EXAMINING THE LINK AMONG CUSTOMER RELATIONSHIP MANAGEMENT, MARKET ORIENTATION AND MARKETING PERFORMANCE ON SMALL AND MEDIUM ENTERPRISES

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Accepted: August 6, 2023 Published: October 18, 2023

ABSTRACT

The aim of this research was to determine the effect customer relationship management on market orientation and marketing performance of SMEs in Denpasar. The research was conducted at PT. GIEB Indonesia in Denpasar. Respondents in this research were customers of PT. GIEB Indonesia that was not definitive estimate of the population size. The sample size for this research was 100 respondents, calculated based on Rao Purba formula. Data collection for this research was carried out using questionnaires, interviews and observations. The collected questionnaire data was analyzed using descriptive analysis and Partial Least Square (PLS). The research revealed that Customer relationship management had a positive and significant effect on market orientation and marketing performance at PT. GIEB. It was also found that market orientation had a positive and significant effect on marketing performance at PT. GIEB Indonesia. The result of this research can be as reference for PT. GIEB Indonesia and other SMEs that customer relationship management and market orientation have important roles in improving marketing performance.

Keywords: Customer Relationship Management, Market Orientation, Marketing Performance

INTRODUCTION

Small and medium enterprises (SMEs) are the spearhead of the Indonesian economy (Fathurrohman and Emril, 2016). Elasticity adapts to economic shocks through income distribution and job creation, small, medium and micro enterprises in a country have important control over economic stability (Sumiati, 2015). The government is currently very supportive of SMEs activities which are realized by providing access to capital loans through banking institutions or financing institutions. The purpose of the loan is so that it can be used by SMEs players to develop their business. Most of the workforce in Indonesia is absorbed by SMEs, so that if SMEs cannot develop, it will result in reduced absorption of the existing workforce.

Bali, which has been relying on the tourism sector, is very vulnerable to shocks, especially after the Covid-19 pandemic. As a result of being too dependent on tourism, economic growth touched minus 12.26% in the third quarter of 2020. With various efforts made by the central government, local governments and related stakeholders, the economy is now gradually recovering. In fact, economic growth in the third quarter of 2022 was positive at 8.09 %. The development of SMEs in Bali from 2021 to 2022 grew by 6.4 %. The majority of SMEs are engaged in the trade sector or as many as 254,655 units (58%), the agricultural industry 87,966 (20%), the non-agricultural industry 61,048 (14%) and various services as many as 3,694 SMEs (8 %).
The high mobility of tourists in Bali is part of the potential market segmentation in developing SMEs (Riyadi and Yasa, 2016). The hope that SMEs entrepreneurs want is that the business they run will make a profit and grow every period. On the other hand, the aim of SMEs actors is to provide employment opportunities for workers who need them (Putri, 2020). The reciprocal relationship between SMEs actors and workers can have an impact on the economy of the workers’ families. Every SMEs player has their own strategy so that the business they run can survive all existing challenges.

Opening opportunities and market development can stimulate interest in entrepreneurship. Bali, which is also known as a trading center, can be a mainstay for opening micro, small and medium enterprises that are able to compete in the global market. One of the influential SMEs in the city of Denpasar is PT. GIEB Indonesia. PT. GIEB Indonesia is a company operating in the trading sector. Based on the results of an interview with General Affairs Manager of PT. GIEB Indonesia, there was a decline in sales from 2020 to 2022 which resulted in decreased company revenue and sales targets for the company were not achieved.

According to Khuriyati (2013) the causes of the decline in sales turnover in detail are expressed in the form of numbers to what extent these factors affect the decrease in sales turnover which includes decreased product quality, inventory that is often empty, lack of technology use, changes in consumer tastes, substitutes appear and lack of willingness supplier. Meanwhile, according to Rusma et al. (2017) the causes of the decline in product sales were influenced by consumer tastes, substitutes, competitors, suppliers, quality of goods, raw material supplies and technology. CRM is a business strategy that combines human processes and technology. Efforts to provide optimal service and maintain long-term relationships with customers are the keys to maintaining sales transactions. Sales from a company are the spearhead of sustainability for a company. This is a concern because CRM has an influence on market orientation (Nurlaely et al., 2019). Market orientation is defined as consumer needs and wants and is the basis for creating value for goods and services produced by companies (Hapsari et al., 2020). To be able to compete with competitors, SMEs need to pay attention to market orientation in achieving the ultimate goal of increasing marketing performance (Pertiwi and Siswoyo, 2016). This weakness makes the company less focused in its business, so that sales decline and do not develop. If a company has good marketing performance, profits will increase. Therefore, every company must have good Customer Relationship Management (CRM) in order to improve marketing performance.

CRM can be used as a strategy to strengthen long-term relationships with customers so that it can help SMEs to maintain their performance (Utomo et al., 2021). Increasing market orientation can affect marketing performance, and market orientation is influenced by CRM.

METHODS

The method used in this research is using the Structural Equation Modeling (SEM) method. Data analysis techniques using Structural Equation Modeling (SEM), carried out to thoroughly explain the relationship between the variables in the research. The population of this research is customers of PT. GIEB Indonesia. Customer who was chosen as respondent using purposive sampling with two screening questions: 1) customer who purchased or did transaction at PT. GIEB Indonesia, 2) Customer who was at least 18 years old when filling the questionnaires. The sample size of this study was 96.4 respondents based on Rao Purba (1996) formula, but it was rounded it up to of 100 respondents, the type of data used in this study were quantitative and qualitative. The data sources used are primary data and secondary data.

RESULT AND DISCUSSION

Research using a questionnaire should be tested for validity and reliability first to ensure that the research instrument is feasible for further analysis. An instrument in research is said to be valid if it is able to measure what it wants to measure. An instrument is said to be valid if it has a correlation coefficient between items with a total score in the instrument greater than 0.30 with a significance level of less than 0.05. The validity test results in Table 1 show that all research instruments were used to measure variables CRM, market orientation and marketing performance have a correlation coefficient with a total score of all statement items greater than 0.30 with a significance of less than 0.05. This shows
that the statement items in the research instrument are valid and suitable for use as a research instrument. Table 1 below presents the results of the research instrument validity test.

**Table 1. Validity Test**

<table>
<thead>
<tr>
<th>No</th>
<th>Variable</th>
<th>Cronbach's Alpha</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer Relationship Management (X1)</td>
<td>0.787</td>
<td>Reliable</td>
</tr>
<tr>
<td>2</td>
<td>Market orientation (Y1)</td>
<td>0.82</td>
<td>Reliable</td>
</tr>
<tr>
<td>3</td>
<td>Marketing performance (Y2)</td>
<td>0.835</td>
<td>Reliable</td>
</tr>
</tbody>
</table>

Source: Results of Processed Data, 2023

The Cronbach's Alpha value is declared reliable if the value is greater than or equal to 0.70. A recapitulation of the research instrument reliability test results can be seen in Table 2. The reliability test results presented in Table 2 show that all research instruments have a Cronbach Alpha coefficient of more than 0.70. So it can be stated that all variables have met the reliability requirements so that they can be used to conduct research.

**Table 2. Recapitulation of Research Instrument Reliability Test Results**

<table>
<thead>
<tr>
<th>Variable</th>
<th>Indicator</th>
<th>Correlation coefficient (Pearson Correlation)</th>
<th>Sig. (2-tailed)</th>
<th>Remark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relationship Management (X)</td>
<td>X1</td>
<td>0.721</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X2</td>
<td>0.782</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X3</td>
<td>0.697</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X4</td>
<td>0.733</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>X5</td>
<td>0.728</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Market orientation (Y1)</td>
<td>Y1.1</td>
<td>0.849</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y1.2</td>
<td>0.834</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y1.3</td>
<td>0.794</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y1.4</td>
<td>0.798</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td>Marketing performance (Y2)</td>
<td>Y2.1</td>
<td>0.881</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y2.2</td>
<td>0.894</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y2.3</td>
<td>0.867</td>
<td>0.000</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Y2.4</td>
<td>0.85</td>
<td>0.000</td>
<td>Valid</td>
</tr>
</tbody>
</table>

Source: Results of Processed Data, 2023

**Partial Least Square (PLS) Data Analysis**

*a.* Evaluate the measurement model or outer model

The measurement model or outer model with reflexive indicators is evaluated with the convergent and discriminant validity of the indicators and the composite reliability for the block of indicators with the following explanation:

1) Convergent validity

Convergent validity with reflexive indicators can be seen from the correlation between the indicator scores and the variable scores. Individual indicators are considered reliable if they have a correlation value above 0.50. Correlation results between indicators and variables.

2) Discriminant validity

One method for assessing discriminant validity is to compare the square root of the average variance extracted ( \( \sqrt{AVE} \) ) for each variable with a correlation between the variable and the other variables in the model. The model has sufficient discriminant validity if the AVE square root for each variable is greater than the correlation between the variable and the other variables in the model. Discriminant validity test results.

3) Composite reliability and Cronbach alpha

Besides the validity test, a variable reliability test was also carried out which was measured by two criteria, namely composite reliability and Cronbach’s alpha from the indicator block that measures the variable. A variable is declared reliable if the composite reliability and Cronbach’s alpha values are above 0.70.

*b.* Evaluation of the structural model or inner model
In this structural model, there are two dependent variables, namely: Market orientation (Y1) and marketing performance (Y2).

R-Square (R2) can show the strength and weakness of the influence caused by exogenous variables to endogenous variables. The calculation results R-square value for a variable of 0.655, it can be interpreted that the CRM variable is influenced by the market orientation variable by 65.5%, while 34.5% is explained by other variables. Variables marketing performance has an R-square value of 0.712 which can be interpreted that marketing performance variables can be explained by variations in the CRM variable, and market orientation of 71.2%, while the remaining 28.8% is explained by other variables.

Q-Square Predictive Relevance (Q2) is a measure of how good the observation is carried out provides results for the research model. How to calculate Q2 as follows:

\[ Q^2 = 1 - (1 - (R_1^2)) (1 - (R_2^2)) \]

\[ = 1 - (1 - 0.655) (1 - 0.712) \]
\[ = 1 - (0.345) (0.288) \]
\[ = 1 - 0.099 \]
\[ = 0.901 \]

Q2 has values in the range 0 < Q^2 < 1, where the closer to 1 means the model is better. From the results of these calculations, the Q^2 is 0.901, so it can be concluded that the model has very good predictive relevance. It means that it can be explained that 90.1% of the variation in marketing performance is influenced by CRM and market orientation, while the remaining 9.9% is influenced by other variables not examined in this study.

Figure 1. Path diagram. The relationship between CRM and marketing performance is mediated by market orientation.

Based on the results of the data processed with the SmartPLS 3.0 program as shown in the relationship between variables, as shown in Figure 1. It is explained that CRM has a direct effect on marketing performance with a t statistical value of 3.927. CRM influence directly to market orientation with a t statistical value of 18.266. Market orientation has a direct effect on marketing performance with a t statistical value of 3.418.

Table 3. Total Influence Test Results Between Variables

<table>
<thead>
<tr>
<th>Path Coefficient Between Variables</th>
<th>Path Coefficient</th>
<th>t Statistics</th>
<th>P Value</th>
<th>Ket</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Relationship Management (X1) → Market orientation (Y1)</td>
<td>0.81</td>
<td>18.266</td>
<td>0.000</td>
<td>H1 is accepted</td>
</tr>
<tr>
<td>Customer Relationship Management (X1) → Marketing performance (Y2)</td>
<td>0.481</td>
<td>3.927</td>
<td>0.000</td>
<td>H2 is accepted</td>
</tr>
<tr>
<td>Market orientation (Y1) → Marketing performance</td>
<td>0.405</td>
<td>3.418</td>
<td>0.001</td>
<td></td>
</tr>
</tbody>
</table>
Based on Table 3, the influence between variables can be explained as follows:

1. Testing the hypothesis on the effect of CRM on market orientation produces a correlation coefficient of 0.801, so CRM has a positive correlation to market orientation. The t statistics value was obtained at 18.266 (> t - critical 1.96) with p value 0.000<0.050, then the influence of CRM to market orientation is significant. It means that hypothesis 1 (H1) states that CRM has a positive and significant effect on market orientation is accepted.

2. Hypothesis testing on the influence of CRM on marketing performance produces a correlation coefficient value of 0.481 for CRM has a positive correlation with marketing performance. The t statistics value was obtained at 3.927 (> t-critical 1.96) with a p value of 0.000 <0.050, so the influence of CRM on marketing performance is significant. It means that hypothesis 2 (H2) states that CRM positive and significant effect on marketing performance is accepted.

3. Hypothesis testing on the influence of market orientation on marketing performance produces a correlation coefficient value of 0.405, so market orientation has a positive correlation with marketing performance. The t Statistics value was 3.418 (> t - critical 1.96) with a p value of 0.001 <0.050, so the effect of market orientation on marketing performance was significant. It means that hypothesis 3 (H3) which states that market orientation has a positive and significant effect on marketing performance is accepted.

### The Influence of Customer Relationship Management on Market Orientation

CRM is the process of getting, keeping and growing profitable customers. The practice of CRM can be seen as a means of learning about customer needs and the best ways to create, satisfy and retain customers thereby involving getting closer to customers, understanding their needs and preferences and determining how to profitably meet those needs. The test results found a positive influence from the CRM variable on market orientation, which means that H1 is accepted. The research results are in accordance with previous research by Nurlaelly et al. (2019) found through their study that CRM has a unidirectional effect on market orientation. Similar results were obtained by Rithmaya et al. (2023) also stated that CRM has a significant influence on the market orientation of SMEs based on online business in the city of Surabaya. The positive influence value states that with good CRM implementation in carrying out online business activities, the market orientation of SMEs players based on online business in the city of Surabaya is becoming more targeted or in accordance with what was planned by these actors. Based on these results found the implication that CRM has a positive and significant effect on market orientation PT. GIEB Indonesia Denpasar. CRM consists of indicators: identify, acquire retain and develop customers able to improve market orientation PT. GIEB Indonesia. This result means that the better the implementation of CRM at PT. GIEB Indonesia, it will further strengthen market orientation at PT. GIEB Indonesia Denpasar.

### The Influence of Customer Relationship Management on Marketing Performance

CRM can be defined as an overall discipline that includes all the functions that directly touch customers throughout their lifetime with your company and focuses on strategic impact rather than operational impact. In addition, CRM is also a strategic collection of information, processes, technologies and people to manage the customer relationship with the company, including marketing, sales, service and support throughout the customer life cycle. The definition of CRM is quite broad and includes many things, but is limited to activities that occur in customer-facing functions such as marketing, sales, customer service, and product support (Hasan et al., 2023). The test results found a positive influence of the customer relationship management variable on marketing performance, which means that H2 is accepted. The results of this study are in accordance with previous research by Santoso and Sugiaro (2016) who argued that CRM has an effect on marketing performance. Top performing companies are companies that not only gain sufficient understanding of customer requirements and preferences, but are also able to use this knowledge and information to innovate products and services. The same results were obtained by Ginting et al. (2020) which stated that CRM has a positive and significant effect on marketing performance. This influence means that the higher the implementation of CRM, the higher the marketing performance of the company.

Based on these results found the implication that CRM has a positive and significant effect on marketing performance PT. GIEB Indonesia. CRM which consists of indicators: identify acquire,
retain and develop customers able to improve marketing performance PT. GIEB Indonesia. These results mean that the better the implementation of CRM at PT. GIEB Indonesia, will further strengthen the marketing performance of PT. GIEB Indonesia.

**The Influence of Market Orientation on Marketing Performance**

Market orientation is an operational view of the core of marketing, namely focusing on consumers and coordinated marketing. Market orientation focuses on the organization ability to gain customer sympathy because it provides good service and makes consumers feel satisfied (Putri, 2021). Market orientation functions to obtain information about market needs and then to adjust decision making based on market information. Companies must be able to adapt to market needs. Based on the results of testing the hypothesis, a positive influence was found between market orientation variables on marketing performance, which means that H3 is accepted.

The results of this research supported study done by Pertiwi Dan Siswoyo (2016) who stated that market orientation has a significant directional influence on marketing performance. If market needs can be met, it will increase customer satisfaction and loyalty. Similar research conducted by Putri (2021) also found results that market orientation has a positive and significant effect on marketing performance, means that the better the market orientation, the marketing performance will increase. The results of this study also support the findings from research conducted by Ardani and Sunarsi (2023) who conducted research on entrepreneurial orientation, business capital and market orientation on the performance of SMEs in Bali.

Based on these results, the implication was found that market orientation has a positive and significant effect on marketing performance. Market orientation consists of indicators: production orientation, product orientation, selling orientation, and consumer orientation can improve marketing performance at PT. GIEB Indonesia. This result means that by having a high market orientation, PT. GIEB Indonesia will be able to make competitive strategy decisions so that it can improve marketing performance.

**CONCLUSION**

Based on the results of research analysis and discussion, the conclusions of this research can be described as 1) CRM has a positive and significant effect on market orientation PT. GIEB Indonesia. This shows that the better the implementation of CRM, the higher the market orientation that is formed at PT. GIEB Indonesia. 2) CRM has a positive and significant effect on marketing performance PT. GIEB Indonesia. This shows that the better the implementation of CRM, the higher the marketing performance produced by PT. GIEB Indonesia. 3) Market orientation has a positive and significant effect on marketing performance. It means that the higher the market orientation, there will be more competitive strategy decisions to improve marketing performance that PT. GIEB Indonesia can achieve.

**REFERENCES**


2017.


