

# The Role of Customer Relationship Management and Partnership Relationship Management to Mediate Market Orientation on Marketing Performance

IDA AYU OKA MARTINI

Economic and Business UNDIKNAS University-Denpasar

Denpasar, Indonesia

dayuokamartini@undiknas.ac.id

NI KETUT KARWINI

STIMI Handayani-Denpasar

Denpasar, Indonesia

karwini@yahoo.com

I WAYAN GDE SARMAWA

Economic Faculty Warmadewa University-Denpasar

Denpasar, Indonesia

wayangdesarmawa@gmail.com

DESAK MADE FEBRI PURNAMA SARI

Economic and Business UNDIKNAS University-Denpasar

Denpasar, Indonesia

dskfebriurnama@undiknas.ac.id

*Abstract:* - This study aims to examine and analyze the role of Customer Relationship Management and Partnership Relationship Management mediate the relationship of Market Orientation with Marketing Performance. This study took the object of research on Rural Banks in the Province of Bali, especially those operating in the non Sarbagita region.

The population of the study were Bank leaders totaling 527 people, but the research samples were 100 according to Slovin's calculation results with a degree of precision of 9%. Data processing is done based on Structural Equation Modeling Partial Least Square analysis tools with the SmartPLS 3.0 program. The results of the analysis show that Market Orientation has a significant positive effect on Customer Relationship Management, Partnership Relationship Management and Marketing Performance. Similarly, Customer Relationship Management and Partnership Relationship Management have a significant positive effect on Marketing Performance. The results of the analysis also found that Customer Relationship Management and Partnership Relationship Management acted as partial mediators of the relationship of Market Orientation with Marketing Performance.

*Key-Words:* - Market Orientation, Customer Relationship Management, partnership relationship management, Marketing Performance

## 1 Introduction

Rural Banks as one of the micro businesses in the form of banking enterprises, their existence has a very special function, namely providing financial services and capital facilities to low income groups and small entrepreneurs, as well as entrepreneurs who do

not have access to financial institutions other commercial like other commercial banks, which are due to the inability to provide a number of guarantees [1]. However, the existence of Rural Banks is faced with a number of constraints, where a number of credit recipients are very slow in repaying loans, causing the net

performing loan (NPL) or delinquent customer loans of a number of Rural Banks to be high. This is also the reason for a number of rural banks becoming less healthy in terms of NPL. This is especially true for rural banks in the non-Sarbagita region of Bali Province.

Judging from the credit Marketing Performance, it shows that Rural Banks in non Sarbagita regions have a more volatile marketing credit performance and tend to decline compared to Rural Banks in the Sarbagita region. This is shown in the following diagram:

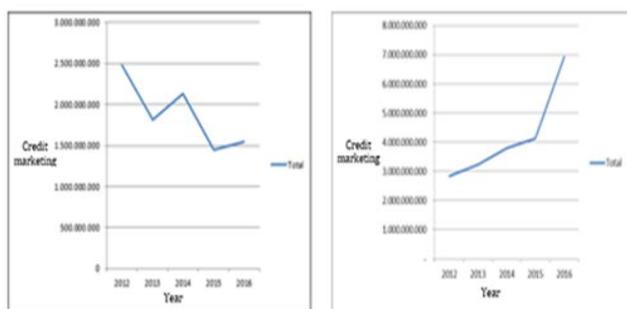


Diagram 1. Marketing Performance of Non-Sarbagita Regional Loans

Diagram 2. Marketing Performance of Sarbagita Regional Loans

Based on Table 1, it is clear that the non Sarbagita BPR credit marketing performance tends to experience a sharp decline.

According to a number of experts and supported by research results, marketing performance can be influenced by a number of factors, such as Market Orientation [2];[3];[4];[5];[6], Customer Relationship Management [7];[8];[9], Partnership Relationship Management [10].

## 2. Theoretical, Empirical, and Hypothesis

### 2.1. Market Orientation

Market Orientation is the company's ability to direct the company's marketing strategy to continuously adapt to market changes and the business environment [11]. Market Orientation is developed in order to create added value for customers. Survey results on a number of companies in Thailand about Market Orientation which have important implications in building and improving Marketing Performance [2]. This is empirical evidence about Market Orientation that is more focused

on the target of Marketing Performance as a target for the Market Orientation strategy. [4], also wrote that with a survey conducted on companies in Nigeria, that Market Orientation would be able to encourage increased Marketing Performance. Companies that can improve the attitude of the Market Orientation as an internal behavior of resources, will be able to improve the Marketing Performance of the company. Market Orientation will encourage increased profitability [5]. Increased profitability shows good corporate earnings performance, and good market share performance. Profit performance and market performance are part of the company's marketing behavior. Market Orientation is the attitude and behavior of the company's internal resources that are responsive to customer needs both for current conditions and on customer needs in the future, thus reflecting the ability of the company's resources in presenting customer needs beyond the capabilities that can be presented by competing companies in markets that same [12]

A number of studies on Market Orientation with a combination of mapping in different orientations have been conducted in a number of countries, including. [11] His research on a number of companies in Germany, proves that Market Orientation is a determinant and builds a Market Orientation strategy on national trans companies that have businesses in many countries. [13], conducted a study of 73 companies engaged in the textile and garment industry in Hong Kong, based on the theoretical framework developed by [2] proving that the Market Orientation pattern of companies in Hong Kong is not much different from the pattern of Market Orientation obtained in developed countries is that the pattern of Market Orientation functions very significantly in determining Marketing Performance. [14], conducted a study of 162 samples of manufacturing and service companies in the Indian region, proving that Market Orientation has succeeded in increasing the growth of operating profit and accumulated company profits. A number of research findings also found that Market Orientations affect Customer Relationship Management [15] and Partnership Relationship Management [16].

Hypothesis 1: Market Orientation has a positive effect on Customer Relationship Management

Hypothesis 2: Market Orientation has a positive effect significantly on Partnership Relationship Management

Hypothesis 3: Market Orientation has a significant positive effect on Marketing Performance

## 2.2. Customer Relationship Management

Marketing Performance is the result of the achievement of company activities in providing goods and services. The company's activities in generating added value for customers are called Marketing Performance, while the products produced are the end result of the business activities concerned. When many companies have to face competitors in getting the market for products that are produced by the company, then service to consumers and maintaining customer satisfaction on an ongoing basis is a process that will stabilize company profits. [17] stated that in producing competitive business products, efforts to integrate a number of resources include collaborative resources, management control and employee career development as an important part in maintaining the company's service focus to customers. The goal achieved from each step of developing a strategy focused on marketing is that the company can always display and provide quality service to customers in order to increase market share.

In order to build Marketing Performance, the challenges of the business environment in the future will always be faced with increasing competitor capabilities that will threaten market segments that have been achieved by the company (market turbulence), competitors in increasingly technological innovation and the intensity of business competition. strict in getting the company's market segment.

Previous research found that there was a significant positive effect between Market Orientation on Marketing Performance, as research by [18], research on 165 small and medium-sized industrial companies conducted in Ghana showed a significant positive effect between Market Orientation on Marketing Performance. Research by [19], conducted in small and medium-sized companies in

Bangalore, showed that there were significant positive effects between Market Orientation on Marketing Performance. Research by [20], conducted at micro-finance companies in Kenya showed that there was a significant influence between Market Orientation towards Marketing Performance. The research conducted by [21], at MSMEs Batik in Sragen found that Market Orientation showed a significant positive influence on the company's Marketing Performance. [22], in his research on silver craft SMEs found that Market Orientation also showed a significant positive effect on Marketing Performance.

Hypothesis 4: Customer Relationship Management has a significant positive effect on Marketing Performance

## 2.3. Partnership Relationship Management

Partnership Relationship Management (PRM) is a partnership strategy in order to build collaboration and equality in maintaining networks and strengthening market networks. In order to realize PRM-based marketing strategies, link development, coordinating and sharing information between companies are established between companies that work together / partnership [23]. The PRM system is the development of partnership capabilities in an effort to reduce the marketing cost burden and mitigate opportunities for strengthening market segments in order to monitor customer dynamics [24]. Thus, it can be stated that PRM is a strategy used in maximizing collaboration opportunities to obtain company profits.

[25] conducted research on this PRM, obtained the results of research that the cooperative relationship between the company itself and the competing company in acquiring customers had a significant effect on Marketing Performance. That there is a direct relationship between the business partners, and customer satisfaction and will ultimately have a positive impact on the profitability of the company that supports the improvement of Marketing Performance.

Hypothesis 5: Partnership Relationship Management has a significant positive effect on Marketing Performance

Hypothesis 6: Customer Relationship Management acts as a mediator of the relationship of Market Orientation with Marketing Performance

Hypothesis 7: Partnership Relationship Management acts as a mediator of the relationship of Market Orientation with Marketing Performance

### 3. Research Methodology

The population of this study was the Rural Banks employees of Bali Province in the non Sarbagita area, which numbered 537 spread across 35 Rural Banks. Sampling is based on the Slovin formula with a precision level of 9%, so the sample size is 100 employees. The method of determining the number of respondents in each Rural Banks is carried out in proportional random sampling.

Data collection is done through distributing questionnaires to each respondent who became the study sample. Furthermore, the method of data analysis is done by SEM-PLS with the SmartPLS 3.0 program through 3 stages, namely: measurement model evaluation, structural model evaluation, and hypothesis testing. Evaluation of measurement models includes convergent validity and discriminant validity, while structural model evaluations include R-Square (R<sup>2</sup>), Q-Square (Q<sup>2</sup>), and Godness of Fit (GoF).

## 4. Results And Discussion

### 4.1. Evaluation of the Measurement Model

Evaluation of measurement models is shown through convergent validity, discriminant validity, composite reliability, and cronbach's alpha. The results of convergent validity evaluation are based on the outer loading value of each indicator which is between 0.577-0.919. Discriminant validity is shown through the root AVE which is greater than the correlation value between other variables. The reliability composite values and Cronbach's Alpha are shown in Table 1.

Table 1 shows the reliability composite value and cronbach's alpha greater than 0.7. Based on this, all variables are declared reliable. The test results of the measurement model show that all indicators and variables in the research model are valid and reliable

**Table 1**  
Composite Reliability and Cronbach's Alpha

Variables	Cronbach's Alpha	Composite Reliability
CRM	0,892	0,909
MO	0,934	0,943
MP	0,849	0,886
PRM	0,916	0,940

Source: data processed, 2019

### 4.2. Structural Model Evaluation

Evaluation of structural models is based on the value of R Square (R<sup>2</sup>), Q Square Predictive Relevance (Q<sup>2</sup>), and Goodness of Fit (GoF). Based on the results of the analysis, the R<sup>2</sup> value of the relationship between Market Orientation (MO) and Customer Relationship Management (CRM) is 0.628. The relationship between Market Orientation (MO) and Partnership Relationship Management (PRM) is 0.094. Furthermore, the relationship of Market Orientation (MO) with Marketing Performance (MP) of 0.697.

The results of the Q<sup>2</sup> calculation indicate that the model has a very good level of predictive ability, which is equal to 89.79%. This is indicated by the value of Q<sup>2</sup> obtained through the following formula:

$$Q^2 = 1 - (1 - R^2_{CRM}) \times (1 - R^2_{PRM}) \times (1 - R^2_M)$$

$$Q^2 = 1 - (1 - 0,628) \times (1 - 0,094) \times (1 - 0,697)$$

$$Q^2 = 1 - (0,372) \times (0,906) \times (0,303)$$

$$Q^2 = 1 - (0,10212)$$

$$Q^2 = 0,8979$$

Calculation of model accuracy is measured through the Goodness of Fit (GoF), through the following formula:

$$GoF = \sqrt{(\overline{Comm} \times \overline{R^2})}$$

$$GoF = \sqrt{[(0,541+0,509+0,567+0,798)/4] \times [(0,628+0,697+0,094)/3]}$$

$$GoF = \sqrt{[(2,415)/4] \times [(1,419)/3]}$$

$$GoF = \sqrt{(0,60375 \times 0,47)}$$

$$GoF = \sqrt{0,28557}$$

$$GoF = 0,5346$$

The calculation results show that the model has a good level of accuracy that is 0.5346.

### 4.3. Hypothesis testing

The research hypothesis testing is based on the results of the SmartPLS analysis shown in Figure 2, Table 2, and Table 3

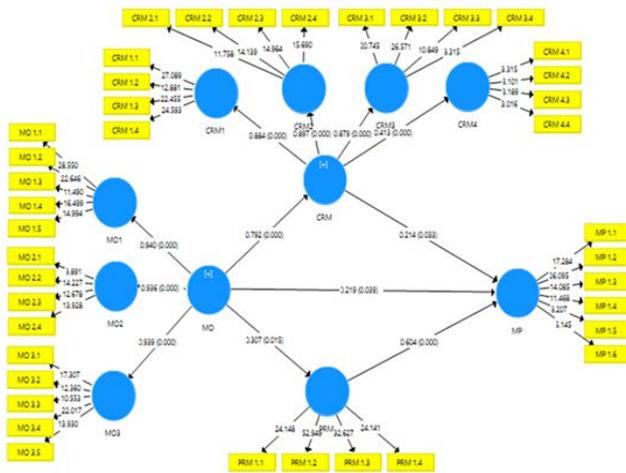


Figure 2. Results of SmartPLS Analysis of the Relationship between Market Orientation Variables, Customer Relationship Management, Partnership Relationship Management, and Marketing Performance.

**Table 2**

Path Coefficients Direct Effects Between Market Orientation Variables, Customer Relationship Management, Partnership Relationship Management, and Marketing Performance

Correlation between variables	Path Coefficient	P Values	Information
MO -> CRM	0,792	0,000	H <sub>1</sub> Accepted
MO -> PRM	0,307	0,015	H <sub>2</sub> Accepted
MO -> MP	0,219	0,039	H <sub>3</sub> Accepted
CRM -> MP	0,214	0,033	H <sub>4</sub> Accepted
PRM -> MP	0,604	0,000	H <sub>5</sub> Accepted

Source: data processed, 2019

Table 2 shows that Market Orientation (MO) has a significant positive effect on Customer Relationship Management (CRM), Partnership Relationship Management (PRM), and market performance (MP). Similarly, market performance is significantly influenced positively by Customer Relationship Management (CRM), and Partnership Relationship Management (PRM). Based on the data, all the direct influence hypotheses (H<sub>1</sub>, H<sub>2</sub>, H<sub>3</sub>, H<sub>4</sub>, and H<sub>5</sub>) are accepted.

Based on Table 3, it appears that CRM and PRM are partially mediating relationships between Market Orientation (MO) and Marketing Performance. These results indicate that the hypothesis of indirect effects (H<sub>6</sub> and H<sub>7</sub>) is accepted.

**Table 3**

Path Coefficient Indirect Effects Between Market Orientation Variables on Marketing Performance through Customer Relationship Management and Partnership Relationship Management

Correlation between variables	Path Coefficient	P Values	Information
MO -> CRM -> MP	0,170	0,042	H <sub>7</sub> Accepted
MO -> PRM -> MP	0,186	0,011	H <sub>8</sub> Accepted

Source: data processed, 2019

## 5. Conclusion

Based on the results of hypothesis testing the effect of Market Orientation (MO), Customer Relationship Management (CRM), Partnership Relationship Management (PRM), and Market Performance (MP), it can be concluded that:

1. Market Orientation (MO) has a significant positive effect on Customer Relationship Management (CRM), Partnership Relationship Management (PRM), and Market Performance (MP) in Rural Banks in the non Sarbagita region.
2. Customer Relationship Management (CRM), and Partnership Relationship Management (PRM), are partially mediating relationships between Market Orientation (MO) and Marketing Performance (MP). That is, Customer Relationship Management (CRM), and Partnership Relationship Management (PRM) are able to become intermediaries in the relationship of market orientation with marketing performance.

### References:

- [1] Laksito, H. dan Sutapa. 2007. Memprediksi Kesehatan Bank dengan Rasio CAMELS pada Bank Perkreditan Rakyat. Jurnal Keuangan dan Perbankan. Vol. 14, No.1, pp.156 – 167.
- [2] Naver, John C., dan Stanley F. Slater, 2000, The positive Effect of a Market Orientation on Business Profitability: A Balanced Replication, Journal of Business Research, Vol. 48, pp. 69 – 73
- [3] Zebal, Mostaque Ahmed, 2008, A Synthesis Model of Market Orientation For A Developing Country-The Case of Bangladesh, Thesis, Victoria University of Technology Melbourne, Australia.

- [4] Keskin, Halit, 2011, Market Orientation, Learning Orientation, and Innovation Capabilities in SMEs an Extended Model, *European Journal of Innovation Management*, Vol 9, No 4, pp. 201-216
- [5] Riza Casidy M, 2010, Riza Casidy Mulyanegara, Yelena Tsarenko, (2010) Predicting brand preferences: An examination of the predictive power of consumer personality and values in the Australian fashion market, *Journal of Fashion Marketing and Management*, Vol. 13 Iss: 3, pp.358 – 371
- [6] Shehu A.M. Mahmood R, 2014, Market Orientation and Firm Performance Among Nigerian SMEs: The Moderating Role of Business Environment, *Mediterranean Journal of Social Science*, Vol. 5, No. 23, pp158-164
- [7] Reimann M., Schilke, O., Thomas J.S., 2009. Customer Relationship Management and Firm Performance: the mediating role of business strategy, *Journal of the Academy of Marketing Science*, Vol. 38, No. 3, pp. 326-346
- [8] Namjoyan M., Esfahani A.N., Haery F.A., 2013. Studying the effects of customer relationship management on the marketing performance (Isfahan Saderat Bank as a case study), *International Journal of Academic Research in Business and Social Sciences*, Vol. 3, No. 9, pp. 302-314
- [9] Nwokah N.G., Didia, J.U.D, 2015. Customer relationship management and marketing performance: the study of food and beverages firms in Nigeria, *European Journal of Business and Management*, Vol. 7, No. 15, pp. 85-95
- [10] Shaheen and Iqra, 2015, A Review Of Customer Satisfaction, And Their Impact On Firm Performance International, *Journal Of Management & Organization Studies*, Vol. 4, No. 1, March 2015, pp 34 – 38
- [11] Kanagal N.B., 2017. Development of market orientation for marketing strategy formulation, *International Journal of Marketing Studies*, Vol. 9, No. 4, pp. 54-65
- [12] Castro, Carmen Barroso, Enrique Marti'n Armario and Mari'a Elena Sa'nchez Del Rio, 2005. Consequences of Market Orientation for Customer and Employees, *European Journal of Marketing*, Vol. 39, No. 5/6, pp. 646 – 675.
- [13] Chan (2003) *Relationship Marketing: Inovasi Marketing Yang Membuat Pelanggan Bertekuk Lutut*, PT. Gramedia Pustaka Utama, Jakarta.
- [14] Subramanian, M., and Youndt, M.,A., 2005, The Influence of Intellectual Capital on The Types of Innovative Capabilities, *Academy of Management Journal*, Vol. 48, pp. 3, pp. 450-463
- [15] Javalgi G., 2006, *Marketing Research, Market Orientation and Customer Relationship Management: A Framework and Implication for Service Providers*, *Journal of Service Marketing*, Vol. 20, No. 1, pp. 12 – 23
- [16] Soehadi Agus W., 2013, The Relationship Between Market Orientation, Supplier Partnership, and Firm Performance in a retail context, *Conference Proceeding Adelaide*, pp.1041- 1046
- [17] Corbett A.A., and Hmieleski, K, M., 2005. Proclivity for Improvisation as a Predictor of Entrepreneurial Intentions. *Journal of Small Business Management*, Vol. 44, pp. 45-63
- [18] Mahmoud A.A., 2011, Market Orientation and Business Performance among SMEs in Ghana, *International Business Research*, Vol. 4, No. 1, pp.241-251
- [19] Ramesh R.S., 2014, Impact of Market Orientation on SMEs Business Performance an Empirical Study of Select SMEs in Bangalore, *Acme Intellect International of Research in Management, Social science & Technology*, Vol. 8, No. 8, pp 1-13
- [20] Joseph O. and Francis K., 2015, The Influence of Culture and Market Orientation on Performance of Micro Finance Institution in Kenya, *International Journal and Management*, Vol. 10, No.8, pp. 204-221.
- [21] Fatonah S., 2017. The impact of Market Orientation and marketing strategies on performance of SMES in Batik industry, *International Journal of Civil Engineering and Technology*, Vol. 8, No, 8, pp. 1290-1298
- [22] Yuniari W., Kerti Yasa N., Giantari I.G.A.K., 2018. The role of competitive advantage in mediating the influence of Market Orientation on internationalization and Marketing Performance: a study on silver craft SMES in Celuk Village, Bali Province, *European Journal of Business and Social Science*, Vol. 6, No. 10, pp. 55-71
- [23] Lee, P. R., Naylor, G., Chen, Q. 2011. Linking customer resources to firm success: The role of marketing program implementation. *Journal of Business Research*, Vol. 64, pp. 394–400
- [24] Wang and Wei, 2007, Lai, Kin Keung, Yu, Lean, Wang, Shouyang, Huang, Wei. 2007. Hybridizing Exponential Smoothing and Neural Network for Financial time series prediction, *Foreign exchange rate forecasting with artificial neural network*, Vol.15, pp.21-30
- [25] Shaheen and Iqra, 2015, A Review Of Customer Satisfaction, And Their Impact On Firm Performance International, *Journal Of Management & Organization Studies*, Vol. 4, No. 1, March 2015, pp 34 – 38