

DIGITAL MARKETING IN THE SERVICE SECTOR: OPPORTUNITIES, CHALLENGES AND TRANSFORMATION STRATEGIES¹

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ARTICLE INFO

Professional Paper

Received: 24.03.2025

Revised: 12.05.2025

Accepted: 10.07.2025

DOI 10.63356/ace.2025.016

UDK

339.138:[004.738.5:658.8

COBISS.RS-ID 143724801

Keywords: *Digital marketing; Digital transformation; Service companies; Digital strategy; Customer experience.*

JEL Classification: L86; M10; M31; O33.

ABSTRACT

This research investigates how service companies can optimize digital marketing strategies to harness emerging opportunities and overcome persistent challenges in a rapidly evolving digital economy. Despite the sector's growth and the availability of established frameworks—such as Rogers' diffusion of innovation, the AIDA model, and the 7Ps marketing mix—a gap remains in understanding how these models can be practically integrated to address barriers like resistance to change, digital skills shortages, and technology integration. The study adopts a qualitative, three-stage methodology: (1) analysis of trends including artificial intelligence, immersive technologies, hyper-personalization, and ethical practices; (2) benchmarking best practices through industry reports and agency case studies, focusing on personalized customer experiences and omnichannel engagement; and (3) in-depth examination of documented digital transformation cases from leading firms such as Nike, IKEA, Lego, and Starbucks. The findings demonstrate that digital marketing enhances visibility, targeting, engagement, and operational efficiency while also presenting challenges related to change management, skills gaps, integration complexity, and data security. The study contributes an integrated framework linking opportunities, challenges, and success strategies and recommends further research on small and medium-sized enterprises and the ethical dimensions of digital marketing. This work offers practical advice for service companies navigating digital transformation.

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1. INTRODUCTION

Digital marketing has become a critical driver for service companies seeking to remain competitive in an increasingly digitalised economy. The sector has witnessed spectacular growth, with the digital marketing market expanding from € 14 billion in 2017 to over € 26 billion in 2024 (Chamouleau, 2024). This evolution is underpinned by a convergence of theoretical frameworks, including Everett Rogers' diffusion of innovation theory, which provides a framework for understanding how digital marketing innovations are disseminated within organisations and markets. This process unfolds across five adopter categories: innovators (e.g., companies pioneering AI-driven personalisation), early adopters (those embracing trends like influencer marketing), the early majority (adopting established tools such as marketing automation), the late majority (implementing basic digital presence due to competitive pressure), and laggards (resisting digital transformation). Key factors driving adoption include relative advantage, demonstrated through ROI improvements such as the 82% boost from AI in marketing, compatibility, ensuring alignment with existing organisational processes, and testability, facilitated by pilot programs that enable risk-free experimentation. This framework enables companies to assess their position on the adoption curve and develop strategies to accelerate integration (Rogers, 1983). The AIDA model, which stands for attention, interest, desire, and action, is a fundamental approach to analysing and enhancing the digital customer journey. In the first stage, brands employ strategies such as search-optimised content, targeted ads, and viral campaigns to capture people's attention in a crowded digital space. Once you have someone's attention, it is important to keep it. You can achieve this by providing potential customers with personalised information and engaging experiences that keep them interested and engaged. To keep people interested in the buying process and encourage them to choose a brand's products or services, marketers use tactics such as social proof, personalised offers, and AI-powered recommendations. Clear calls to action and real-time retargeting make the conversion path as smooth as possible, making the last step—taking action—easy. AI enhances each part of the AIDA model, making it work more effectively. During the interest phase, AI can use real-time data to come up with several different headlines and then test them to see which ones work best to get people to read them.

At this point, AI analyses behavioural data to determine what content will keep users engaged and automatically provides them with the information they need. AI tools utilise sentiment analysis and predictive modelling to identify emotional triggers as customers express their wants. This lets marketers automate and personalise their (King, 2022; Simon, 2025; Zhao, 2025). The marketing mix

theory, extended to the 7Ps for services, complements this framework by analysing the digital impact on each component: product, price, distribution, promotion, process, people, and physical evidence. This holistic approach is essential for a successful digital transformation, offering a comprehensive view of the necessary changes. Together, they provide a robust foundation for analysing how digital marketing practices are adopted and optimised in the service industry.

The main objectives of this research are to:

Analyse the opportunities offered by digital marketing in terms of visibility, targeting, and customer engagement.

Identify significant challenges related to its adoption, particularly regarding skills, technological integration, and evolving consumer expectations.

Propose strategic recommendations for a successful transition to digital marketing in the service sector.

The central research question guiding this study is: “How can service companies optimise their digital marketing strategy to maximise opportunities and overcome challenges in a constantly evolving digital economic environment?” By integrating these theoretical foundations and addressing these objectives, this study aims to provide a comprehensive understanding of the digital marketing challenges faced by service companies while proposing practical solutions for a successful digital transformation.

The 7Ps framework is applied in the service sector through specific examples: Product encompasses digital service bundles like Starbucks’ app, which integrates ordering, payment, and loyalty programs; Price leverages dynamic models using real-time demand analytics; place employs omnichannel optimization, exemplified by IKEA’s AR app bridging online and offline experiences; promotion utilizes AI-driven personalization across channels; people focuses on upskilling for digital competencies; Process includes automated customer journeys like Nike’s app-to-store integration, and physical evidence relies on digital trust signals such as SSL certificates and user reviews. Complementing this, the RACE model (Reach, Act, Convert, Engage) serves as a customer-centered planning framework for digital marketing strategies, emphasizing practical, omnichannel engagement across the customer journey, from initial awareness to long-term loyalty.² This approach aligns with the 7Ps by prioritizing seamless integration of touchpoints and data-driven optimization.

2. METHODS

This research adopts a three-part qualitative approach to examine digital marketing opportunities and challenges in the service sector: First, it investigates emerging trends, including artificial intelligence, immersive technologies (AR/VR), hyper-personalization, ethical and transparent practices, social commerce expansion, phygital experiences (digital-physical fusion), and micro-influencer impact. Second, it evaluates best practices through industry benchmarks, analyst reports, and case studies from leading agencies, with a focus on personalized customer experiences, omnichannel engagement, and data-driven campaign optimization. Third, it analyzes documented case studies of companies such as Nike, IKEA, Lego, and Starbucks—selected for their measurable performance outcomes and industry relevance—to identify concrete, innovative strategies and critical success factors in digital marketing implementation.

This study bases its analysis on both qualitative evaluations and the application of sector-specific frameworks like the 7Ps marketing mix. Additionally, the research incorporates performance metrics and visual representations—including comparative tables—to substantiate and illustrate the findings.

3. RESULTS

3.1 Opportunities for Service Digitalisation

Digital marketing enables service companies to significantly expand their visibility and audience reach by leveraging a range of online platforms, including social media, blogs, and websites, which surpass the limitations of traditional marketing channels (Cumberland College, 2024). Through the integration of artificial intelligence and data analytics, these companies can achieve highly accurate targeting and deliver personalised experiences at every stage of the customer journey (Brevo, 2024). Engagement is further enhanced by leveraging interactive technologies and real-time communication tools, such as AI-powered chatbots, which foster stronger relationships and immediate support (Sauvage, 2018; Brevo, 2024). Additionally, digital marketing offers a cost-effective approach, making impactful campaigns accessible even to small and medium-sized enterprises (Sauvage, 2018; Rothe, 2022). The ability to monitor and adjust strategies in real time ensures that marketing efforts remain relevant and optimised in a dynamic environment (Cumberland College, 2024). Ultimately, digital marketing fosters innovation and differentiation, allowing brands to explore new forms of customer engagement, such as NFTs and decentralised communities (Brevo, 2024). These multifaceted advantages are best interpreted

through established frameworks like Rogers' diffusion of innovation, the AIDA model, and the 7Ps, as well as models that emphasise interactivity and customer retention, providing a comprehensive understanding of how digital marketing can be adapted and optimised in the service industry (Stone, 2023, Molony, 2021; Vynogradova et al., 2020; Sharipova, 2025).

3.2 Challenges of Service Digitalisation

The digitalization of services presents numerous interconnected challenges for companies seeking digital transformation. Resistance to change constitutes a significant obstacle, manifesting as a reluctance to adopt new working methods and a fear of skill obsolescence (Cathy, 2020; YeePLY, n.d.). Companies must implement an effective change management strategy to overcome this resistance, including transparent communication, adequate training, and continuous employee support (Octalysisgroup, 2024).

This approach is closely linked to the lack of digital skills, which manifests in key areas such as data analysis, cloud technologies, and cybersecurity. Companies must invest in the continuous training of their employees and attract new talent to bridge this skills gap, which is essential to meet the challenge of the complexity of integrating new technologies. This integration requires a gradual and planned approach to ensure a smooth transition while minimizing disruptions (Octalysisgroup, 2024; Cathy, 2020).

Security and data protection represents another crucial challenge, requiring companies to adopt a proactive approach to cybersecurity and regulatory compliance. This concern is directly linked to the rapid evolution of customer expectations, which demand seamless and personalized digital experiences. To address this, companies must invest in advanced personalization technologies and rethink their processes to offer an optimal customer experience across all channels (Cathy, 2020).

Finally, budget constraints constitute a cross-cutting challenge that impacts all aspects of digital transformation. Companies must develop a clear and targeted investment strategy, prioritizing the most impactful initiatives to optimize the allocation of limited resources. This strategic approach is essential to overcome all digitalization challenges and maximize digital transformation's benefits.

Digitalizing services presents numerous challenges for companies, which must overcome several obstacles to achieve their digital transformation successfully (Cathy, 2020).

3.3 Examples of Successes in Digital Transformation

Digital transformation has become imperative for companies seeking to remain competitive in the current economic environment. Several major brands have successfully managed this transition, demonstrating the significant benefits that a well-executed digital strategy can bring. Here are some concrete examples of companies that have brilliantly succeeded in their digital transformation:

Nike: A customer and data-centric approach has accelerated its digital transformation by investing heavily in digital technologies to strengthen its e-commerce and supply chain. The company has focused on developing mobile applications like Nike, Nike Training Club, and Nike Run Club, offering an enriched and personalized user experience. Using AI and data analysis, Nike has been able to personalize the customer experience on a large scale ([Consultport, 2025](#)).

Adopting a strong Direct-to-Consumer (DTC) strategy has allowed Nike to control its brand image better and establish a more direct relationship with its consumers. The results of this transformation are impressive: a 33% increase in online sales in 2022, with 26% of total revenue generated through digital platforms. This approach has also significantly improved customer engagement and the personalization of offers ([Team Calibo, 2025](#)).

Ikea: Reinventing the furniture shopping experience, it has invested heavily in its digital transformation, particularly improving the customer experience. One of the flagship initiatives was the launch of the IKEA Place app, which uses augmented reality to allow customers to visualize furniture in their own space before purchasing. This innovation has revolutionized how consumers buy furniture online ([Golden Owl Solutions, 2025](#); [AIA Marketing Team, November 29, 2023](#)).

The introduction of the Shop and Go payment service has simplified the in-store shopping process. At the same time, optimizing the supply chain through AI and machine learning has improved operational efficiency. These efforts have borne fruit: 15.4% of IKEA's revenue is now generated through e-commerce, with an impressive 44% increase in online sales over the past year. The omnichannel customer experience has also significantly improved, strengthening IKEA's market position ([Golden Owl Solutions, 2025](#); [AIA Marketing Team, 2023](#)).

Lego: Saving the company through digital innovation, managed to avoid bankruptcy thanks to a bold digital transformation, focusing on innovation and customer engagement. Launching the 3D design platform «Digital Designers»

allowed fans to create and share their own Lego designs, stimulating creativity and community engagement (Song, 2024).

The development of mobile applications and video games has extended the Lego universe beyond physical bricks while creating a connected ecosystem around the brand and strengthening customer loyalty. These initiatives led to a 20% increase in revenue in 2009, the loyalty of an intergenerational community, and strengthened Lego's position as a leader in the toy industry (Song, 2024).

Starbucks: Starbucks has indeed bet on digital to transform the customer experience and optimize its operations, thus becoming a success story in digital transformation in the coffee industry. The company has developed a digital strategy centred on the human experience, aiming to improve the customer experience while preserving the importance of its physical stores.

The Starbucks mobile app, launched in 2011, is at the heart of this transformation. This app has revolutionized the coffee experience by offering key features such as mobile ordering and payment, drink customization, personalized recommendations based on purchase history, and an integrated loyalty program. This application has helped reduce wait times, improve customer satisfaction, and strengthen brand loyalty (DIGITAL Conseil, n.d.; Fact R, n.d.).

The impact of these digital technologies has been significant. Today, the app has over 31 million active users in the United States and generates about 20% of Starbucks' revenue through mobile orders. This digitalization has not only improved the customer experience but also allowed Starbucks to collect valuable data on consumption habits, thereby facilitating the personalization of offers and strengthening customer loyalty (DIGITAL Conseil, n.d.; TF1, 2014).

Starbucks continues its digital transformation by integrating artificial intelligence through the «Deep Brew» platform. This initiative aims to personalize customer interactions further and optimize in-store operations. The company also uses machine learning to create personalized incentives and influence consumption habits (Christophe, 2020; Sellsy, 2021).

In addition to the mobile app, Starbucks has implemented other digital innovations, such as the «Starbucks Digital Network» in its U.S. stores, which offers access to media content, and the «Mobile Pickup» service, which allows customers to pick up their orders at a dedicated counter without going through the checkout (DIGITAL Conseil, n.d.; Fact R, n.d.).

These initiatives demonstrate how Starbucks has used digital technology to enhance the customer experience, optimize its operations, and maintain its

position as a leader in the coffee industry while preserving the importance of human interaction in its physical stores.

Amazon, founded by Jeff Bezos in 1994 as an online bookstore, has transformed into a diversified technology conglomerate. This evolution is based on strategic and technological innovations. In 2015, Amazon launched Amazon Business, a B2B marketplace generating approximately 35 billion dollars in annual sales. It offers business-oriented features like bulk purchase discounts and recurring delivery options. Furthermore, Amazon Web Services (AWS), initially designed to meet Amazon's internal needs, has become a global leader in cloud computing, significantly contributing to the company's revenue. AWS revolutionized the industry with its pay-as-you-go pricing model, making cloud services accessible to startups and large enterprises (Kaziukėnas, 2023, Colvin, 2022).

Microsoft began its digital transformation under the leadership of Satya Nadella, focusing on cloud computing and collaborative solutions. The Microsoft 365 suite, including tools like Teams, OneDrive, and SharePoint, has enabled companies to adapt to remote work and improve their productivity. Microsoft has also strengthened its presence in the digital communities space with the strategic acquisitions of LinkedIn (2016) and GitHub (2018). These initiatives have consolidated its position as a cloud leader while expanding its ecosystem to include developers and professionals worldwide. Azure, its cloud platform, is now a central pillar of its digital strategy.

Implementing a digital loyalty program has allowed Starbucks to collect valuable data on customer preferences. At the same time, using AI to personalize offers has increased sales and customer loyalty. The results are compelling: over 20% of transactions are now conducted via the mobile app in the United States, and the loyalty program has 19 million members. This approach has led to a significant improvement in customer engagement and operational efficiency.

These examples demonstrate that digital transformation can significantly benefit growth, customer engagement, and operational efficiency when well executed. Companies that successfully undergo digital transformation focus on improving customer experience, technological innovation, and adapting their business model to the new realities of the digital market. A comparative overview of key digital transformation outcomes for these companies is presented in table 1.

Table 1: Digital Transformation Outcomes at Leading Companies

Company	Digital Transformation Focus	Pre-Transformation Metrics	Post-Transformation Metrics	Key Lessons & Insights
Nike	Customer-centric digital shift: suite of mobile apps (Nike, SNKRS, NTC, NRC); AI-driven personalization; DTC model	Digital revenue not dominant (2019); moderate online sales growth; limited app engagement	26% of total revenue from digital (2022); 33% YoY online sales growth; 30% sales surge in China via NTC (pandemic)	DTC boosts brand control and loyalty but needs robust digital infrastructure; AI personalization lifts revenue when tailored to user behavior
IKEA	Augmented reality (AR) for omnichannel shopping; supply chain digitization	Minimal e-commerce revenue (2017); low online sales; manual operations	15.4% of revenue from e-commerce; 44% YoY online sales growth; 24/7 warehouse drones	AR bridges online-offline gap, reducing purchase hesitation; supply chain digitization cuts costs but requires AI investment
Starbucks	Mobile-first experience: app for ordering/payment, loyalty program, AI (Deep Brew) personalization	No mobile transactions or app users (pre-2011); no loyalty program	20% of U.S. transactions via mobile; 31M app users; 19M loyalty members; Rewards members drive 57% of U.S. revenue	Frictionless mobile experience drives repeat business and revenue; loyalty data enables hyper-personalization but demands strong privacy
Amazon	Cloud (AWS) commercialization; Alexa and Prime ecosystem	AWS as internal tool (pre-2006); no Prime (pre-2005); limited B2B	AWS: \$35B annual revenue (2023); 220M+ Prime subscribers; \$35B Amazon Business sales	Internal tech (AWS) can become market leaders; ecosystems (Prime) create sticky customers but require constant innovation
Microsoft	Azure cloud platform; Microsoft 365; developer ecosystem (LinkedIn, GitHub)	Low cloud market share (pre-2014); unmeasured productivity	Azure: 24–25% global cloud share (2025); 22% faster task completion via AI	Cloud enables scalability but hybrid flexibility is key; developer platforms accelerate innovation through open source

Source: Nike and Ikea from (Golden Owl, 2025), Starbucks (Stamp me, 2025), Amazon (Red stag fulfilment, 2025) and Microsoft (2025)

The application of digital marketing frameworks in the service sector is best understood through sector-specific examples and integrated models. The 7Ps framework, for instance, is operationalized as follows: Product encompasses digital service bundles, such as Starbucks’ app that combines ordering, payment, and loyalty programs; price leverages dynamic models using real-time demand

analytics; place is optimized through omnichannel strategies, as seen in IKEA's AR app bridging online and offline experiences; Promotion utilizes AI-driven personalization across channels; people emphasize upskilling for digital competencies; The process includes automated customer journeys, like Nike's app-to-store integration, and physical evidence relies on digital trust signals such as SSL certificates and user reviews. Complementing this, the RACE model (Reach, Act, Convert, Engage) provides a practical, customer-centered planning framework for structuring digital marketing strategies, emphasizing seamless omnichannel engagement throughout the customer journey. When combined, these methods facilitate a comprehensive examination of the implementation of digital marketing, paving the way for the subsequent detailed case studies.

3.3.1 Further Practical Examples from the Service Sector

ING Bank stands out as a leader in digital transformation. By adopting agile working methods and launching a highly rated mobile banking app, ING has enabled customers to manage accounts, make payments, and apply for loans or insurance entirely from their smartphones. This shift from traditional branch-based banking to a digital-first approach improved customer convenience and drove financial inclusivity, making banking services more accessible to a broader population. ING's example highlights how banks can leverage technology to enhance operational efficiency, personalize services, and remain competitive in a rapidly evolving market (Santos, 2024).

The **insurance** sector has also embraced digitalization, particularly through integrating artificial intelligence and automation. Many insurers now use AI-powered chatbots to provide 24/7 customer support and streamline claims processing. For instance, insurance companies have outsourced routine tasks such as claims management and policy administration to specialized digital service providers, resulting in faster settlements and improved customer satisfaction. Additionally, bundling insurance products with banking services—such as travel or health insurance offered directly through digital banking apps—demonstrates how cross-sector digital integration can add value and convenience for customers (Santos, 2024).

In **tourism**, digital transformation has revolutionized the customer experience. Marriott International's mobile app allows guests to check in and out, request services, chat with staff, and even unlock their rooms using smartphones. This enhances guest convenience, streamlines hotel operations, and reduces wait times. Marriott is also experimenting with Internet of Things (IoT) integrations, enabling guests to personalize room settings such as temperature and lighting

via the app. Similarly, IKEA's digital transformation included augmented reality (AR) and virtual reality (VR) to let customers visualize furniture in their homes before purchase, as well as the Shop & Go feature for seamless in-store and online shopping. These innovations have led to significant e-commerce revenue growth and improved the customer journey (Santos, 2024).

These cases demonstrate that successful digital transformation in the service sector involves more than adopting new technologies. It requires a strategic focus on customer experience, operational integration, and continuous adaptation to changing consumer expectations. The practical examples from banking, insurance, and tourism show how digital innovation can drive growth, enhance engagement, and optimize service delivery—while also underscoring the need to address challenges such as resistance to change, skills gaps, and technology integration (Verhoef et al., 2021, Tyagi et al., 2025).

3.4 Examples of failures in digital transformation

Kodak, once the world leader in photography, tragically illustrates the failure to adapt to technological revolutions. Although the company invented the first digital camera in 1975, thanks to Steven Sasson, it chose to marginalize this innovation, fearing it would cannibalize its lucrative film market. Motivated by a short-term vision and organizational inertia, this strategic decision led to a critical delay in adopting digital technology. While competitors like Canon and Fujifilm invested heavily in this technology, Kodak continued prioritizing its traditional products. Entering the digital market late in the 1990s, the company could not catch up with the rise of digital cameras and smartphones. This lack of foresight and investment led to a drastic decline in its market share, a financial crisis, and its bankruptcy in 2012, marking the end of an era for this photography giant (Vinokurova & Kapoor, 2025; Lucas & Goh, 2009).

Once a giant in video rentals, Blockbuster made a fatal strategic error by rejecting Netflix's \$50 million buyout offer in 2000, illustrating its inability to anticipate the streaming revolution. Despite the late recognition of the threat posed by Netflix, particularly by its CEO John Antiaco, who attempted to adopt a "hybrid" strategy in 2004, Blockbuster remained trapped in its traditional business model, heavily reliant on revenue generated by late fees - up to 800 million dollars at one point. This rigidity and a restrictive financial structure due to its acquisition by Viacom prevented Blockbuster from investing sufficiently in innovation and adapting to the digital era. The company thus missed the streaming shift, gradually losing its relevance to more agile competitors like Netflix, which led

to its inexorable decline, going from over 9,000 stores to its near disappearance today (Dalton & Logan, 2024, Chabani, 2024).

Nokia, once the undisputed giant of mobile telephony, experienced a spectacular fall in the face of the smartphone revolution, illustrating the devastating consequences of a lack of adaptation in a rapidly changing sector. Nokia resisted technological change through several crucial strategic errors (EDITORIAL TEAM, 2025). First, the company stubbornly insisted on keeping its Symbian operating system, which had become obsolete due to the intuitive interfaces and application ecosystems offered by iOS and Android (Paul, 2024). This adherence to Symbian, coupled with a reluctance to adopt touch screens fully, prevented Nokia from effectively meeting the new expectations of consumers (Vuori & Tushman, 2024, Saatcioglu et al., 2025; Bouwman et al, 2014).

Nokia's organizational structure, marked by heavy bureaucracy and internal rivalries, hindered its ability to innovate and make quick decisions in a constantly evolving market. A conservative corporate culture exacerbated this organizational inertia resulting from years of success, which led to risk aversion and an underestimation of the threat posed by new market players.

The strategic partnership with Microsoft in 2011, aimed at adopting Windows Phone as the primary operating system, was a costly mistake (Paul, 2024). This alliance limited Nokia's flexibility and failed to close the gap with the well-established Android ecosystem. This unfortunate choice accelerated Nokia's decline, with its global market share dropping from 49.4% in 2007 to a mere 3.4% in 2012, marking the end of its reign in the mobile industry (Vuori & Tushman, 2024; Saatcioglu et al., 2025; Bouwman et al, 2014).

4. DISCUSSIONS

This study on the opportunities and challenges of digital marketing for service companies reveals crucial insights that align with the existing literature while bringing new perspectives.

The results regarding the advantages of digital marketing, particularly in terms of increased visibility, precise targeting, and improved customer engagement, corroborate the findings of several previous studies. For example, (Sauvage, 2024) also emphasizes the importance of personalization and cost optimization enabled by digital marketing. Similarly, (Cumberland College, 2024) highlights the ability to accurately measure and analyze digital campaigns, a crucial point that our study has also identified. However, this research further identifies emerging opportunities, such as using AI for personalized content creation and

campaign optimization. This aspect has been little explored in previous studies. This evolution reflects the rapid pace at which digital marketing is evolving.

The challenges identified in this study, such as resistance to change, lack of digital skills, and the complexity of integrating new technologies, echo the obstacles highlighted by other researchers. (Cathy, 2020) has highlighted these aspects as significant barriers to digital transformation. The study confirms the persistence of these challenges, even several years later, suggesting the need for continuous efforts to overcome them. This research's original contribution is identifying the rapid evolution of customer expectations as a significant challenge. Although mentioned by some authors like (Psico-smart, 2024), this study delves deeper into this aspect by directly linking it to personalization and omnichannel strategies.

The analysis of success cases like Nike, IKEA, and Starbucks reveals strategies that align with the recommendations of existing literature. For example, (Bota, 2020) emphasizes the importance of technological innovation and omnichannel customer experience, which are highlighted in the case studies. However, this research adds an important nuance by showing how these companies have adapted these general principles to their specific contexts.

We can more deeply understand the observed successes and challenges in digital marketing implementation across leading service companies through the lens of established frameworks such as the 7Ps and the RACE model. The sector-specific application of the 7Ps—ranging from digital service bundles and dynamic pricing to omnichannel integration and AI-driven personalization—demonstrates how companies like Starbucks, IKEA, and Nike have operationalized these principles to enhance customer experience and streamline processes. Meanwhile, the RACE model (Reach, Act, Convert, Engage) offers a practical, customer-centered structure for digital marketing strategy, ensuring that engagement is sustained throughout the customer journey and across multiple channels. By aligning these frameworks with data-driven insights and performance metrics, the study illustrates how a holistic, integrated approach enables organizations to address both the technical and human dimensions of digital transformation. This synthesis clarifies the pathways to success and highlights the persistent barriers—such as skills gaps and integration complexity—that require ongoing strategic attention.

The study contributes to the theory by proposing an integrated framework that links the opportunities, challenges, and success strategies of digital marketing in the service sector. By adding a service-specific dimension, this framework enriches existing models, such as that of (Verhoef et al., 2021), on customer

experience in the digital age. On a practical level, The results provide managers with a roadmap to navigate the complexity of digital transformation. In particular, the emphasis on the need for a holistic approach, combining technology, organizational culture, and customer focus, provides a more comprehensive perspective than is often presented in management literature.

Although The study provides valuable insights, it has certain limitations. The focus on large companies limits the generalization of the results to SMEs in the service sector. Future research could explore how small service businesses adapt digital marketing strategies to their limited resources. Moreover, the rapid evolution of the digital field highlights the need for longitudinal studies to capture emerging trends. Future research could examine the long-term impact of digital marketing strategies on the performance of service companies, an aspect that is underexplored in the current literature.

This study contributes to understanding digital marketing dynamics in the service sector while identifying promising avenues for future research, particularly on ethics and social responsibility in digital service marketing. This field is gaining importance but remains under-research.

5. CONCLUSIONS

This in-depth study on the opportunities and challenges of digital marketing for service companies highlights several key points:

Digital marketing offers significant advantages to service companies, including increased visibility, precise targeting, better customer engagement, and cost optimization. These opportunities allow companies to stand out in an increasingly digitized and competitive environment.

However, digital transformation comes with significant challenges, such as resistance to change, a lack of digital skills, the complexity of integrating new technologies, and data security issues. To overcome these obstacles effectively, a strategic and holistic approach is required.

Successes like Nike, IKEA, and Starbucks demonstrate that a well-executed digital strategy can lead to impressive growth, customer engagement, and operational efficiency. Conversely, failures like Kodak, Blockbuster, and Nokia highlight the risks of late or inadequate adaptation to technological changes.

To succeed in their digital transformation, service companies must adopt a customer-centric approach, invest in technological innovation, develop their employees' digital skills, and remain agile in the face of rapid market changes.

This study highlights the crucial importance of service companies fully embracing digital marketing while remaining aware of the challenges to be faced. A balanced approach, combining technological innovation and a focus on customer experience, is the key to success in the current digital era.

Conflict of interests

The author declares there is no conflict of interest.

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ДИГИТАЛНИ МАРКЕТИНГ У СЕКТОРУ УСЛУГА: МОГУЋНОСТИ, ИЗАЗОВИ И СТРАТЕГИЈЕ ТРАНСФОРМАЦИЈЕ

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САЖЕТАК

Ово истраживање испитује како компаније у сектору услуга могу да оптимизују стратегије дигиталног маркетинга како би искористиле нове могућности и превазишле постојеће изазове у брзо развијајућој дигиталној економији. Упркос расту сектора и постојању утврђених оквира, као што су Роџерсова теорија дифузије иновација, AIDA модел и маркетиншки микс 7P, и даље постоји празнина у разумијевању како се ови модели могу практично интегрисати ради рјешавања препрека као што су отпор према променама, недостатак дигиталних вештина и интеграција технологија. Студија примјењује квалитативну, тростепену методологију: (1) анализу трендова, укључујући вјештачку интелигенцију, имерзивне технологије, хиперперсонализацију и етичке праксе; (2) упоредну анализу најбољих пракси кроз извјештаје из индустрије и студије случаја маркетиншких агенција, са фокусом на персонализована искуства корисника и омниканалну комуникацију; и (3) детаљно испитивање документованих случајева дигиталне трансформације водећих компанија као што су Nike, IKEA, Lego и Starbucks. Налази показују да дигитални маркетинг повећава видљивост, прецизно циљање, ангажовање и оперативну ефикасност, али истовремено доноси изазове у вези са управљањем промјенама, недостатком вјештина, сложености интеграције и безбједности података. Студија доприноси развоју интегрисаног оквира који повезује могућности, изазове и стратегије успјеха, и препоручује даља истраживања малих и средњих предузећа, као и етичких димензија дигиталног маркетинга. Овај рад нуди практичне савјете за компаније у сектору услуга које пролазе кроз процес дигиталне трансформације.

Кључне ријечи: *дигитални маркетинг, дигитална трансформација, компаније услуга, дигитална стратегија, искуство купаца.*

