The Effect of Customer Relationship Management on Marketing Performance Mediated by Competitive Advantage and Innovation (Study on Area Managers of Pharmaceutical Companies in East Java during the COVID-19 Pandemic)

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ABSTRACT

The pharmaceutical industry is one of the industries that has experienced significant development in Indonesia. The growth of this sector can be seen in the increasing total market share from year to year. However, the pharmaceutical industry faces several challenges such as the high level of competition and a dynamic business situation. One of them is the COVID-19 pandemic which also affects the condition of the pharmaceutical industry in Indonesia. This study aims to examine and analyze the role of CRM on the marketing performance of the pharmaceutical industry through the mediation of competitive advantage and innovation. A total of 151 respondents were involved in this study and the data were processed through PLS analysis. The results find that CRM has a significant effect directly on Competitive Advantage and Innovation. While CRM is not proven to have a significant effect directly on Marketing Performance. However, CRM has a significant effect indirectly through the mediation of Competitive Advantage and Innovation.

Keywords: Advantage, CRM, Competitive Innovation, Marketing Performance, Pharmaceutical Industry.
INTRODUCTION

The pharmaceutical industry is one of the industries that has experienced significant development in Indonesia. This industry ranks fourth as a non-oil and gas manufacturing industry that contributes to the national economy (Christianingrum & Mujiburrahman, 2021). The growth of the pharmaceutical industry sector can be seen in the increasing number of total market shares from year to year. From 2016-2019 the total market share of the pharmaceutical industry increased by 34.08%, from a total of IDR 65.9 T to IDR 88.36 T. This shows that the demand and consumption of medicines in Indonesia are still relatively high. This condition cannot be separated from the large population in Indonesia which reaches 270.20 million people (BPS, 2020). Despite having great potential, the pharmaceutical industry faces several challenges.

One of the challenges faced in this sector is the high level of competition. The data from the Indonesian Ministry of Health (Kemenkes) recorded that there were 230 pharmaceutical companies registered in the Ministry of Health in 2019. This number experienced an increase of 6.4% compared to 2016 which was only 209 pharmaceutical companies. The high level of competition in the pharmaceutical industry can also be seen in the market share of each company. Arief Pramuhanto, The President Director of PT Indofarma Tbk. stated that the market condition of the pharmaceutical industry in Indonesia is a perfect competition where no single company has a market share of more than 10% (as cited in CNBC Indonesia, 2019).

In addition to intense competition, the pharmaceutical industry is also faced with the dynamics of changing situations and existing regulations. The Covid-19 pandemic also influences changes in the condition of the pharmaceutical industry in Indonesia. Several companies reported a decrease in sales compared to the previous year, such as PT Sanbe Farma -4.09%, PT Dexa Medica -12.94%, PT Kalbe Farma -21.16%, and other pharmaceutical companies. This is triggered by the decrease in the number of patients seeking treatment at the hospital so that the demand for medicines is reduced. Changes in public demand at this time are also dominated by vitamin products and supplements to maintain the immune system compared to prescription drugs. Public awareness of the importance of health also affects changes in lifestyle patterns that make a shift in demand for products that focus on disease prevention rather than treatment.

To face the existing challenges, the pharmaceutical industry needs to think of strategies that can ensure their sustainability in the competition and gain positive market performance. Ginting, Giantari, and Sudiksa (2020); Altari (2020); and Setiawan (2020) found that several strategies namely Customer Relationship Management, Competitive Advantages, and Innovation have significant impacts on market performance. While other studies such as Anshari (2019) and Siregar (2016) did not find that Customer Relationship Management, Competitive Advantages, and Innovation have significant impacts on market performance. The phenomena that occur in the field and research gaps from previous studies make this study was conducted to examine and analyze the influence of Customer Relationship Management on marketing performance through the mediation of competitive advantage and innovation to area managers in the pharmaceutical industry in East Java.
LITERATURE REVIEW

Customer Relationship Management
Customer Relationship Management is a strategy used to build closeness between the company and its customers. Kotler and Keller (2012), say that Customer Relationship Management is a process to manage data for each customer in detail and all aspects related to the emotional side of customers to gain customer loyalty. Payne and Frow (2005) argue that Customer Relationship Management should be understood as a collaboration from all aspects of the company that aims to increase shareholder value through the development of effective and efficient customer relationships. Rahimi (2017) states that Customer Relationship Management is an integrated system that combines components such as people, process, and technology through a holistic approach. Another definition from Sesariza (2018) states that CRM is one of the ways to maintain a continuous relationship between a company and its stakeholders as well as its shareholder.

People means that all members in the organization from each division must be ready and motivated to collaborate with each other in running the Customer Relationship Management system. Leaders must be able to provide direction and explanation beforehand that everyone has a role in it because Customer Relationship Management allows the exchange of information across divisions. The process is an effort to change the company's focus from product focus to customer focus. All process activities carried out starting from marketing, sales, and services must focus on the needs of consumers. While the last component, technology is a tool used to collect, analyze, and classify customer data based on their personal characteristics. The data is used to explain customer habits and behavior in each transaction.

Competitive Advantages
In intense competition, every company will always try to provide more value than its competitors. These values make a company unique or different from other companies and make them superior in the midst of the competition. This uniqueness or value that is different from competing companies is called competitive advantage. Ginting (2012) argues that competitive advantage occurs when a company is able to provide an offer that satisfies consumer needs with a better target than what is offered by competitors. Several strategies can be chosen to increase competitive advantage in the midst of competition. Santos and Sugianto (2016) mention that competitive advantage can be achieved when companies provide lower prices to consumers or provide more benefits when the prices offered is higher. While Kadarningsih (2013) said that the measurement of competitive advantage can be assessed through competitive prices, timely service, products that are not easily imitated, and good product quality.

Innovation
Innovation is creativity, inventiveness, and initiative to create new things that are better than previous inventions. Janssen et al. (2015) stated that innovation consists of two elements, namely originality, and novelty. According to Nurlaey (2019), product innovation is the whole process of idea formation, idea evaluation, product development, and product introduction. The main purpose of innovation is to find the ease and improvement of the deficiencies contained in existing products. With innovation, the company can make products that are in accordance with the times and according to customer needs. This of course can increase customer attractiveness which can later affect the number of sales.
Marketing Performance
To see whether the strategy of a company is achieved or not, an indicator that can be measured is needed. Marketing performance is a measuring tool for companies that are most often used to see the success of the strategies that have been implemented. Nuryakin and Retnawati (2016) state that marketing performance can be measured through several indicators, namely sales growth, increased profits, and additional market share. Meanwhile, Yildiz and Karakas (2012) argue that there are nine indicators to measure marketing performance, namely profit growth, sales growth, market share growth, successful new product launches, return on sales, return on investment, customer satisfaction, good brand image, and excellence.

RESEARCH METHOD

Research Approach
The method used in this research is a quantitative approach as the basis for its implementation. The type of research contained in this research is explanatory research. Sekaran (2003) explains that explanatory research aims to examine causality between variables that explain certain phenomena. This study seeks to provide an explanation of the relationship between CRM as an independent variable (X) and marketing performance as the dependent variable (Z) and competitive advantage and innovation as an intervening variable (Y).

Research Location and Time
This research was conducted on the entire area manager of the pharmaceutical industry whose scope of work is in East Java. Data collection for this research was conducted around October – December 2021.

Population and Sample
The population in this study were employees of pharmaceutical companies located in East Java at the manager level as many as 243 people. The sampling method used is probability sampling. This method is carried out when the probability of the population element being selected for the subject is known. Meanwhile, the sampling technique used is simple random sampling, which is a random sampling technique and the research population is considered homogeneous (Cresswell (2012) where the number of samples to be taken for this study is calculated based on the Slovin formula with an error tolerance level of 5% (Riduwan, 2005), with the following calculations:

\[ n = \frac{N}{1 + Ne^2} \]

Based on this formula, the number of samples to be taken for this research are:

\[ n = \frac{243}{1 + 243 \times 0,05^2} = \frac{243}{1,607} = 151 \]

Data Collection
Before conducting the research, the study compiled a number of questionnaires that were distributed to the research sample, namely 151 employees of pharmaceutical companies in East Java who have positions as managers. Cresswell (2012) explains that the questionnaire is a set of questions that are distributed to the research object to measure the research variables which will be analyzed in the research. In addition, this study also conducted interviews with area managers at pharmaceutical companies in East Java regarding the topics to be studied.
Data Analysis
To analyze the data that has been obtained, the research uses the influence hypothesis test with Partial Least Square Analysis. PLS is a multivariate statistical technique that performs comparisons between multiple dependent variables and multiple independent variables. PLS is a variant-based Structural Equation Modeling (SEM) statistical method designed to solve multiple regression when specific data problems occur, such as small research sample sizes, missing values, and multicollinearity.

RESULTS

Outer Model Analysis
Outer Model Analysis is also known as indicator measurement which is used as a way to see the relationship between latent variables and each indicator. This test includes Construct Reliability, Convergent Validity, Discriminant Validity, and Cross Loading.

Table 1. Cronbach Alpha Value of Each Variable

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>0,843</td>
</tr>
<tr>
<td>Innovation</td>
<td>0,836</td>
</tr>
<tr>
<td>Competitive Advantage</td>
<td>0,786</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>0,715</td>
</tr>
</tbody>
</table>

The table shows that each variable has a Cronbach Alpha value above 0.70. So that all the variables contained in this study are reliable.

Table 2. Average Variance Extracted (AVE) Value

<table>
<thead>
<tr>
<th>Variabel</th>
<th>Average Variance Extracted (AVE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CRM</td>
<td>0,505</td>
</tr>
<tr>
<td>Innovation</td>
<td>0,754</td>
</tr>
<tr>
<td>Competitive Advantage</td>
<td>0,61</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>0,631</td>
</tr>
</tbody>
</table>

The results of the analysis in table 2 show that all variables have an AVE value > 0.50. Thus, each variable in this study has met the requirements of Convergent Validity.

Inner Model Analysis
The Inner Model test was conducted to determine the ability of exogenous constructs to explain variations in endogenous constructs which can be known through the value of the coefficient of determination (R2). In addition, the inner model test is also used to see the value of direct influence and indirect influence between variables by looking at the value of the path coefficient.

Table 3. R2 Value between Variables

<table>
<thead>
<tr>
<th>Variabel</th>
<th>R Square</th>
</tr>
</thead>
<tbody>
<tr>
<td>Innovation</td>
<td>0,245</td>
</tr>
<tr>
<td>Competitive Advantage</td>
<td>0,394</td>
</tr>
<tr>
<td>Marketing Performance</td>
<td>0,32</td>
</tr>
</tbody>
</table>

The R2 value category used in this study uses the concept of Chin (1998) which is strong if R2 >0.67 moderate if 0.67 < R2 >0.33, and weak if 0.33 < R2 >0.19 means weak.
Table 4. Direct Effect Relationship Analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect</th>
<th>Amount of Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>CRM -&gt; Competitive Advantage</td>
<td>0.628</td>
</tr>
<tr>
<td>H2</td>
<td>CRM -&gt; Innovation</td>
<td>0.495</td>
</tr>
<tr>
<td>H3</td>
<td>CRM -&gt; Marketing Performance</td>
<td>-0.069</td>
</tr>
<tr>
<td>H4</td>
<td>Competitive Advantage -&gt; Marketing Performance</td>
<td>0.346</td>
</tr>
<tr>
<td>H5</td>
<td>Innovation -&gt; Marketing Performance</td>
<td>0.291</td>
</tr>
</tbody>
</table>

The direct effect is the effect of the independent variable on the dependent variable without going through the mediation of other variables. The amount of this effect can be seen from the Path Coefficient value as shown in Table 4.

Table 5. Indirect Effect Relationship Analysis

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Effect</th>
<th>Amount of Effect</th>
</tr>
</thead>
<tbody>
<tr>
<td>H6</td>
<td>CRM -&gt; Competitive Advantage -&gt; Marketing Performance</td>
<td>0.217</td>
</tr>
<tr>
<td>H7</td>
<td>CRM -&gt; Innovation -&gt; Marketing Performance</td>
<td>0.144</td>
</tr>
</tbody>
</table>

Indirect influence is the effect of the independent variable on the dependent variable with the intermediary variable mediating. The value of this influence can be seen based on the results of the analysis of Specific Indirect Effects on PLS as presented in Table 5.

Table 6. Bootstrapping Analysis Results

| Hypothesis | Effect                              | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values | Result |
|------------|------------------------------------|---------------------|-----------------|--------------------------|-------------------|----------|--------|
| H1         | CRM -> Competitive Advantage       | 0.628               | 0.637           | 0.036                    | 17.465            | 0.000    | significant |
| H2         | CRM -> Innovation                  | 0.495               | 0.504           | 0.055                    | 9.047             | 0.000    | significant |
| H3         | CRM -> Marketing Performance       | -0.069              | -0.069          | 0.085                    | 0.805             | 0.211    | Not significant |
| H4         | Competitive Advantage -> Marketing Performance | 0.346               | 0.346           | 0.118                    | 2.934             | 0.002    | significant |
| H5         | Innovation -> Marketing Performance | 0.291               | 0.3              | 0.11                     | 2.656             | 0.004    | significant |
| H6         | CRM -> Competitive Advantage -> Marketing Performance | 0.217               | 0.221           | 0.079                    | 2.755             | 0.003    | significant |
| H7         | CRM -> Innovation -> Marketing Performance | 0.144               | 0.151           | 0.058                    | 2.472             | 0.007    | significant |

Hypothesis testing in PLS analysis can be done by looking at the results of the Bootstrapping procedure. This procedure aims to see the significance of the relationship between variables that have been built based on the research hypothesis. The analysis resulted in the t-count value which was then compared with the t-table. A hypothesis was declared accepted if the t-count value > t-table.
(1.96) at the significance level (Alpha 5%). In addition, an effect is considered significant if the resulting p-value <0.05. Bootstrapping analysis results can be seen in Table 6.

DISCUSSION

The result of the CRM estimation coefficient test on Competitive Advantage is 0.628 with a t-count value of 17.465>1.96. While the p-value is 0.000 <0.05 which means it is significant. Accordingly, H1: Customer Relationship Management has a significant effect on Competitive Advantage is accepted. The implementation of good Customer Relationship Management will be able to increase the Competitive Advantage of a company. The main purpose of implementing Customer Relationship Management is to build long-term personal influence that adapts to the needs and characteristics of the customers they have. When this can be done, customers will feel that they get good attention and service from the company. Therefore, the company’s significant value in the eyes of customers will increase. This finding supports previous research conducted by Prabowo and Sukarno (2019); Aryana, Wardana, and Yasa (2017).

The result of the CRM estimation coefficient test for innovation is 0.495 with a t-count value of 9.047 > 1.96. While the p-value is 0.000 <0.05 which means it is significant. For that reason, H2: Customer Relationship Management has a significant effect on innovation is accepted. Innovation is an effort to produce new and improved products and services. The uniqueness of each customer requires companies to be able to customize products and services according to their needs. If closeness with customers has been established, then the company will be able to see and hear the shortcomings of their products and services through the feedback provided by customers. The Customer Relationship Management system provides a space for customers to submit complaints and suggestions regarding the products and services they receive. This finding supports the findings of Soto-Navarro, et al. (2021); and Apriawan (2012).

The result of the CRM estimation coefficient test on Marketing Performance is -0.069 with a t-count value of 0.805<1.96. While the p-value is 0.211>0.05 which means it is not significant. So that H3: Customer Relationship Management has a significant effect on marketing performance is rejected. Anshari (2019), Goudarzie (2019), and Siregar (2016) show that Customer Relationship Management does not have a significant impact on company performance. This could be due to the fact that the application of the Customer Relationship Management system has not been thoroughly applied to every aspect of customer service. The indicators measured on the Company’s Performance variable in this study are increasing sales volume, customer growth, and increasing market share. Although the results obtained from the survey of respondents show that the majority of respondents “Agree” with the increase in their Company’s Performance, the number of respondents who answered “Disagree” is not small at around 40%. This situation is understandable given the Covid-19 pandemic which has made demand decline. PT Kimia Farma Tbk's public presentation shows that in 2020 the growth of the Indonesian pharmaceutical market will experience negative growth of -7.45% due to the Covid-19 pandemic.

The result of the estimation coefficient test of Competitive Advantage on Marketing Performance is 0.346 with a t-value of 2.934>1.96. While the p-value is 0.002<0.05 which means it is significant. Then, H4: competitive advantage has a significant
effect on marketing performance is accepted. The indicators of the Competitive Advantage variable in this study are competitive prices, unique and quality products, and fast service. If these three aspects can be applied by a company, then the value that distinguishes it from competitors can increase in the eyes of customers. This will correlate to increased sales and customer growth which is a reflection of the Company's good performance. These findings support research from Nurlaely (2019); Nuryakin (2018); and Ejrami, Salehi, and Ahmadian (2016).

The test results of the estimated coefficient of Innovation on Marketing Performance are 0.291 with a t-count value of 2.656>1.96. While the p-value is 0.004<0.05 which means it is significant. So that H5: innovation has a significant effect on marketing performance is accepted. In the midst of intense competition, companies that are able to provide different products and services will be the winners. Moreover, in the current pandemic era, the needs of customers in the pharmaceutical industry are changing towards products that are personal hygiene such as hand sanitizers, gloves, and masks. In addition, customer demand for vitamin products and immune-enhancing supplements has also increased. So, every company must be able to meet the changing types of demand. This finding supports previous studies such as Setiawan (2020); Roestan (2016); and Mulyani (2015).

The result of the CRM estimation coefficient test on Marketing Performance through Competitive Advantage is 0.217 with a t-value of 2.76 > 1.96. While the p-value is 0.003 < 0.05 which means it is significant. Consequently, H6: Customer Relationship Management has a significant effect on marketing performance through the mediation of competitive advantage is accepted. The increasing implementation of the Customer Relationship Management system will be in line with the value of Competitive Advantage in the company. This is because customers feel more cared for and satisfied with the services provided by the company. Moreover, the establishment of personal influence which is the goal of Customer Relationship Management can provide opportunities for companies to meet customer needs according to their characteristics. If this is achieved, the number of sales and customer growth can increase so that the Company's performance can be obtained optimally. The results of this finding are in accordance with research from Ginting et al. (2020), Prabowo and Sukarno (2019), and Santoso and Sugianto (2016).

The result of the CRM estimation coefficient test on Marketing Performance through Innovation is 0.144 with a t-value of 2.523>1.96. While the p-value is 0.006<0.05, which means it is significant. Therefore, H7: Customer Relationship Management has a significant effect on marketing performance through the mediation of innovation is accepted. Feedback from customers obtained by the company can be a guide in innovation efforts related to product renewal and services according to customer needs. The existence of these inputs allows the company to understand what customers need according to their characteristics. When the company is able to make product innovations and good services, Marketing Performance can increase with the growth of sales and customers. These results support the findings of Altarifi (2020); Rosmayani (2016); and Apriawan (2012).
CONCLUSION

This study aims to analyze and explain the effect of Customer Relationship Management on Marketing Performance through the mediation of Competitive Advantage and Innovation. Theoretically, this finding strengthens previous studies by Ginting et al. (2020); Altarifi (2020); Setiawan (2020); Prabowo and Sukarno (2019); Nurlaely (2019); and Aryana et al. (2017). These studies indicate a significant correlation between Customer Relationship Management Competitive Advantage and Innovation. The object of the study that differs from one research to another also shows that the concept of the influence of Customer Relationship Management with Competitive Advantage and Innovation, in general, can be applied to various industrial sectors. Practically, this research shows that the implementation of a competitive advantage strategy can improve the company's marketing performance. This variable has a greater contribution value than other variables. Therefore, the company can make an effort to increase the value of the company's competitive advantage by considering factors such as more economical prices, unique and quality products, and good service.

REFERENCES


