

The Role of Customer Relationship Management in Mediating Market Orientation on Marketing Performance

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Abstract : This study aims to analyze the effect of market orientation and customer relationship management on marketing performance, as well as the role of customer relationship management mediation on market orientation relationship to marketing performance. This research was conducted at a number of Bank Perkreditan Rakyat (BPR) in Non Sarbagita Region of Bali Province supported by 95 employees as respondents. The method of analysis in this study using Structural Equation Modeling-Partial Least Square (SEM-PLS). The results show that market orientation and customer relationship management have a significant positive effect on marketing performance. Likewise, market orientation has a significant positive effect on customer relationship management. Furthermore, customer relationship management plays a significant role as a partial mediation of market orientation relationships on marketing performance.

Keywords – Market Orientation, Customer Relationship Management, Marketing Performance.

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I. INTRODUCTION

Bank Perkreditan Rakyat (BPR) as one of micro business in the form of a banking business entity, its existence has a very special function that is providing financial services and capital facilities assistance to low income community groups as well as small entrepreneurs and rural people who need capital assistance and consumption goals . Under the prevailing laws, namely law number 10 of 1998 on banking, it is stated that the existence of *Bank Perkreditan Rakyat (BPR)* is expected to provide financial services to weak entrepreneurs and rural communities most of whom do not have access to commercial banks, including the provision of collateral for loans, as well as a number of other provisions such as legal entities not owned by most rural residents (Laksito and Sutapa, 2007) [1].

This study is based on the results of Media Indonesia's survey (Media Indonesia, 2004), which found that the performance of BPR banks is not optimal / optimal. This is due to a number of obstacles encountered, both internal and external. The weakness of BPR business sector can be a constraint of the bank in dealing with the increasingly sharp competition, in line with the entry of global markets to various countries, including Indonesia, and Bali in particular. Insufficient proof of the performance of BPR, one of which is shown by the tendency of decreasing credit marketing especially in BPR in Non *Sarbagita* (Denpasar, Badung, Gianyar, Tabanan) area of Bali Province during the period of 2012 -2016, as shown in Diagram 1.1. The decline began to appear since 2012, although in 2013 began to increase, but in 2014 decreased again, and appears to increase very little in 2015. This illustrates the performance of credit marketing BPR weakened.

Globalization requires companies to improve their competitive strategy in order to survive. Montgomery (2002) [2] argues that resources that determine competitive advantage may take the form of tangible resources such as strategic firm locations, as well as intangible benefits such as service and employee loyalty in managing marketing distribution. The pattern of excellent marketing and service strategies, maintaining and enhancing corporate relationships with customers needs to be given attention in the development of BPR marketing strategies. This strategy pattern is known as Customer Relationship Management. Market-oriented companies, leveraging customer relationship management to drive improved marketing performance. Thus this research is focused to know how the role of customer relationship management in encouraging the increasing influence of market orientation on marketing performance at Bank Perkreditan Rakyat (BPR), especially in the area of Non *Sarbagita* Bali Province.

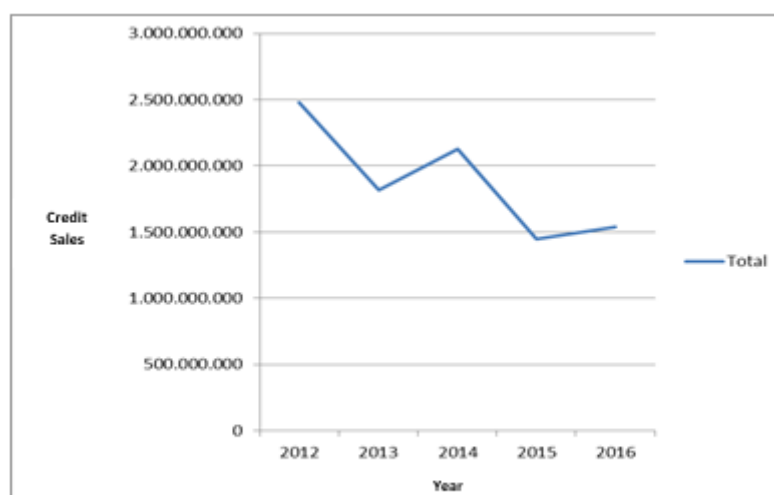


Diagram: 1.2. Sales of BPR loans Non Sarbagita Area in Bali 2012 - 2016.

II. LITERATURE REVIEW

2.1 Relationship of Market Orientation to Customer Relationship Management

Javalgy et al. (2006) [3] stated that competitive market requires the company to be market oriented to follow the competition. In this case market research has a very important role in generating the necessary data, so market orientation can be developed and implemented. Market orientation is said to improve the practice of customer relationship management (CRM). According to Velnampy & Ivesan (2012) [4], CRM aims to enhance strong relationships between marketers and customers by turning indifferent customers into loyal customers. Customer relationship management (CRM) is able to generate continuous profits from two customer groups: current customers and new customers (Grinstein, 2008) [5]. Research by Javalgy, Martin, and Young (2006) [3] obtained the results of research that market orientation positively affects customer relationship management. Based on this then drumuskan the research hypothesis as follows:

H1: Market Orientation has a significant positive effect on Customer Relationship Management

2.2 Relationship of Market Orientation to Marketing Performance

Business performance is a company activity in menyediakan product goods and services. The company's activity in generating added value for customers is called business performance, while the resultant product is the end result of the activity activity. When many companies have to face competitors in getting the market for products produced by company companies, the service to consumers and maintain customer satisfaction on an ongoing basis is a process that will stabilize the company's earnings.

The concept of market orientation has become the focus of attention in discussing the strategy of marketing and customer value added continuously in order to maintain marketing performance. Based on the concept of market orientation by Kohli and Jaworski (1990) [6], Slater and Naver (1994) [7], stated that research on value-added customers is becoming increasingly widespread given the view that customer focus is the basis of market orientation. Zebal (2003) [8] stated that the success of market orientation in creating value-added customers will be able to realize increased marketing performance.

Shehu and Mohmood, (2014) [9], in his research on small and medium-sized companies in Nigeria, concluded that there is a significant positive influence between market orientation towards marketing performance in small and medium industries in Nigerian. Joseph and Francis (2015) [10] in the results of his research on microfinance institutions in Kenya, showed that there is a significant positive effect between market orientation on marketing performance. Based on the results of these studies, then formulated research hypothesis as follows:

H2: Market Orientation has a significant positive effect on Marketing Performance

2.3 Relationship Management Relationship to Marketing Performance

Kotler and Armstrong (2007) [11] stated that CRM implementation can improve value-added services to consumers, service sustainability in order to create consumer loyalty, as well as in turn reinforce company performance. Customer Relationship Management is a tool to maintain customer loyalty. This has an impact on increasing competitiveness and improving customer satisfaction (Manzano et al., 2005) [12]. According to Armstrong and Kotler (2007) [11] in the fierce competition it takes a much higher cost to seize new customers

than to nurture existing customers. CRM is the process of creating, maintaining, and improving strong relationships based on value with customers and other shareholders. The goal is to provide long-term value to customers and the measure of success is long-term customer satisfaction. If the company can maintain customer satisfaction on an ongoing basis then it will have a positive impact on business performance.

Kucukogin and Pinar (2015) [13] in his research obtained the results of research that successful CRM positively correlated significantly to the performance of the company. Shafifue et al. (2015) [14] conducted research where the results of his research found that CRM has a positive and significant effect on marketing performance. Based on this case then formulated research hypothesis as follows:

H3: Customer Relationship Management has a significant positive effect on Marketing Performance

2.4 The role of Customer Relationship Management as a mediator of Market Orientation to Marketing Performance

Javalgy (2006) [3] found that market orientation has a positive effect on customer relationship management. On the other hand, Kotler and Armstrong (2011) [11] stated that CRM implementation can improve value-added services to consumers, service sustainability in order to create consumer loyalty, in turn strengthening company performance. Kucukogin and Pinar (2015) [13] in his research obtained the results of research that successful CRM positively correlated significantly to company performance. Shafifue et al. (2015) [14] conducted research with the results of research that CRM has a positive and significant impact on performance. Based on the concept of Baron and Kenny (1989) [15], the conditions in which market orientation indicates significant positiveness to customer relationship management, and customer relationship management also have a significant positive effect on marketing performance, customer relationship management can be expressed as mediation. Based on this case then formulated research hypothesis as follows:

H4: Customer Relationship Management positively significant role as mediation of Market Orientation relationship to Marketing Performance.

III. RESEARCH METHOD

3.1. Research sample

This research was conducted on the employees of a number of BPRs in the Non *Sarbagita* Region of Bali Province. The number of samples used as respondents to the study of 106 people spread in 53 BPR. Sampling is done by cluster proportional random sampling, with the distribution of respondents as shown in Table 3.1.

Table 3.1 Number of *Bank Perkreditan Rakyat* (BPR) by Regency in Bali, Year 2015

No	County	Head Office	Branch Office	Cash Office	Total BPR	Sample Size
1	Bangli	3	1	3	7	14
2	Buleleng	6	5	11	22	44
3	Jembrana	1	2	2	5	10
4	Karangasem	4	0	5	9	18
5	Klungkung	5	4	1	10	20
	Jumlah	19	12	22	53	106

Source: Office of OJK Bali Province, 2015.

3.2. Research Variables and Measurements

This study integrates four variables consisting of one exogenous variable that is market orientation and two endogenous variables are customer relationship management, and marketing performance. Market orientation variables consist of three dimensions that are reflective of customer orientation, competitor orientation, and interfunksional coordination. Customer orientation is measured by five indicators: (a) Clear ideas about customers, (b) prioritizing customer needs, (c) responsiveness to customer complaints, (d) building customer value added, and (e) timeliness of customer service. Competitor orientation consists of five indicators: (a) identifying competitors as well as possible, (b) regularly discussing competitors 'strengths / strategies, (c) regularly discussing and sharing information about competitors' activities, responding quickly to competitive actions, (e) with competitor innovation. Interfunksional coordination is measured by four indicators: (a) coordinate marketing strategies, (b) integrate marketing strategies to all levels of authority, (c) synchronize marketing strategies, and (d) implement synchronized marketing strategies.

The CRM variable consists of 4 indicators (Velnampy & Ivesan (2012) [4] ie (a) Trust, (b) BPR Commitment to customers / customers, (c), Good communication to customers, and (d) Conflict management BPR, while the marketing performance variables consist of six indicators: (a) position among competitors (Dizgah et al., 2015) [16], (b) increase in sales volume (Grogroudis and Siskon, 2010) [17], (c) increase market

share (Christina and Dogan, 2009) [18], (d) enhancement of corporate reputation (Christina and Dogan, 2009) [18], (e) increasing customer satisfaction (Christina and Dogan, 2009) [18], (f) increase in corporate profits (Morgan & Hunt, 1994). [19] All measurements of indicators use a Likert scale ranging from 1 to 5, of which 1 does not agree, and 5 strongly agree.

3.3. Analysis Method

The method of analysis in this study using structural equation modeling partial least square (SEM-PLS), which consists of three stages of evaluation model of measurement model (outer model), evaluation of structural model (inner model), and hypothesis testing. The evaluation of the measurement model consists of convergent validity, discriminant validity, composite reliability, and Cronbach's Alpha. While testing the structural model consists of R², Q². Mediation testing is done by looking at the significance of the indirect effect of the relationship between market orientation toward marketing performance through customer relationship management.

IV. RESULT AND DISCUSSION

4.1 Validity, Reliability, and Fit test

Validity test results are measured based on the value of outer loading indicate each indicator has a value above 0.50 and significant with p-value smaller than 0.05 so it can be said valid. Reliability testing seen through the value of Composite Reliability and Cronbach's Alpha which shows a value greater than 0.60 so that all data can be said reliable. The accuracy of the model in this study using Q-Square Predictive Relevance (Q²) formulas whose formula is as follows:

$$\begin{aligned}
 Q^2 &= 1 - (1-R_1^2) \times (1-R_2^2) \\
 &= 1 - (1 - 0,396)(1-0,609) \\
 &= 1 - (0,604)(0,391) \\
 &= 1 - 0,2361 \\
 &= 0,7638 \text{ (strong)}
 \end{aligned}$$

Taking into account the value of R² for CRM of 0.396 means that 39.6% customer relationship management is influenced by market orientation. Similarly, the value of R² for marketing performance of 0.609 means that 60.9% marketing performance is influenced by market orientation and customer relationship management.

4.2 Hypotesis Testing

The results of hypothesis testing are shown in Table 4.1, and Figure 4.1.

Tabel 4.1. Path Coefficient and p-value Direct Market Orientation, Customer Relationship Management, to Market Performance

Relationship between Variables	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P-Values
CRM -> MP	0,333	0,328	0,159	2,088	0,037
MO -> CRM	0,780	0,780	0,056	13,851	0,000
MO -> MP	0,335	0,351	0,133	2,524	0,012

Based on the results of data processing with SmartPLS 3.0 obtained results as shown in Figure 4.1 and Table 4.1. Figure 4.1 shows that all indicators significantly reflect each variable, as well as the dimensions of the market orientation variables consisting of customer orientation, competitor orientation, and interfunctional coordination significantly reflect market orientation.

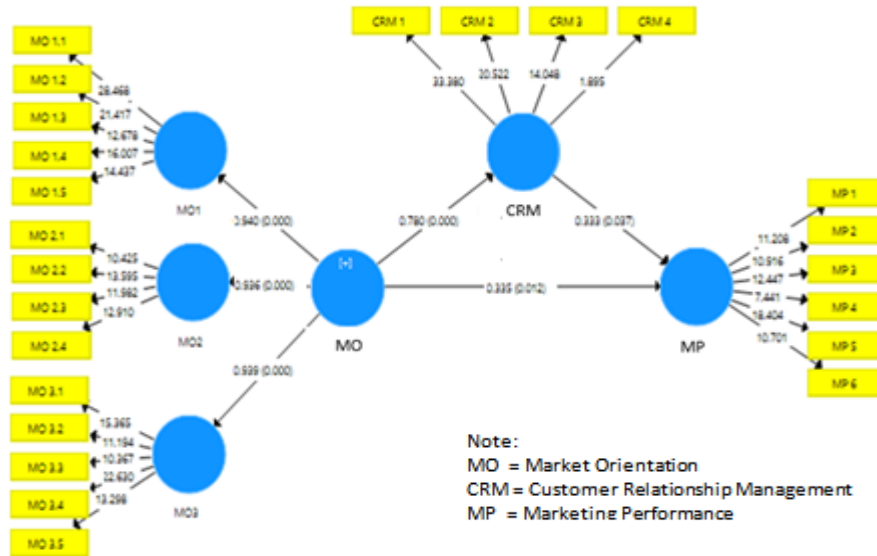


Figure 4.1. Path Coefficient and p-value relationship between Market Orientation, Customer Relationship Management, and Marketing Performance.

Based on the drawings and tables in detail can be explained the relationship of each exogenous variable to the endogenous variables as follows:

4.2.1. Testing Effect of Market Orientation on Customer Relationship Management

The result of market orientation test to customer relationship management as shown in Table 4.1 and Figure 4.1 shows the path coefficient of 0.780 with p-value 0,000 (<0.05). This means that market orientation has a significant positive effect on customer relationship management. The result of this test proves that hypothesis 1 (H1) is accepted. Changes that occur in market orientation significantly affect the changes that occur in customer relationship management. Increased market orientation impact on improving marketing performance. The results of this study confirm the results of research conducted Javalgy et al. (2006) [3].

4.2.2. Testing of Market Orientation to Marketing Performance

The test results of market orientation influence on marketing performance shows the path coefficient of 0.335 with p-value 0.012 (<0.05). This means that market orientation has a significant positive effect on marketing performance. The results of this test prove that hypothesis 2 (H2) is accepted. Changes that occur in market orientation significantly affect the changes that occur in marketing performance. Increased customer relationship management can lead to an increase in marketing performance. The results of this study are in line with the results of a study conducted by Zeбал (2003) [9], Shehu and Mohmood (2014) [10].

4.2.3. Testing Customer Relationship Management to Marketing Performance

The result of testing of influence of customer relationship management toward marketing performance showed path coefficient 0,333 with p-value 0,037 (<0,05). This means that customer relationship management has a significant positive effect on marketing performance. The result of this test proves that hypothesis 3 (H3) is accepted. The changes that occur in customer relationship management significantly affect the changes that occur in marketing performance. Increased customer relationship management can lead to an increase in marketing performance. The results of this study confirm the results of studies conducted by Kucukogin and Pinar (2015) [20] and Shafifue et al. (2015) [21].

4.2.4. Testing of Customer Relationship Management as mediating relationship of Market Orientation to Marketing Performance.

The result of testing the role of customer relationship management as mediating market orientation relationship to Market Performance, can be determined based on Table 4.2.

Table 4.2. Path Coefficient and p-value Indirect Effects Market Orientation, Customer Relationship Management, to Market Performance

Relationship between Variables	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics ((O/STDEV))	P Values
MO -> CRM -> MP	0,259	0,256	0,128	2,031	0,043

The indirect effect of market orientation on marketing performance through customer relationship management as Table 4.2 shows the value of 0.259 with p-value of 0.043 (<0.05). This means that the effect of market orientation on marketing performance through customer relationship management has a significant positive value. This means that customer relationship management plays a significant positive role in mediating market orientation relationships towards marketing performance. The result of this test proves that hypothesis 4 (H4) is accepted. The changes that occur in customer relationship management significantly affect the relationship of market orientation to marketing performance. Improved customer relationship management is able to encourage increasing market orientation influence on marketing performance.

V. CONCLUSIONS, SUGGESTIONS, AND FUTURE RESEARCH

Based on the results and discussions as previously mentioned above, it can be put forward some conclusions:

1. Market orientation significantly affects customer relationship management in *Bank Perkreditan Rakyat* (BPR) in Non *Sarbagita* Region - Bali.
2. Market orientation has a significant effect on marketing performance in *Bank Perkreditan Rakyat* (BPR) in Non *Sarbagita* Region - Bali.
3. Customer relationship management significantly affect the marketing performance of *Bank Perkreditan Rakyat* (BPR) in Non *Sarbagita* Region - Bali.
4. Customer relationship management is not limited to *Bank Perkreditan Rakyat* (BPR) in Non Province *Sarbagita* Provinces Bali, so it still needs to do research with a wider coverage area to get more general and accurate results. This study also only raised market orientation and customer relationship management variables as the variables affecting marketing performance, while marketing performance can be influenced by many other factors.

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