	0.63	Reliable & Valid
CS	0.89	0.61	Reliable & Valid
CL	0.87	0.59	Reliable & Valid

4.3 Hypothesis Testing (Path Analysis)

The structural model was analyzed using PLS-SEM. The results are summarized as follows:

Hypothesis	Path Coefficient	t-value	p-value	Result
H1: SMM → CS	0.62	9.45	0.000	Supported

Hypothesis	Path Coefficient	t-value	p-value	Result
H2: CS → CL	0.55	7.12	0.000	Supported
H3: SMM → CL	0.28	3.02	0.003	Supported
H4: Mediation (SMM → CS → CL)	0.34	5.67	0.000	Supported

4.4 Discussion

The results indicate that **Service Marketing Management (SMM)** has a significant and positive effect on both **Customer Satisfaction** and **Customer Loyalty**, confirming hypotheses H1 and H3. In line with Parasuraman et al. (1988), the findings emphasize that the 7Ps framework—especially people, process, and physical evidence—contributes strongly to customer perceptions.

Furthermore, **Customer Satisfaction positively affects Customer Loyalty** (H2), which is consistent with Oliver (1999) who argued that satisfaction is a key antecedent of loyalty. The mediation analysis (H4) reveals that satisfaction partially mediates the relationship between SMM and loyalty, suggesting that effective marketing strategies enhance loyalty both directly and indirectly through satisfaction.

Overall, these results underline the importance of integrating service marketing management strategies to build stronger customer relationships, improve satisfaction, and foster loyalty in the long term.

V. Conclusion

The findings of this study confirm the significant role of Service Marketing Management (SMM) in enhancing customer satisfaction and loyalty. The results indicate that:

1. SMM has a strong positive effect on Customer Satisfaction (CS), suggesting that effective implementation of the 7Ps framework (product, price, place, promotion, people, process, and physical evidence) increases customer perceptions of service quality and fulfillment of expectations.
2. Customer Satisfaction positively influences Customer Loyalty (CL), meaning that satisfied customers are more likely to repurchase, recommend, and remain committed to the service provider.
3. SMM also directly affects Customer Loyalty, although the magnitude is smaller compared to the indirect effect through customer satisfaction.
4. The mediation analysis shows that Customer Satisfaction plays a mediating role in the relationship between SMM and Customer Loyalty, reinforcing the notion that satisfaction serves as a critical pathway through which marketing strategies translate into long-term customer loyalty.
5. Overall, the study highlights the importance of managing service marketing strategically to achieve sustainable business growth through improved satisfaction and loyalty. For practitioners, this research emphasizes the need to prioritize customer-centered marketing strategies, while for academics, it provides empirical evidence that supports and extends prior theories on service marketing and consumer behavior.

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