



(REVIEW ARTICLE)



Customer relationship management, service quality to improve marketing performance through competitive advantage

Endah Budiarti *

Faculty of Economics and Business, Universitas 17 Agustus 1945 Surabaya, Indonesia.

World Journal of Advanced Research and Reviews, 2024, 21(03), 431–438

Publication history: Received on 21 January 2024; revised on 27 February 2024; accepted on 01 March 2024

Article DOI: <https://doi.org/10.30574/wjarr.2024.21.3.0709>

Abstract

This study seeks to explore and elucidate the connections between customer relationship management and service quality, as well as the correlations between competitive advantage and marketing performance within the public market of East Java Province. This study focuses on the entire public market unit in East Java Province, which consists of 335 public market units spread throughout 6 regencies and cities. This study uses the 67 public markets in the province of East Java as its unit of analysis. These markets have been rejuvenated. In the Province of East Java, the observation unit is a trader or tenant of a communal market stand. There are 25,000 dealers on the public market in the market that has been revived today. Researchers in this study used the trader or tenant stand's perception to gauge the public market's marketing performance in East Java Province, making it a perceptual measure of marketing performance. There are 190 retailers in the sample. The quantity is dispersed throughout the public market's 67 units in the province of East Java. This study will employ a causal or relational model. The proposed hypotheses will be assessed using structural equation modelling (SEM) through the AMOS statistical software. The findings from hypothesis testing reveal that both customer relationship management and service quality significantly affect the competitive advantage of the public market in East Java Province. Moreover, customer relationship management and service quality significantly impact the marketing performance of the public market in the Province of East Java. Additionally, competitive advantage emerges as a key determinant of the marketing performance within East Java Province's public market.

Keywords: Competitive Advantage; Customer Relationship Management; Marketing Performance; Public Market; Service Quality

1. Introduction

The public market's continued existence was progressively threatened as the modern market developed so quickly. While there are currently 23,000 contemporary markets in Indonesia, the 'Ikatan Pedagang Pasar Indonesia' (IKAPPI) reports that there have been 9,950 markets in total over the last four years. According to a 2013 poll by AC Nielsen, Indonesia's public market population is still decreasing. The public market was valued at 13,550 in 2007, dropped to 13,450 in 2009, and then fell to 9,950 in 2011.

Comparatively speaking, Indonesia's public market is growing less rapidly. The modern market expanded by 31.4 percent, whereas the public market's growth was negative by 8.1 percent. On the other hand, the revenue original regions receive a minor contribution from the public market. Additionally, it safeguards the interests of numerous publics.

The public market is currently experiencing a physically worse rate of buyer abandonment. In contemporary marketplaces such as supermarkets, hypermarkets, and others, where shopping must give way to leisure and

* Corresponding author: Endah Budiarti

entertainment pursuits, consumers are starting to change. These marketplaces are growing as a fulfilment of modern lifestyles. Along with the building's generally improved condition, modern shopping malls offer neater, more comfortable, safe, and affordable merchandise at prices lower than the open market due of their superior distribution system.

The government's and the local government's approach to reviving the public market places even more focus on the physical renovation of market structures. Institutional development, such as creating the public sector's organization, managers, and market builders including creating the necessary human resources and market trading systems rarely goes hand in hand with it.

In the planning stages of development, it is essential to consider the market's capacity, aligning it with the existing trader count, potential for trader growth, and the demographics of prospective customers. This approach helps mitigate the risk of failure in revitalizing public markets. When moving to a market that has been refurbished, vendors who have been there for a long time frequently complain that the kiosk sizes and stall sizes have been lowered or smaller because there are now more new vendors to accommodate. Because of this requirement, vendors plan their inventory so that it exceeds the allowed boundaries and floats outside of stalls or kiosks. Because of this, customers walking by in the market find the gang/hallway in the stalls to be uncomfortable and cramped. Because the revitalization policy's implementation mainly places emphasis on outward appearances the market needs to be tidy, clean, and free of slums, for example small economic actors are also less likely to benefit from it.

One of the primary reasons for the unfavourable connotation that has become ingrained in public markets is the public market manager's limited managerial capacity, which has an impact on the state of the market. The development of the public market necessitates a coordinated effort, beginning with policy and ending with operations. The development of street vendors and their surroundings, as well as the management of market traders and the general public, are examples of operational development. Additional issues that require coaching include the layout of pedestrian areas, parking spaces, and culinary tourism destinations. Connections with other domains are frequently disregarded, leading to incomplete problem solving and outcomes that fall short of ideal levels since the core source of the issue remains unaddressed.

The public should be inspired to improve the quality of physical and service management by the malls, supermarkets, and minimarkets that are growing at a rapid rate in Indonesia. If the market is properly run, maintained clean, has trained vendors, and is refurbished without losing its historical significance, the public should find the modifications appealing and become even more interested in shopping there. Until at last, the merchants in these traditional marketplaces continue to have the opportunity to enhance their life via commercial endeavours that are not countered by the mall or any other type of contemporary marketplace.

The ideal environment for a public market to exist in is one of negotiation and a market model that provides a distinctive sense of buying combined with socializing and leisure. Travelers will be drawn to these subtleties. In an attempt to draw tourists to the public market, its diversity is turned into an extra benefit. It is anticipated that as the public market grows as a component of tourism, more commercial opportunities would become available, ultimately enhancing societal welfare. However, the reality that the public market's diversity hasn't been fully utilized as part of the carrying capacity for tourism up to now.

Enhancing marketing performance is necessary since the public market is a government asset. This can be accomplished by raising the bar for competitiveness, which can be done by creating more innovative goods, better services, an appropriate marketing mix, an entrepreneurial spirit, and appropriate customer relationship management. The public market's survival will be positively impacted by improved marketing, allowing it to continue operating in spite of fierce competition from the contemporary market.

The goal of this study is to:

- Examining and demonstrating how customer relationship management affects the public market's ability to compete in the province of East Java.
- Examining and demonstrating how service quality affects the public market's ability to compete in the province of East Java.
- Examining and demonstrating how customer relationship management affects public market marketing performance in the province of East Java.
- Examining and demonstrating how service quality affects the public market's marketing results in the province of East Java.

- Examining and demonstrating the impact of competitive advantage on the public market's marketing outcomes in the province of East Java.

2. Literature Review

2.1. Customer Relationship Management (CRM)

The creation of value is the central idea of customer relationship management. Instead than maximizing profits, the objective is to forge enduring bonds with clients, raise client satisfaction, and foster client loyalty via comprehension of their requirements and preferences. The process of building and preserving ties with customers is known as customer relationship management, and it is carried out by the administration of community market units under the control of public markets in the province of East Java.

According to [1] viewpoint, the researcher measured customer relationship management using the following indicators: Determine which is the Surya Surabaya market company, determine the tenant's position, and thoroughly study the characteristics of the customers, Differentiate is to pick out a client or position on the service based on their requirements and ideals. Engage in two-way communication with the customer by establishing and sustaining an interaction with tenant stand traders. Customization means modifying a company's offerings to better meet the wants and values of its clientele.

2.2. Service Quality

Service quality is centred on meeting the needs and preferences of the customer. As outlined in [2], it represents the desired level of perfection and management of excellence to meet customer expectations. The primary determinants influencing service quality are described as, according to [3], are perceived and expected service, or whether or not the services are regarded as acceptable or adequate when they are provided in accordance with the expected quality of services. When the calibre of the services is considered exceptional, it exceeds the clients' expectations. In comparison to one another, the East Java Province public market unit's managers' performance is measured by the Quality of Service.

Using a metric to assess the level of service quality in accordance with recommendations provided by [4], namely: Tangible proof, which is the actual market stand building and other auxiliary services provided by Surya Surabaya market; Dependability (Reliability), which is the ability of the officer or market manager to support the trader. In order to provide services to traders or address issues that traders may encounter, officials and market managers must be responsive. Assurance is the ability of officers to inspire traders' confidence and trust via their expertise, staff morality, and ability. Being empathetic means that officials or market managers are willing to learn about the challenges faced by traders in each market unit.

2.3. Competitive Advantage

According to [5], a company's ability to produce value for its customers is its competitive edge. A competitive advantage is something that enables a business to make more money than the industry average made by rivals. The corporation will make more money the stronger its advantages are, and vice versa. Therefore, it may be said that understanding competitive advantage requires a comprehensive view of the organization. The company's numerous efforts in product creation, production, marketing, delivery, and support give it a competitive edge. Every action can strengthen the business's relative cost position and lay the groundwork for distinction.

The two main types of competitive advantage are differentiation and cost advantage. Competitive advantage, according to [5], is the cornerstone of all competitive strategies. It results from a company providing its clients with value that outweighs the cost of creating that value. Value is determined by what buyers are willing to pay. To obtain a cost advantage, a company needs to be ready to become a low-cost producer in its industry. Businesses need to span a large area, cater to a variety of market niches, and even work in related industries. These benefits could come from a variety of sources, including as access to raw resources, exclusive technology, and work done on an economic scale. A company with mediocre performance in its own industry will be able to control prices at or close to the industry average if it can establish and sustain a cost advantage. To stand out from the competition, a business must be the only one in its field that the consumer finds appealing. This way, the business will be recognized for its originality. Every industry has a particular definition of differentiation, which can typically be based on things like products, delivery methods, marketing strategies, and more. The capacity of the public market unit in East Java Province to generate an economic profit above that of its competitors in the same industry and to expand the value that the public market can create for its patrons constitutes its competitive advantage.

Researchers employed indicators in line with [6] theory to measure competitive advantage, taking into account the fact that the environment condition changed quickly and that the theory made sense in such a setting. The following are the indicators: Operational Excellence, which is the market manager's willingness and capacity to comprehend the needs of traders; Customer Intimacy, which is the market manager's cost-effectiveness and turnaround time; Product leadership refers to a company's ongoing innovation that results in better and unique products than those of its rivals.

2.4. Marketing Performance

A concept used to gauge a product's performance in the market is sales growth. An increase in sales leads to an increase in market share. Every researcher uses sales growth as one of the performance criteria that shape the market. Market performance is a component of both [7] and [8]. Market-based performance is a measure of marketing performance that takes into account the external environment and the marketplaces in which the business operates. For instance, by taking into account elements that affect market growth, pricing competition, product quality in comparison to rivals, and consumer happiness. the marketing manager's incapacity to defend the expenses incurred in helping to boost business profitability since it is challenging to create metrics that accurately reflect marketing performance. It is believed that executives are not creating statistically designed indicators to assess marketing success as financial function performance indicators [9].

The goal of performance measurement is to demonstrate to policymakers that marketing plays a measurable role in the company's attained profitability, hence facilitating their oversight of marketing initiatives. In order to measure a company's performance and profitability, performance measurement companies need to take into account external factors and markets in addition to internal financial metrics like sales revenue, net profit, and return on investment.

The marketing performance of a market unit's public market in East Java Province is a measurement of the overall marketing process' outcomes. measurement of marketing performance, in this case perceptually. This suggests that researchers consider the viewpoints of their target audience when assessing marketing performance. These academics carry out their study using the most recent developments in the idea of performance appraisal outcomes in marketing endeavours.

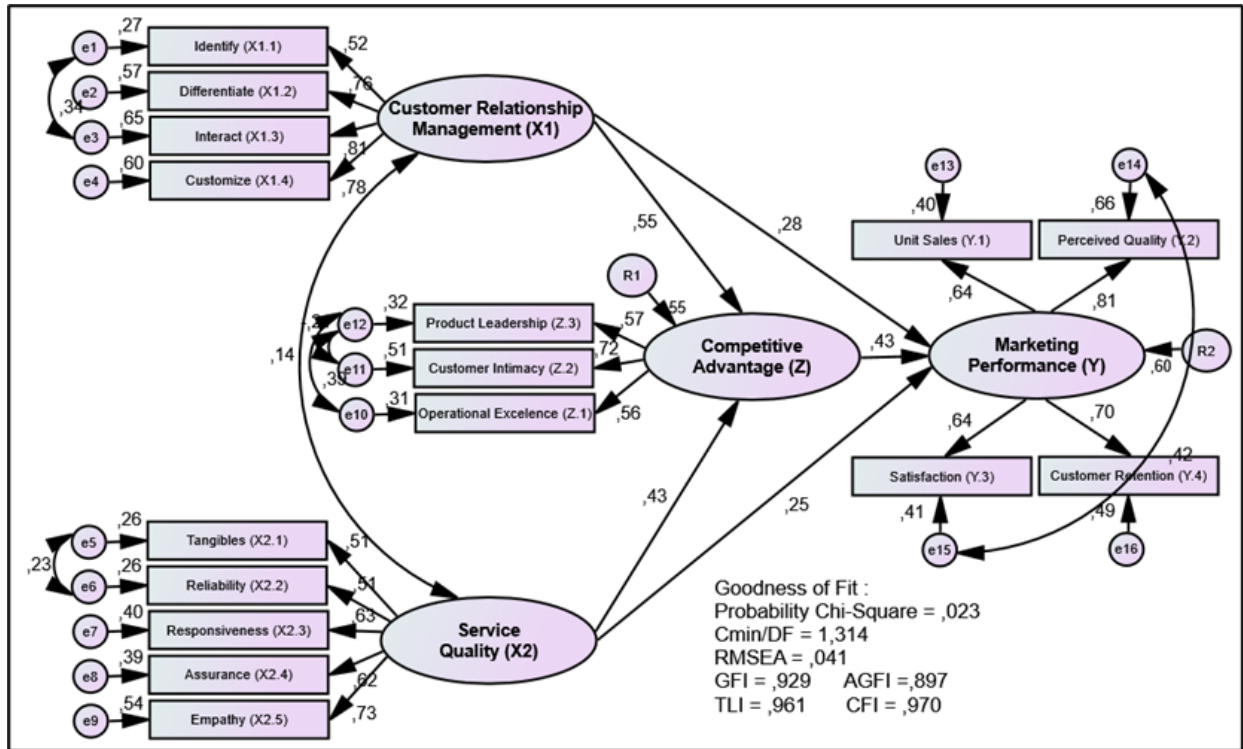
Indicator that academics believe is particularly useful for evaluating marketing performance, according to [10], perceived quality is the degree to which the market manager provides the stand renter trader with high-quality services; it is measured by unit sales, or the number of los and stands in each market. satisfaction, or the level of satisfaction that open market traders have with the services provided by market management; Determining a trader's willingness to stay in business in an East Java Province public market or keeping track of how long a dealer stays in a market space are two examples of customer retention.

3. Methodology

The entire market unit of public in East Java Province, which is distributed throughout 29 regencies and 9 cities and totals 335 public market units, is the subject of this study. Twenty percent have been brought back to life. Thus, the research's unit of study is the 67 public markets in the province of East Java that have been rejuvenated. In the Province of East Java, in this study, the unit of observation comprises traders or tenants occupying stalls in a communal market. With a total of 25,000 dealers currently active in the revitalized public market, the assessment of marketing performance in the East Java Province public market is based on the perceptions of these traders or tenant, making it a perceptual measure. There are 190 retailers in the sample. The quantity is dispersed throughout the public market's 67 units in the province of East Java. The causation or relationship model will be applied in this study. The analysis method makes use of AMOS statistical software and structural equation modelling, or SEM, to test the given hypothesis.

4. Result and Discussions

The computations' outcomes demonstrate that the majority of the goodness of fit criteria did not produce an index that complied with the suggested. Modifications can be made to models constructed using data (empirical facts) to better modify them. With the use of the modification index provided by the AMOS program, the SEM model can be modified and adjusted to better match the theory. The findings of the updated SEM model are displayed in Figure 1 below:



Source: compiled by the author

Figure 1 Modification of SEM Model

The outcome of evaluating the goodness-of-fit indices generated by the modified model is as follows:

Table 1 Value of Goodness of Fit and Cut off Value Modification Models

Criteria	Model Test Results	Critical Value	Remark
Probability X ² Chi square	0.023	≥ 0.05	Marginal fit
Cmin/DF	1.314	≤ 2.00	Fit
RMSEA	0.041	≤ 0.08	Fit
GFI	0.929	≥ 0.90	Fit
AGFI	0.897	≥ 0.90	Marginal fit
TLI	0.961	≥ 0.95	Fit
CFI	0.970	≥ 0.95	Fit

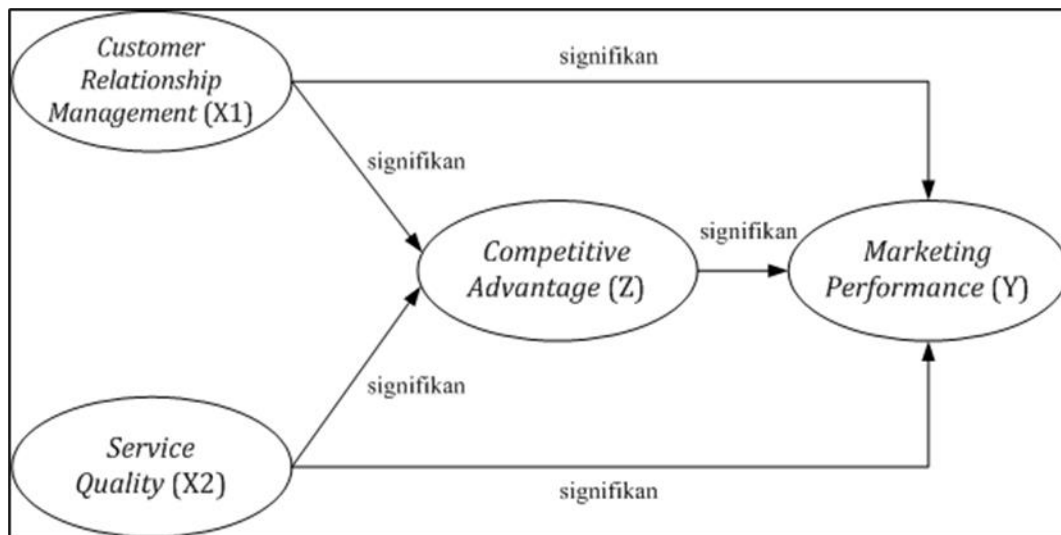
Source: processed field data

Table 2 Hypothesis Testing Through Regression Weight Test

Causality Relationship			Std. Estimate	C.R.	P value	Remark
Customer Relationship Management- (X1)	Relationship →	Competitive advantage- (Z)	0.547	4.188	0.000	significant effect
Service quality- (X2)	→	Competitive advantage- (Z)	0.427	3.450	0.000	significant effect
Customer Relationship Management- (X1)	Relationship →	Marketing performance- (Y)	0.278	2.149	0.032	significant effect
Service quality- (X2)	→	Marketing performance- (Y)	0.250	2.154	0.031	significant effect
Competitive advantage- (Z)	→	Marketing performance- (Y)	0.431	2.335	0.020	significant effect

Source: processed field data

The results of the hypothesis testing are described in Figure 2, where the arrow line does not break showing the path of significant influence, while the dashed arrow line indicates the path of insignificant influence.



Source: compiled by the author

Figure 2 Path of Hypothesis Testing Results

The following explanation applies to the results of the hypothesis testing based on Figure 2:

In addition to having a big impact on competitive advantage, customer relationship management also has an impact on marketing performance. Meanwhile, marketing performance is also directly impacted by customer relationship management. It can be argued that competitive advantage mediates, to some extent, the influence of customer relationship management on marketing performance. This is because CRM can affect marketing performance either directly or indirectly through its mediation.

Service quality not only significantly influences competitive advantage but also affects marketing performance directly. Consequently, it can be argued that competitive advantage acts as a mediator, either fully or partially, in the relationship between service quality and marketing performance. This is due to the fact that service quality can impact marketing performance both directly and indirectly.

- The parameter estimation analysis of customer relationship management's impact on competitive advantage yielded a significant result, with a p-value of 0.000 (less than 5%) and a CR value of 4.188 (greater than 1.96).

This indicates that an increased level of customer relationship management positively influences competitive advantage, as evidenced by the resulting positive coefficient of impact, which is 0.547. Consequently, it is reasonable (H1) to accept the first hypothesis, according to which the advantages of competing dealers or tenants at the market booth in East Java Province are greatly impacted by customer relationship management. This suggests that in order to build positive relationships, market administrators should pay particular attention to traders. One way to show attention is by providing forums for bettering market cleanliness, managing the market to accommodate vendors' requests for social and religious events, and fostering a creative environment for vendors to sell goods. Items such as these have the power to raise the level of satisfaction among public market traders.

- The analysis of the relationship between the service quality variable and competitive advantage also produced a significant outcome, with a CR value of 3.450 (greater than 1.96) and a p-value of 0.000 (less than 5%). This indicates that an increase in service quality positively correlates with an increase in competitive advantage, as evidenced by the positive coefficient of effect, which is 0.427. Therefore, it is appropriate to confirm the second hypothesis, which suggests that the quality of service provided significantly impacts the advantages of competitors or stall tenants at the Public Market in East Java Province (H2 accepted). The managers or management of the Public's Market unit in East Java Province employ tangible, reliable, responsive, assured, and empathic qualities to provide high-quality services that improve the market public's competitive advantage. Physical evidence can be a building or stand that is built to the standard size of the area in question, or it can be a block or plot with a visitor access path that runs through it in all directions. The traders' car parking area is sufficiently spacious to accommodate the infrastructure and facility requirements of the merchant. The East Java Province Public Market unit's administration exemplifies the element of reliability by providing adequate lighting and air circulation, as well as prearranged standing arrangements according on the type of merchandise. Community market unit administrators in East Java Province are responsive, regularly providing friendly service to traders, and regularly enforcing countermeasures to prevent fires. The market office has a list of all ownership documents and stand/los tenants in this market. All information on the payment of other fees and merchant fees is kept on file by the market office administration. The trading scales are regularly monitored by market managers (orderly measuring), Market officials who are accountable for maintaining order and maintaining market hygiene also respond quickly to situations related to market security.
- With a p-value of less than 5% and a CR value of 2,41 9 (greater than 1,96), the variable parameter estimation of customer relationship management to marketing performance produced a noteworthy result. The result is a positive coefficient of influence of 0.278, suggesting that enhancing marketing performance is significantly impacted by improved customer relationship management. As a result, the fourth hypothesis is refuted, which holds that customer relationship management has a major impact on the marketing success of dealers or renters in the East Java Province Public Market (H3 rejected). This illustrates how the pleasure and retention of traders in the public market of East Java Province have not been impacted by the market administrators' attempts to identify, differentiate, interact, and customize. Customer happiness and retention as a part of measuring the effectiveness of market marketing. The better the satisfaction and retention rate of its traders, the bigger the public market's competitive edge. This study measures competitive advantage using close customer relationships, operational excellence, and product leadership. Accordingly, when market levies are comparatively low in comparison to other markets, market managers focus on addressing the infrastructure requirements of traders, while market officers endeavour to foster strong connections with them. Managers also demonstrate the ability to anticipate potential issues affecting traders and consistently monitor trading activities' developments. These collective efforts contribute to enhancing the accessibility and cost-effectiveness of public market marketing performances.
- A significant result is also obtained from the parameter estimate of the service quality variable to marketing performance, with a p-value of 0.031 (less than 5%) and a CR value of 2,154 (greater than 1,96). The resultant positive coefficient of influence of 0.250 means that when service quality rises, so does marketing performance. As a result, it is also appropriate to accept the fifth hypothesis, which holds that the quality of service rendered at the East Java Province's Public Market significantly influences the marketing performance of merchants or booth renters (H4 approved). The excellent service quality offered by PD Pasar Surya Surabaya's market management contributes to the improved marketing operations of the public market in East Java Province. This improvement is achieved through various means such as tangible evidence, reliability, responsiveness, guarantees, and attentiveness. The Surabaya public market is characterized by standardized structures and ample parking spaces, facilitating the fulfilment of infrastructure and merchant needs.
- A significant result was obtained from the parameter estimate of the competitive advantage variable to marketing performance, with a p-value of less than 5% and a CR value of 2,335 (higher than 1,96). The outcome is a positive coefficient of effect of 0.431, indicating that higher competitive advantage also translates into higher marketing performance. Therefore, it is acceptable to accept the seventh hypothesis, which claims that

a trader's or booth tenant's marketing success in the East Java Province Public Market is significantly impacted by their competitive advantage (H5 accepted). Competitive advantage refers to the capacity of public markets in East Java Province to attain economic benefits by emphasizing cost-effectiveness in leasing processes, facilitating communication between traders and market authorities, streamlining management procedures, maintaining close relationships with traders, addressing traders' facilities and infrastructure needs to enhance marketing performance. This includes optimizing the utilization of stands and stalls, minimizing unused space, ensuring efficient lease/purchase arrangements, providing effective cleaning and waste management services, implementing a reliable parking system, and delivering high-quality facilities that meet traders' expectations and satisfaction.

4.1. Managerial Implication

The managerial implication of these findings is that to improve marketing performance and competitive advantage in the East Java Province Public Market, market managers need to focus on improving customer relationship management and service quality. This can be achieved through providing a clean and creative environment, responsive infrastructure management, and services that are responsive to traders' needs. In addition, relationship management with traders needs to be improved to understand and meet their needs better.

5. Conclusion

The conclusions obtained from this study are:

- In the province of East Java, customer relationship management significantly affects the public market's competitive advantage.
- In East Java Province, service quality plays a major role in determining competitive advantage in the public market.
- In East Java Province, the public market's marketing success is greatly impacted by customer relationship management.
- In East Java Province's public market, marketing performance is significantly impacted by service quality.
- In the public market in East Java Province, competitive advantage has a major impact on marketing performance.

References

- [1] D. Peppers and M. Rogers, *Managing Customer Relationships, A Strategic Framework*. John Wiley & Sons, Inc., Hoboken, New Jersey, 2004.
- [2] D. D. Wyckoff, A Cornell Quarterly classic article: New tools for achieving service quality, *Cornell Hotel Restaur. Adm. Q.*, vol. 42, no. 4, pp. 25–38, 2001, doi: 10.1016/S0010-8804(01)80042-2.
- [3] A. Parasuraman, L. L. Berry, and V. A. Zeithaml, Guidelines for Conducting Service Quality Research., *Mark. Res.*, vol. 2, no. 4, 1990.
- [4] F. Tjiptono, *Pemasaran Jasa–Prinsip, Penerapan, dan Penelitian*, Andi Offset, Yogyakarta, 2014.
- [5] D. Crown, *Manajemen Strategik: Konsep, kasus dan Implementasi*, PT Gramedia Widiasarana Indones., 2001.
- [6] M. Treacy and F. Wiersema, *The discipline of market leaders: Choose your customers, narrow your focus, dominate your market*. Hachette UK, 2007.
- [7] M. Permadi, Development of market performance, *J. Ekon. dan Bisnis Indones.*, vol. 13, no. 2, 1998.
- [8] J. K. Han, N. Kim, and R. K. Srivastava, Market orientation and organizational performance: is innovation a missing link?, *J. Mark.*, vol. 62, no. 4, pp. 30–45, 1998.
- [9] B. H. Clark, Managerial perceptions of marketing performance: efficiency, adaptability, effectiveness and satisfaction, *J. Strateg. Mark.*, vol. 8, no. 1, pp. 3–25, 2000.
- [10] C. S. Katsikeas, N. A. Morgan, L. C. Leonidou, and G. T. M. Hult, Assessing performance outcomes in marketing, *J. Mark.*, vol. 80, no. 2, pp. 1–20, 2016.