

## **The Role of Customer Relationship Marketing in Improving SMEs Export Performance in Bali Province**

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**Abstract:** *This research was conducted constituted by the phenomenon of declining in export performance of SME industry in Bali and rapid development of information technology which could help SMEs to expand their market abroad (global market). Therefore, it is necessary to build a strategy for SMEs to target global market based on information technology which is Customer Relationship Marketing (CRM) in retaining customers to become loyal customers. The purpose of this study is to explain the role of CRM strategy based on IT Resources and Market Orientation in order to improve the export performance of SMEs in Bali. This study took place in all districts/ municipalities in Bali with a target population includes industrial stakeholders of SMEs that perform export activities. Based on Slovin's formula, the number of samples taken was as many as 105 persons. Data analysis was using SEM analysis. The results showed that IT Resource positively and significantly affects export performance, as well as market orientation affects export performance positively and significantly. Furthermore, IT Resource positively and significantly impacts CRM strategy, as well as market orientation influences export performance positively and significantly, and CRM positively and significantly impacts export performance. The study implication contributes to exporters to strengthen their IT resource and improve their market orientation and build better CRM so that export performance continues to increase.*

**Keywords:** *IT Resource, market orientation, CRM strategy, export performance*

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### **I. Introduction**

In order to improve the economy of Indonesia in general and Bali in particular, the role of small and medium enterprises is necessary as one of the economic development pillars in Bali is empowerment of Small and Medium Enterprises (SMEs), in addition to tourism and agriculture. It was also revealed in the research result conducted by Yasa *et al.* (2013) which showed that improved performance of SMEs was able to significantly reduce poverty in Bali. In addition, Tambunan (2011) also found that SMEs is an industry that carries out economic activity amounted to 99.9% and employs 96.2% workers in Indonesia. Proof of SMEs role in boosting a country economy in order to overcome poverty was also shown in a study conducted by Dollar and Kraay (2002); Odd-Helge *et al.* (2006); Saravanan *et al.* (2008), Marlow (2009), and Akinboade & Kinfaack (2012).

This phenomenon shows how strategic SMEs role is in improving the economy of a region, including in Bali province. Unfavorable condition occurred in the last period, in which the performance of SMEs in Bali showed a decline. It also occurred to SMEs that serve global market. Data showed that export rate of Bali's product in December was \$ 42,474,188. This figure is lower than the export value in December 2012, decreasing as much as 4.87%. (BPS Bali, 2014). This can occur for many reasons, among others, due to changes in external environment, such as higher competition intensity and low entry barriers into SME industry. In addition, SMEs internal factors such as Information Technology (IT) resource and market oriented culture is not maximized. Both internal factors largely determine export performance. Through IT resources, SMEs are able to develop customer database very well, having more intensive communication with consumers that leads to increased satisfaction and surely performance improvement that can be seen from the increase in sales volume, market share, and market reach. Likewise, market oriented culture encourages SME to always follow various changes in market preference and try to satisfy that preference to satisfy the consumer. As these various issues present, therefore SMEs in Bali must consider to plan a strategy to maximize their export performance. Being based on IT resources and market oriented culture, SMEs Bali can develop CRM strategy.

SME strategy that is based on information technology is indeed suitable to be developed considering all businesses want to expand their market to global market by leveraging IT development. Since SMEs in Bali consists of several sectors, namely craft sector, services sector, food and beverages sector, it is necessary to create variations for each sector in order to provide optimal result. Such phenomenon urges SMEs to have a strategy to target global market (in this case IT based) so that performance can be improved, and the subsequent impact will certainly be able to reduce the levels of poverty (Santos, 2011; Ladzani & Seeletse, 2012).

## **II. Research Hypotheses**

### **The Influence of IT Resource on Export Performance**

Hamilton and Assundi (2008) mentioned that investing in information technology is very important for SMEs, as information technology caused business dynamics to move fast, effectively, and efficiently, and the quality of services that accompany the sale of a product. Khong *et al.* (2010) found that by the use of information technology, companies can maintain and even improve service to customers so that customers remain satisfied. Yu *et al.* (2006) found that by transfer of technology, it is guaranteed that company will achieve profitability in the long term.

Based on previous empirical studies, the following hypothesis is proposed.

### **H1: IT Resource has positive and significant impact on export performance**

#### **The Influence of IT Resource on CRM Strategy**

IT resource is among the factors that determine the success of CRM implementation. IT resources that include personal resource, hardware and software resource, as well as other IT facilities will provide support toward CRM strategy operational. The greater the IT resources owned by a company the better its CRM strategy.

Based on previous empirical studies, the following hypothesis is proposed.

### **H2: IT resource has positive and significant impact on CRM strategy**

#### **The Influence of Market Orientation on Export Performance**

Market orientation is literally regarded as the extent to which a company involved in the response, and generation to market intelligence that applies to customers needs at present and in the future, strategies and steps taken by competitors, and broad business environment. Market-oriented companies adapt and implement marketing concept (Kohli & Jaworski, 1990; Morgan *et al.*, 2009). There are several previous studies that support this hypothesis, which is Afsharghasemi *et al.* (2013) stated that based on direct model there is significant and positive relationship between market orientation and export performance. Armario *et al.* (2008) stated the relationship between overall market orientation and export performance is positive and significant. In addition, the research shows that market orientation is a supporting factor in internationalization process of SMEs.

Based on previous empirical studies, the following hypothesis is proposes.

### **H3: Market orientation has positive and significant impact on export performance**

#### **The Influence of Market Orientation on CRM Strategy**

Several literatures showed that market orientation has positive relationship with mutual good relationship between company and buyers in international context, as shown in research result conducted by Blesa & Bigne (2005). In addition, new perspective has been proposed by Foley & Fahy (2004; 2009) which focuses on market orientation as a source of market-based knowledge as it enables organization to develop capillary capacity to perform at a higher level than its competitors. According to Kohli and Jaworski (1990) who developed market orientation intelligence perspective, orientation with a mixture of three activities, namely the organization of market intelligence pertaining to current and future customer needs, dissemination of intelligence within the organization and also responsive to competitive intelligence.

Previous research that supports this hypothesis is Afsharghasemi *et al.* (2013) showed that there is significant relationship between market orientation and CRM in manufacturer SMEs in Malaysia. Based on previous empirical studies, the following hypothesis is proposed.

### **H4: Market orientation has positive and significant impact on CRM strategy**

#### **The Influence of CRM Strategy on Export Performance**

A company that develops CRM strategy is generally able to increase customer satisfaction resulting in increased sales which improves the company performance. This is consistent with the research results conducted by Chelliah *et al.* (2010), which showed that CRM program built in the company is able to increase the access to international market and affecting export performance. In addition there are other researchers such as Chetty & Campbell (2003) found similar result that CRM strategy has significant positive effect on export performance. Likewise, research results of Chang and Ku (2009), showed that CRM implementation can improve organizational performance. It also supported by several researchers (Yim *et al.*, 2005; Akroush, 2011; Moreno & Melendez, 2011).

Based on previous empirical studies, the following hypothesis is proposed.

**H5: CRM strategy has positive and significant impact on export performance**

**III. Research Method**

The research conducted in SMEs in all districts/municipalities in Bali Province, which are Denpasar, Gianyar, Bangli, Klungkung, Karangasem, Buleleng, Jembrana, Badung, and Tabanan regency. The subject in this study is Small and Medium Enterprises (SMEs) in Bali province. Object in this study is the export performance of SMEs which is affected by IT resource, market orientation and CRM strategy. In this study, there are three types of variables to be analyzed, these variables are:

1) **Exogenous Variable**

Independent Variable: IT Resource (X1)

Market Orientation (X2)

2) **Intervening Variable**

Mediating Variable: CRM Strategy (Y<sub>1</sub>)

3) **Endogenous Variable**

Dependent Variable: SMEs Export Performance (Y<sub>2</sub>)

Each variable or research indicators are classified as follows:

**Table 1: Research Constructs and Indicators**

Construct Classification	Construct	Indicator	Source
Exogenous	IT Resource (X1)	1. Have web. 2. Have IT facility 3. Have IT resource 4. Have IT budget	Adeosun <i>et al.</i> (2009)
	Market Orientation (X2)	1. Consumer orientation 2. Competitor orientation 3. Cross functional coordination	Afsharghasemi <i>et al.</i> (2013)
Intervening	CRM Strategy (Y <sub>1</sub> )	1. Good relationship with customer 2. Have commitment to customers. 3. Maintain intensive communication with customer. 4. Handle customer conflict	Palmetier <i>et al.</i> , 2006 ; Velnampy & Sivesan (2012)
Endogenous	SME Export Performance (Y <sub>2</sub> )	1. Export market 2. Export volume 3. Export profit	Zhou <i>et al.</i> , 2007; Afsharghasemi <i>et al.</i> (2013)

The research population is all SMEs in Bali province which perform export activities. The sample size was 105 SMEs in Bali. Determination of sample size in this study was using Slovin's formula. This way it is expected that the entire sample is representative in reflecting SMEs in each district/municipalities and eventually able to represent the whole territory of Bali province.

Indicators of IT resource variable, market orientation, CRM strategy and export performance is measured by the perception of the owners or managers of SMEs as strategists using five levels of Likert scale, from strongly disagree = 1, disagree = 2, quite agree = 3, agree = 4, and strongly agree = 5. Measurement of the variables conducted during the beginning of July 2016 until the end of July 2016.

This study uses two types of data: 1) Primary data, obtained from the completed questionnaires by respondents in this case are owners or managers of SMEs in Bali province; 2) Secondary data, obtained from other sources that support research. Secondary data was obtained from Bali Central Bureau of Statistics and the Indonesian Entrepreneurs Association (Apindo) which already perform export activities.

Data was collected in two ways, through questionnaires and interview with the owners or managers of SMEs, SMEs observer/academia. The instruments were tested for validity and reliability in order to measure what wanted to be measured and confirm the consistency of responses given by respondents. Testing instruments validity using correlation technique of Pearson Product Moment with minimum r limit = 0,3 (Sugiyono, 2014: 150). Testing instrument reliability was performed by calculating reliability coefficient of Cronbach's Alpha with minimum limit of Alpha coefficients > 0.6 (Sekaran, 2003: 312). Both tests were using SPSS computer program. This analysis is used to describe the research variables, without generalization. The collected data then tabulated in tables and explained descriptively. Descriptive measure is the provision of figures, both in the number of respondents and average value of respondent answers and the percentage. Causal relationships defined in this study using a model that is not simple, the variables in the model form recursive relationship. This form of causal relationship requires an analytical tool that is able to explain the relationship, thus inferential statistical method used in this research analysis is Structural Equation Modeling (SEM).

### IV. Results And Discussion

Respondents in this study described in general by presenting their characteristics, derived from gender and education level. The number of respondents in this study is as many as 105 people. Based on Table 2 respondent classification by sex shows that male respondents are 61.9 percent and female respondents are 38.10 percent. The next classification is based on education, it showed that the majority of respondents are high school graduate with a percentage of 57.14 percent, respondents with bachelor degree are 19.05 percent, Diploma 4 graduate with a percentage of 2.86 percent, Diploma 3 graduate with a percentage of 7, 62 percent, Diploma 2 graduate with a percentage of 9.52 percent and finally Diploma 1 graduate with a percentage of 3.81 percent.

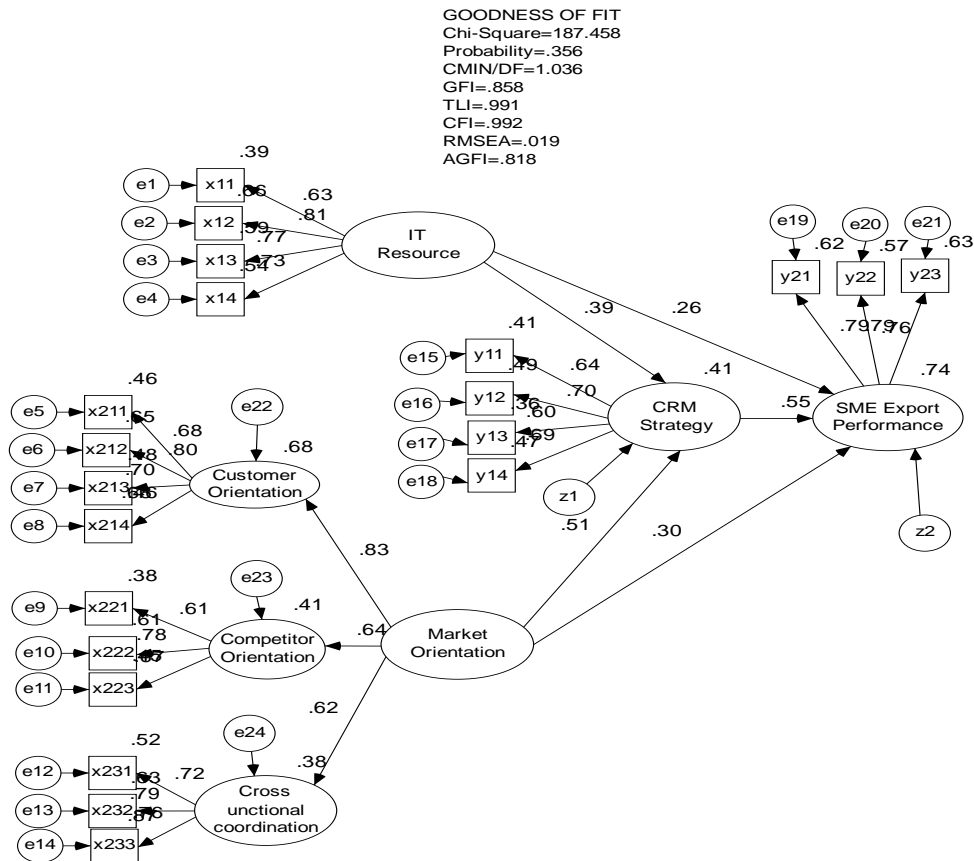
**Table 2** Respondent Characteristic

No	Characteristic	Classification	Respondent	Respondent Percentage
1	Gender	Male	65	61.90
		Female	40	38.10
<b>Total</b>			105	100%
2	Education	High School	60	57,14
		Bachelor Degree	20	19,05
		Diploma 1	4	3,81
		Diploma 2	10	9,52
		Diploma 3	8	7,62
		Diploma 4	3	2,86
<b>Total</b>			105	100%

Source: Primary Data Tabulation

### SEM Analysis Results

Theoretical model on conceptual framework of a study is said to be fit if supported by empirical data. The results of SEM analysis (Appendix 6) showed the testing result of overall goodness of fit models to determine whether the hypothetical model is supported by empirical data as shown in Figure 1.



**Figure 1.** SEM Model

Hypothesis testing is done by t test on each direct path partially. Detailed analysis results contained in SEM analysis result. Table 3 presents the testing results of direct influence hypotheses.

**Hypothesis 1: IT Resource (X) directly influences Export Performance (Y2)**

The SEM analysis results of variable IT Resources (X1) influence on SME Export Performance (Y2) showed direct influence path coefficients of 0.256 and p-value 0.020. Since p-value <5%, therefore hypothesis "IT Resource (X1) directly influences SME Export Performance (Y2) is accepted. Given the positive path coefficient (0.256), means the relationship between the two variables is positive, the greater the IT Resource (X1), the higher the SME Export Performance (Y2). Conversely, the lower the IT Resource (X1), the lower the SME Export Performance (Y2).

**Table 3: Testing Results of Direct Influence Hypotheses**

Dependent Variable	Independent Variable	Path Coefficient	p-value	Annotation
IT Resource (X1)	Export Performance (Y2)	0,256	0,020	significant
Market Orientation (X2)	Export Performance (Y2)	0,296	0,041	significant
IT Resource (X1)	CRM Strategy (Y1)	0,392	0,003	significant
Market Orientation (X2)	CRM Strategy (Y1)	0,509	0,001	significant
CRM Strategy (Y1)	Export Performance (Y2)	0,554	0,000	significant

Source: Appendix

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**Hypothesis 2: Market Orientation (X2) directly influences Export Performance (Y2)**

From the result of SEM analysis, the influence of Market Orientation (X2) on Export Performance (Y2) has direct influence path coefficient of 0.296 and p-value 0.041. Since p-value <5%, therefore hypothesis "Market Orientation (X2) directly influences Export Performance (Y2)" is accepted. Given the positive path coefficient (0.296.), it means the relationship between the two variables is positive, where the higher the Market Orientation (X2), the higher the Export Performance of SMEs in Bali (Y2).

**Hypothesis 3: IT Resource (X1) directly influence CRM Strategy (Y1)**

The results of SEM analysis on the influence of IT Resource (X1) on SME's CRM Strategy (Y1) showed direct influence path coefficient of 0.392 and p-value 0,003. Since p-value <5%, therefore hypothesis "IT Resource (X1) has direct influence on SME's CRM Strategy (Y1) is accepted. Given the positive path coefficient (0.392), this means that relationship between the two variables is positive, where the higher the IT Resource (X1), the higher the SME's CRM Strategy (Y1). Conversely, the lower the IT Resource (X1), the lower the SME's CRM Strategy (Y1).

**Hypothesis 4: Market Orientation (X2) directly influences CRM Strategy (Y1)**

From the result of SEM analysis, the influence of Market Orientation (X2) on CRM Strategy (Y1) has direct influence path coefficient of 0.509 and p-value 0.001. Since p-value <5%, therefore hypothesis "Market Orientation (X2) directly influences CRM Strategy (Y1)" is accepted. Given the positive path coefficient (0.509), this means that relationship between the two variables is positive, meaning that the higher the Market Orientation (X2), the higher the implementation of CRM Strategy (Y1).

**Hypothesis 5: CRM Strategy (Y1) directly influences Export Performance (Y2)**

From the result of SEM analysis, the influence of CRM Strategy (Y1) on SME Export Performance (Y2) has direct influence path coefficient of 0.554 and p-value 0.000. Since p-value <5%, therefore hypothesis "CRM strategy (Y1) directly influences SME Export Performance (Y2)" is accepted. Given the positive path coefficient (0.554), this means that relationship between the two variables is positive, meaning that the higher the implementation of CRM Strategy (Y1), the higher the SME Export Performance (Y2), and vice versa.

**V. Discussion**

From the validity and reliability testing, it can be seen that each indicator has been able to measure the variable and concept it meant to measure, and between one and another concept is dependent in nature. By performing confirmatory factor analysis (goodness of fit test and weight factor significance test) it has been shown that the observed variable reflects factor that is analyzed. With overall model fit test (goodness of fit test and regression weight causality test) it has been shown that the overall model is fit and causality could be tested.

### **The Influence of IT Resource on Export Performance**

Hypothesis testing on the influence of IT Resources on Export Performance showed that IT Resources significantly and positively influences export performance of SMEs. It means that the greater the IT resource owned by SME in Bali, such as having website, IT facilities, IT department, and allocated budget for IT, the export performance of SMEs in Bali will be improved.

### **The Influence of Market Orientation on Export Performance**

Hypothesis testing on the influence of market orientation on SME Export performance showed that Market Orientation has positive and significant impact on SME Export Performance. It means the better the companies understand their market through consumer orientation approach, competitors and inter-functional, the export performance of SMEs in Bali will be improved. The results support the finding of Ahimbiswe (2013), Salim & Sulaiman (2011), Johnson et al. (2009), (Shefer and Frenkel, 2005) and Calantone et al. (2002), which mentioned that Market Orientation significantly and positively affects SME export performance.

### **The Influence of IT Resource on CRM**

Table 3 showed that IT Resource has significant impact on CRM strategy. This result is evidenced by the p-value of 0.003 which is smaller than 0.05. The relationship between IT Resource and CRM Strategy shows positive effect characterized by the inner weight of 0,392. This result can be interpreted that the higher the market orientation, the more intensive the implementation of CRM strategy by SMEs in Bali. The result is consistent with the real situation where stronger market orientation leads to more intensive CRM Strategy. In this study, Market Orientation indicators which are formed by three dimensions namely customer orientation, competitor orientation, and cross-functional coordination has an important role to a more intensive implementation of CRM strategy.

### **The Influence of Market Orientation on CRM**

Table 3 showed that market orientation has significant influence on CRM strategy. This result evidenced by p-value of 0,001 less than 0.05. Relationship between Market Orientation and CRM Strategy shows positive influence characterized by the inner weight of 0,509. This result can be interpreted that the higher the market orientation, the more intensive the implementation of CRM strategy by SMEs in Bali. The result is consistent with real situation where stronger market orientation leads to more intensive CRM Strategy implementation. In this study, Market Orientation indicators which are formed by three dimensions namely customer orientation, competitor orientation, and cross-functional coordination has an important role to intensify the implementation of CRM strategy. The result is consistent with the result of Urban and Govender (2012) & Afsharhasemi *et al.* (2013).

### **The Influence of CRM on Export Performance**

Table 3 showed that CRM strategy has significant impact on SME Export Performance. This result evidenced by the p-value of 0.000 less than 0.05. The relationship between CRM strategy and SME Export Performance shows positive influence characterized by the inner weight of 0.554. These result means that more intensive the CRM strategy, the higher the export performance of SMEs. In this study, CRM Strategy indicators which are formed by fostering good relationship with customers, maintaining communication with customers, building customer trust, and handling customer issues have an important role on SME Export Performance in Bali. The result of this study is consistent with empirical research conducted by Mitrega and Katrichis (2010).

### **Research implication**

Theoretical implication derived from this research is that IT resource, market orientation, and CRM positively and significantly influence export performance of SMEs. Then CRM is able to significantly mediate the influence of IT resource and market orientation on export performance where CRM is a partial mediating variable. This shows that IT resource, market orientation and CRM are all factors affecting export performance. Through this research, students are able to apply knowledge and theory that is obtained during the lectures, moreover this study is expected to provide information on the factors that affect export performance of SMEs in Bali, namely IT resource, market-oriented culture, and building CRM.

This study provides input to exporter SMEs to pay attention to their resources, especially IT resource and market oriented culture so that their export performance improved. In addition, SMEs in Bali need to build a CRM system in order to strengthen good relationship with customers thus export performance is also improved.

## Research Limitation

Various limitations are also found in this study, primarily due to the following things. 1) The scope of this research is only covering SMEs in Bali in general, so the result of this study can not be generalized to each sector of SME. 2) The study was conducted only at a certain time that is periodic in which the environment will continue to experience a dynamic change.

## VI. Conclusion

Based on the research result, discussion and interpretation that have been described in the previous chapter with reference to several theories and previous research results, then the following conclusions can be formulated.

1. IT Resource positively and significantly influences SME export performance, means the higher the IT resource owned by SME in Bali, SME export performance is improved.
2. Market Orientation has positive and significant impact on export performance of SME, meaning that the higher the Market Orientation of SME in Bali, the export performance is also higher.
3. IT Resource has positive and significant impact on CRM strategy, meaning that the higher the IT Resource of SME in Bali, CRM strategy is also improved.
4. Market Orientation has positive and significant impact on CRM strategy, meaning that the higher the Market Orientation of SME in Bali, CRM strategy is also improved.
5. CRM Strategy has positive and significant impact on SME export performance, meaning that the higher the CRM Strategy applied by SME, export performance is also improved.

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