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## Development of Product Differentiation and Customer Relationship Management to Enhance Creativity and Innovative Efforts Batik Imaging Affecting Marketing Performance

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### **Abstract**

Batik is an Indonesian cultural heritage, generally, Indonesian people already know about it, but they differentiate between batik and batik textiles in common people of Indonesia or most batik consumers aren't still understand. Often the consumers are proud to wear batik, due to buying batik in stores that have been quite popular, the price is quite expensive, but is not actually acquired batik cloth but batik textile fabric, or better known as silk screening fabric (print).

Definition of batik generally agreed upon at the International Batik Convention in Yogyakarta in 1997 is the process of writing a picture or decoration on any media by using wax batik (wax) as a color barrier. When the process without the use of batik wax it can not be called batik, batik textile and it is said.

The purpose of this research is to reveal data and information related to product differentiation development, customer relationship management, adjust in marketing performance, and their implication through influence revelation from the respective variables. The sample under research consisted of 200 (two hundred) Small, Micro Enterprises in Cirebon East Java. The research method used descriptive and verificative, in which the descriptive research was the research intended to obtain description of product differentiation, customer relationship management, using the approach of modelling and in the solution technique to be used as analysis tool in this dissertation, that is, the Structural Equation Model (SEM).

The result revealed that Product Differentiation has the most significant influence, which compares with the customer relationship management. This is caused in scale of micro having a problem to develop the customer relationship management perfectly. This is due to lack of technology. That impact is effective and the performance marketing.

*Keywords; Product Differentiation, Customer Relationship Management, and Performance Marketing*

## **Background**

Batik is heading towards a global culture to become a market commodity worked on by various countries; will batik lose its segment? Various motives are freely presented, as if it is not committed to rules. Batik is made into various accessories for the whole of the body, not only for women's blouses or various types of old-fashioned and boring apparel, but also for new, random creations.

Thus far batik has been utilized for various fashion of apparel, and proves to be different thanks to very strong contemporary touches. Various motifs are freely presented, as if they are not committed to rules. Batik is made into various accessories blended with random, new creations. Lively and fresh are the impressions currently presented by the batik motif. Ethnic colours are still outstanding, different from people's assumption that batik is a common commodity.

The batik business in the global order has entered disorderly competition conditioned by the free market. The law of the jungle again applies; the strong will reign supreme in the matter of high quality at competitive prices. Marketing performance has performance capable of giving innovative creativity power visualized as innovative creation through Product Differentiation. The innovative creativity in batik cloth, however, consists of raw material, motif design, ornament, background and coloring technique, in which the cultural heritage still refers to old rules or rigid standards.

Customer Relationship Management plays an important role which can help business to run smoothly, but limitations of technologic mastery is one of the obstacles capable of guiding relationship. The core is how the product in question can satisfy the customer's wishes on a long-term basis, which is in line with the opinion presented by John Egan (2001), that is, that the year 2000 is a relational marketing era, by maintaining customers on a long-time basis on the basis of customers' trust in the company. Another information obtain from the small scale business is that the existing motif design does not yet indicate innovative creativity the customer expects.

The current existing designs are repeats of old designs already produced, whereas Customer Relationship Management was observed to lack in good two-way relationship utilization, due to mastery of technological communication not being fully utilized, whereas actually the equipment very much aids relationship smoothness in forming, developing, and maintaining its market successfully. The weak increase on a long-term basis, especially the Small Micro Business in remote regions is due

to their unfamiliarity with increasingly sophisticated technological advance with time, and the lack of intensity in contact with retailers in the traditional market in creating a relationship.

On the basis of the above problem identification, the scope of these research variables were limited to 3 (three) variables under research, namely, Product Differentiation (X1), Customer Relationship Management (X2), Marketing Performance (Y). On the basis of the theme of the above problem, several problems to be researched can be formulated as follows:

1. The Relationship of Batik Product Differentiation and Batik Customer Relationship of Cirebon, West Java,
2. The way Product Differentiation, Customer Relationship Management influences Batik Marketing Performance in Cirebon, partially as well as simultaneously.

## **Literature Study**

### **Product Differentiation**

Bearden et al. (2004, 152) are of the opinion that a product offered differs or the product's attribute is perceived to be different compared with a product offered by a competitor, including its price. Webster (2002, 104-105) says that the product offered possesses features different from the standards offered in competition, which is related to market segmentation, where the distinction is well conveyed.

Dess & Lumpkin (2003: 162-163) states that Product Differentiation Dimension can be distinguished in the following forms:

1. *Prestige*, or image, of the product,
2. *Technology*, related to product sophistication,
3. *Innovation*, renewal of any type of product,
4. *Feature*, related to attribute, complementing the product appearance,
5. *Service*, capable of providing customer's satisfaction,
6. *Agent/Dealer*, a product retailer, who has a representative office for a product.

Besides appreciation of the presence of Contemporary Batik and Fractal Batik the presence of which need to be welcomed and developed even though from the point of motif design it tends to be up-to date motif. To develop Product Differentiation through the prestige dimension as reference to Small Micro Business in managing the business, technology is also very much needed as a means which helps aid the smoothness of production process. Innovation need to be followed with respect to

development, in particular those related to innovation of motif design re-modified adapted to market demand. Features are needed to complement written batik attributes, like fillings, or other ornaments. Service as a form of accountability decidedly supports the Small Micro Business people's existence in their activity in the batik world to become a yardstick for business continuity. Agents/Dealers are needed to aid long-term business development, without being stuck to the retailer in the traditional market or wholesaler of the Dinar Hadi class in developing their business.

### **Customer Relationship Management**

Shani & Chalasalani (1992) in Sheth et al., (2001: Definiton of CRM:

Integrated efforts to identify, maintain, and rebuild a network with the consumers individually to strengthen the network continuously, mutually beneficial for both parties through personal contact on a long-term basis. **Sheth & Pavatiyar** (2001: 16): "*Customer Relationship Marketing is a comprehensive strategy and process of acquiring, retaining and partnering with selective customer to create superior value for the company and the customer*". The concept of CRM on the basis of the opinion of Hollensen (2003: 211) that in guiding a relationship there is a key dimension, namely,

1. Ties, part of a relationship in which both parties form a unit to achieve a purpose.
2. Trust, belief in which both parties will honor their commitments and will not damage the other party.
3. Empathy, efforts to comprehend other people's intentions and wishes,
4. Reciprocity, both parties mutually provide advantageous resources.

The function of SMB batik is to foster communication by maintaining, promote and manage a comprehensive and persuasive relationship that is, conveying the benefit of business by focusing on customer service.

### **Marketing Performance**

Marketing Performance is reached on the basis of the organization's goal internally, comprising sales, market share, innovation, social responsibility, customer's satisfaction, and organizational development, Fandy Tjiptono, Gregorious Chandra (2009). The company's purpose in deciding on the concept of marketing performance is sale, other marketing perfomance dimensions are profitability and

satisfaction **Walker, Boyd, Larreche** (2003: 335) There are two dimensions of Marketing Performance the company expects, namely,

1. Profitability, the company that makes profit, should at times provide income flow far. Exceeding the flow of cost spent by the company to attract, sell, and serve customers.
2. The customer's satisfaction, a central concept in business and management discourse, has the benefit of reference in evaluating product performance, in particular in providing information on satisfaction of the product consumed.

Marketing Performance, which is the yardstick of the success of home industry business in increasing. Satisfaction comprises harmony of superiority of motif design in line with the customer's expectations and performance effectiveness realized by the batik craftsman in maintaining harmony of Product Differentiation continuity, starting from different motif designs, with unique traits. The final target is customer increase through quality product, in particular those with peculiar traits.

## **Research Methodology**

### **Research Object**

The goal of the research was to clarify Product Differentiation, Customer Relationship Management and Marketing Performance of Cirebon Batik SMB. In addition, the research also studied the condition of Batik development, which is superior at all occasions. Two hundred samples out of a population of 240 SMB samples met the criterion. From the point of purpose, this research was descriptive, to obtain an illustration or description of Product Differentiation, Customer Relationship Management, and Marketing Performance. (**Zinkmund**: 2000). The verificative research, on the other hand, was meant to assess inter-variable relationship through hypothesis testing on the basis of field data **Nana Sujana** (2004: 10). Bearing in mind that this research was descriptive and verificative, the research was implemented through descriptive survey and explanatory survey. To obtain data and information, the researcher revealed a number of secondary variables with the concept of dimension, indicator, size and scale. Try to understand the dynamics of the market, the customer's wants, and capable of taking advantage of the strength and capability of the batik craftsmen by empowering the batik craftsmen to develop their business to become a profitable enterprise.

## Research Tools

Sample size for the Structural Equation Model is in accordance with the opinion of **Jöreskog** and **Sörbom** (1988: 32) which states that multi-variable relationship and sample size is minimum in the structural equation model. In this research there were 21 parameters, consisting of 10 Product Differentiation, 7 Customer Relationship Management, 2 Marketing Performance, using value weights from the smallest 1 to the highest 5. To complement the research, accurate information of the SMB written batik was needed on the basis of each variable.

## Discussion Material

### The Respondent's Profile (SMB)

The 200 SMB respondents under research were divided into 71% Small Scale Business and the remaining 29% were entered into the category of Micro Business, of which 53% were under female management and 47% under male management. Seventy-three percent of the respondents were aged between 45 and 55, whereas those ranging in age from 30 to 40 years were 27% in number. Ninety-eight per cent were married, the remaining 2% were still single. 99% of the SMB respondents engaged in trade, and only 10% in industry. 70% had worked for more than 5 years, and the remaining 30% had worked under 5 years. With regard to level of education, 91% had attended Junior High School and Senior High School, 9% were university graduates; 99% had their own place of business, 1% worked in rented places. 71% were in the range of 20 - 50 million production values, whereas 29% were in the 5 - 20 million range. 71% got profit of above 5 million, whereas the remaining 29% had profits between 2 - 5 million.

### Evaluation of Research Tool Reliability

Reliability was evaluated by the internal consistency using Alpha Cronbach. Calculation results yielded a Product Differentiation variable Reliability of 0.891. The Customer Relationship Management variable reliability was 0.794, and the Marketing Performance variable Reliability Value was 0.725

**Table 1 Average Value, Standard Deviation and Reliability**

Variable	N	M	SD	Alpha
Product Differentiation	10	3.95	0.70	0.891
Customer Relationship Management	7	3.76	0.84	0.794
Marketing Performance	2	3.87	0.69	0.725

Source Primary Data were processed

### Evaluation of Research Tools Validity

Testing of Validity was carried out by using the Pearson Product Moment correlation. There were 20 items of questionnaire statements for Product Differentiation variables, Customer Relationship Management variables and Marketing Performance variables were concluded to be valid, because the product moment correlation was greater than 0.3.

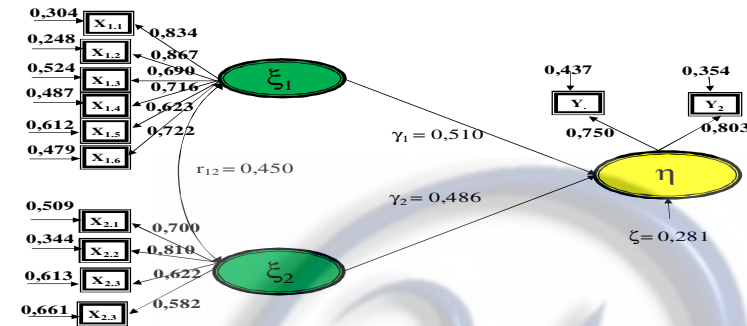


Fig. 4.1

Path Diagram of the Structural Equation Model of the Influence of Product Differentiation and Customer Relationship Management on Marketing Performance

Measurement Model of Product Differentiation is valid and reliable in reflecting the Product Differentiation variable. This is reflected in the Loading value for each observed variable which is greater than 0.5 and also from testing results a  $t_{\text{calc}}$  which is greater than  $t_{\text{crit}}$  1.96. This means that the said indicator was significantly capable of reflecting the Product Differentiation variable.

Table 2 Complete Goodness Criterion Evaluation of Fit Indices

Criterion	Result	Critical Value	Model Evaluation
$\chi^2$ (CMIN) Df = 41	55.56	Expected to be small	Good
Significance Probability	<b>0,30718</b>	$\geq 0,05$	Good
CMIN/DF	1.089	$\leq 2,00$	Good
RMSEA	<b>0.021</b>	$\leq 0,08$	Good
Goodness of Fit Index (GFI)	0.952	$\geq 0,90$	Good
Normed Fit Index (NFI)	0.975	$\geq 0,90$	Good

Source Primary source was processed

Reliability Construct Value for Product Differentiation latent variable is 0.882. The value obtained showed a concordance level of the indicator in forming the Product Differentiation latent variable

construct. The value of Variance Extracted obtained showed the magnitude of manifest variable covered in the construct former (latent variable). From calculation results was obtained a Variance Extracted value of Product Differentiation latent variable of 0.558. The Construct Reliability latent variable of Customer Relationship Management was 0.776, and the Extracted Variance value was 0.468. Likewise, Marketing Performance latent construct latent variable Construct Reliability was 0.753 and the Variance Extracted Value was 0.604.

**Table 3 Summary of Testing Results of Parameter Estimation**

Hypothesis	Estimation	t	Critical Value	Note
<b>Product Differentiation Customer Relationship Management</b>	0,450	5.896	1.96	Significant
<b>Product Differentiation Marketing Performance</b>	0.510	6.576	1.96	Significant
<b>Customer Relationship Management Marketing Performance Value</b>	0.486	6.015	1.96	Significant

*Source Primary Data were processed*

The Relationship between Product Differentiation and Customer Relationship Management

The Relationship between Product Differentiation and Customer Relationship Management is indicated by a correlation value of 0.450 with  $t_{\text{calc}}$  of 5.896. The result of  $t_{\text{calc}} > t_{\text{table}}$  1.96, so as to obtain a testing result of refuting the null hypothesis and the conclusion can be drawn that there is a relationship between Product Differentiation and Customer Relationship Management. With a correlation value of 0.450 the level of relationship between Product Differentiation and Customer Relationship Management belongs to the moderate correlation proportionally. Thus the higher the Product Differentiation the higher the Customer Relationship Management, and vice versa.

Influence of Product Differentiation, Customer Relationship Management on Marketing Performance

#### **Hypothesis Testing of Influence of Product Differentiation on Marketing Performance**

A result of  $t_{\text{calc}}$  value of the influence of Product Differentiation on Marketing Performance of 6.576 was obtained. The value of  $t_{\text{calc}}$  obtained was greater than  $t_{\text{table}}$  of 1.96, so a testing decision refuting the null hypothesis was obtained and the conclusion may be drawn that the Influence of Product Differentiation on Marketing Performance was significant from the point of statistical testing. From the influence coefficient after significance testing, one can further assess the magnitude of the influence of

Product Differentiation partially on Marketing Performance. From the Path Diagram Model of Structural Equation, the Influence of Product Differentiation on Marketing Performance is 0.510. The result of influence of Product Differentiation on Marketing Performance is 37.2%

### **Hypothesis Testing of the Influence of Customer Relationship Management on Marketing Performance**

A result of the value of  $t_{calc}$  6.015 was obtained of the influence of Customer Relationship Management on Marketing Performance. The value of  $t_{calc}$  obtained was greater than the value of  $t_{table}$  of 1.96, so the testing decision was obtained refuting the null hypothesis and the conclusion may be drawn that the influence of Customer Relationship Management on Marketing Performance was significant from the point of statistical testing. From the influence coefficient, after significance testing, one can access the magnitude of influence of Customer Relationship Management on Marketing Performance.

From the Structural Equation Path Diagram Model the influence of Customer Relationship Management on Marketing Performance was 0.486. The result of influence of Customer Relationship Management on Marketing Performance was 34.7%.

### **Discussion**

On the basis of observation of Loading Result the Product Differentiation Variable Latent Manifest Factor, it proved that the technology dimension had the highest figure of 0.867 with  $R^2$ , that is, 75.5% and  $t_{calc}$  of 18.435, related to continuously developing technology sophistication. However, on-field implemented process did not fully carry out Product Differentiation development, in particular colouring technique related to chemical colours needed and the silk cloth which need to be developed.

**Gaspersz & Vinscent** (2000) stated that customer's satisfaction is the yardstick of product appearance through continuous improvement of process production from the customer's point of view.

From the observation of Result of Customer Relationship Management Variable Latent Manifest Factor, the empathy dimension proved to have the highest figure of 83.10%, that is, the attraction of Cirebon Batik and sincerity of studying the business as the origin of batik. However, field process did not fully carry out Customer Relationship Management empowerment. In particular, this concerns the reciprocity given to the retailer and wholesaler who collaborate introducing and develop Cirebon Batik in the global era arena.

## **Conclusion**

The relationship between Product Differentiation and Customer Relationship Management indicated that the relation between in the variables in question is very important, a figure of 0.450, meaning that the production of batik realized through operational production (raw material, craftsman's wage) indicated that the Cirebon Batik designs put forward development design - modern batik designs with new creations, which are unique, thematic, in line with the current fashion trend, so as to provide prestigious pride and class. Product Differentiation and Customer Relationship Management influence sufficiently significant on Marketing Performance. This is apparent from the Influence of Product Differentiation on Marketing Performance, stating a figure of 0.510. Product Design is still strongly tied and relies on old motif/illustration in spite of there being differences, but specifically the change is not clearly perceptible. In the meantime, Customer Relationship Management states a smaller influence, namely, 0.486 compared to Product Differentiation. This is apparent from the limitation of mastery of technology which should be capable of aiding a business smoothness of relationship. Weak Marketing Performance is caused by lack of maximum performance of the batik craftsmen in creating customer's satisfaction, resulting in the profit expected less felt by the SMB entrepreneurs of Cirebon Batik.

## **Suggestions**

Priority in handling Product Differentiation should a unique feature, that is, superior, more enhancing various motif design patterns, perfection of appearance, and innovative. Besides making it more customized by putting forward the customers' interests, variety of ornaments and more variations of batik patterns should also be created, which are modern and up-to-date. By the various designs, batik will be fit for anyone to wear, from any class, for all ages, and for any event. Batik could also become a trend setter for the world's fashion. Effectuating continuous Customer Relationship Management may be advantageous, in particular in meeting the increasingly critical global market demand in deciding people's choice. Patents on batik have become very important which every Indonesian SMB should have. Indonesian batik to be formally legalized. Formal legalization constitutes raw material, tools, process, and the use of canting and wax.

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