# Moderation of Personal Relations on Sustainable Competitive Advantages, Customer Relationship Management, and Marketing Performance: Study on Small Scale Business of Leather Products Marketers in East Java

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**ABSTRACT**

The research approach is quantitative, explanatory. The research analytical unit is a trader of leather industrial products as a small business presentation totaling 65,086 population. The sample of research is the trader who at the same time become the business owner of 398 respondents. The sampling method is the area of proportional random sampling, where the number of samples is determined by using the Slovin formula. Analytical technique using structural equation model with WarpPLS analysis tool. The results show the clarity that personal relationships act as moderators in the relationship of sustainable competitive advantage, customer relationship management with marketing performance.

**Keywords:** Customer Relationship Management, Sustainable Competitive Advantages, Marketing Performance, Personal Relationships
**JEL Classifications:** M12, M31

## 1. INTRODUCTION

Increasing competition makes the company must understand what and how to manage the various resources it has. An important key to winning the competition lies in the company's ability to create competitive advantage. Narver and Slater (1990) argue that competitive advantage can be achieved if the company is able to provide more value to customers than what is given by its competitors. Competitive advantage can come from various business activities such as in designing, producing, marketing, handing, and supporting its products. Each of these activities should be directed to support the company's relative cost position and create a basis for creating differentiation.

Competition in increasingly stringent levels and technological progress that can not be dammed then a business product will grow to a point where the product will be difficult to distinguish between one another, thus to win in a competition then in marketing the product when this manufacturer is not only based on product quality alone, but also depends on the strategy implemented by the company.

There are several strategies that can be applied to win the competition include: Strong personal relationships (Jerry and Wally, 2013), customer relationship management (CRM) (Kotler and Armstrong, 2010), and competitive advantage (Porter, 2007; Colgate, 1998), where personal relations (PR) strategies became one of the topics in this study.

A personal relationships is communication between two individuals, in which the individuals are physically interacting. The better the personal relationships , the more open the person to express himself, the more careful his perceptions about others and his perception of himself, the more effective the communication takes place. One of the important factors of long-term relationship between traders and customers is the existence of personal relationships. Good personal relationships between merchants and customers, will enable an effective two-way communication, so

that customers will communicate their hopes, needs and desires unconditionally. Jerry and Wally (2013) mentioned that strong and positive personal relationships with customers, can help marketers in selling, because it can convince others more effectively. Along with the occurrence of close personal relationships, then the trust and bond will be strengthened. Where there is strong trust and bonding, it can produce meaningful dialogue. A meaningful dialogue is a dialogue that tells the truth. The parties involved will talk about the real, the important, and the real (openness).

The presence of openness to make the customers and prospects become like family, friendly, and very need to be treated openly so that the flow of communication can flow smoothly and emerge also support mutual cooperation. Ubud (2011), mentioned that, prospective consumers who visit a business at least know the form of business and business as what is executed, in this case means the entrepreneur has got people who can be classified in the category of customers.

A positive relationship with the customer is the basic unit of all business. In order for the business to grow, it must strive continuously to expand and develop the network, as well as the quality of its relationship. If the relationship is strong and positive, then there will be a better business relationship, also effective, and this good and effective relationship will be a trigger of increased marketing performance (MP). PR will strengthen the relation of competitive advantage over MP.

The quality of personal and professional relationships is crucial to the success of marketing. The more high-quality personal and professional relationships you have, the easier it will be to sell products, ideas and more. If you want a long-term business relationship, service and follow-up are the two key to successful sales. Setting up after sales service to customers is important, no matter what form and type of company, product or service is marketed. Therefore CRM becomes important to do.

Kotler and Armstrong (2010), stated that CRM is the process of establishing and maintaining lucrative customer relationships by providing highly valuable products to consumers and that will make consumers satisfied. Schiffman and Kanuk (2004) mentioned that CRM is the company's way of building relationships with customers with the aim of maintaining loyalty and customer commitment to keep using the company's products concerned. According to Schiffman and Kanuk (2004), there are three factors driving success of the relationship between marketers and customers: Customer value, customer satisfaction, and customer retention.

Lovelock and Mussry (2010) state that CRM's general application is data collection, data analysis, sales force automation, marketing automation and call center automation. Customer data is very important and by doing data analysis will be known the specific needs of customers, making it easier for companies to provide services and meet their needs. Automation will make it easier for companies to gain customers' sympathy, responses and positive responses and ultimately increase their buying interest. Sheth and Mittal (2004) stated that CRM is a comprehensive strategy and

process in getting, maintaining and connecting with customers to create superior value for the company and customers.

In CRM required communication between companies with related parties that support the company in running its business. The established communication is not a monologue or one-way, but it requires dialogue that involves two or more parties in the process of mutual giving and receiving information. In addition, companies today must communicate directly. This is necessary given the increasing complexity of needs, desires and quality standards that consumers want the products needed. In order for this communication to work, to be effective and effective, there is a need for good relationships between entrepreneurs, marketers and consumers, where personal relationships between marketers and customers are important. The presence of strong personal relationships will make two-way communication work well and effectively, and strong personal relationships become one of the hallmarks.

Competitive advantage is achieved when firms are able to make many different activities carried out by a company combined in a chain that can contribute value that provides the maximum margin for a company by executing strategically important and cheaper or better-than-competitor activities. The company's resources are the basis of sustainable competitive advantage (SCA). Unique and unrepeatable core operating system and core product characteristics as a foundation for sustained performance and competitive advantage. Unique, unimmigrant core outputs, and can differentiate the organization from competitors are potential for profit creation, and can be used in a variety of end products. These outputs are tangible elements for competitive advantage because they provide a guarantee of superior value to customers.

The high level of competition is not only felt by big companies but also experienced by small companies, especially leather products traders in East Java Province. The changes that occur in the small leather merchants business are the increase of price competition of the product (with the entry of foreign products), the increase of raw material price, and the decreasing of people's purchasing power.

This phenomenon raises the question, indeed what can be done to increase profit growth following sales growth? One effort that can be done to answer the above phenomenon is by empowerment in improving product quality, as one of the competitive advantage of business. With superior product quality, competitive price, the product will be easy to market, thus the sales growth will be in line with the profit growth.

Lado et al. (1992), states that competing excellence deals with four sources of company-specific capabilities (managerial, resource-based, transformation-based capabilities, and results-based capabilities), synergistically related. The rate at which these four specialized theoretical capabilities sources produce SCA for the company. The next empirical question is how a competitive advantage strategy built on the company's resources is a viable study.

Several studies have shown that the development of innovation processes is the result of synergies being built, between the

capabilities of engineering firms, enterprise resources and technology-based expertise embodied in the form of CRM strategies. In addition to the ability to understand what the company's resources are and supported capabilities, to empower those capabilities is a superior value that a company can have.

Lovelock and Mussry (2010), Sheth and Parvatiyar (2001), Kotler and Armstrong (2010), David (2013) argue that CRM is a way and company strategy in fostering relationships with customers to achieve competitive advantage. The results of Agung's research (2015), indicating that product innovation can create competitive advantage, which furthermore competitive advantage can increase MP. While Burden and Proctor's (2000) study found that customer focus is also an important factor for creating competitive advantage, and competitive advantage influences MP. It also informs that competitive advantage can be achieved through CRM, product innovation and through customer focus. Therefore, the construct of CRM is selected and developed in this research modeling as a variable affecting competitive advantage and MP of small leather trading sector in East Java.

The results of research conducted by Li (2000) managed to find a positive influence between competitive advantage with MP measured through sales volume, profit rate, market share, and return on investment. Competitive advantage can be obtained from the company's ability to process and utilize its resources and capital. Thus the construct of competitive advantage was chosen and developed in this model as a variable that influenced the improvement of MP of small leather trade sector in East Java. The study of Arasy (2009) also shows that competitive advantage affects the MP of small businesses in the trading sector, while Jerry and Wally (2013) mention that strong and positive personal relationships with customers can help marketers convince others more effectively. The next empirical question is how the role of PR moderate the relationship of competitive advantage with MP is also a worthy research topic, which until now has not been much studied by researchers.

From several studies mentioned above, there is no single researcher who made PR as one of the object of research variables, especially as a moderator variable. Therefore, the variable of PR as moderation variable become one of the study in this research.

Jerry and Wally (2013) state that with close personal relationships, trust and bond will also strengthen. Where there is trust and bonding, can produce meaningful and open dialogue. In line with the statements of Jerry and Wally (2013), the results of Elda Yusri et al. (2010) proved that marketing became smooth and MP increased due to the factors of association (relationship) and familial relationships. Therefore, PRs constructs are selected and developed in this model as moderator variables that moderate the relationship of CRM variables, SCA, and MP. This research will also make CRM, and SCA as factors affecting the MP of small scale business of leather industry product sector in East Java.

# 2. LITERATURE REVIEW AND HYPOTHESIS

## 2.1. PR

Personal relationships are strong personal relationships between traders and customers, meaningful, with a strong sense of trust and bonding. With strong trust and bonds, it can produce meaningful and open dialogue. PRs are measured through three indicators: (1) Friendship/intimacy relationships; is a relationship based on the similarity of views. (2) Trust; is a relationship that is based on the mutual trust with each other. (3). Openness; is a relationship based on the openness of each other.

## 2.2. CRM

CRM is a strategy to satisfy, maintain customer loyalty and commitment to keep buying and using products sold by merchants, so the cost to obtain and retain customers becomes lower. CRM is measured through three indicators: (1) Individual marketing; Is an individually-conducted program aimed at meeting the satisfaction of the customer's unique needs. Individual marketing is focused on one customer at a time or period. How to form a team of customers who will bridge merchandise merchandise in accordance with customer needs personally. (2) Continuous marketing; is a program to increase customer loyalty through special services that are long-term to increase value through mutual learning of each character. (3) Program of partnership relationship; is a partnership relationship between supplier and merchant to serve customer needs.

## 2.3. SCA

SCA is the ability of traders to create "superior value" in the face of competition, a breakthrough associated with the creation of new means of communication. Continuous competitive advantage is measured through four indicators: (1) Values of rare traders; is the ability of traders or resources that can create superior value for traders by exploiting opportunities or neutralizing threats in the business external environment. Resources can be a source of SCA only when the resource is valuable. (2) Imitability; is when marketing a product is difficult to imitate by another competitor. (3) Durability; Where the products sold traders superior in terms of quality, model, and others. Having a SCA when it can shy away from competitors, length of resource resilience and decreased ability over time, thus causing a decline in SCA. (4) Transferability; The competitive advantage of sustainability is obtained when the trader has the convenience of being able to gain easy access to the supplier, and the ability of the merchant over the competitor either in terms of cost or added value advantage is based on the available product.

## 2.4. MP

MP is a measure of achievement gained from the overall marketing process activities of a company or organization. MP is a factor that is often used to measure the impact of a company's applied strategy in terms of marketing. MP is measured through four indicators: (1) Sales volume; is the number of sales of products successfully achieved by the merchant. (2) Sales growth rate; is a sales growth that can be achieved in the last 1 year. (3) Customer growth; is the level of customer growth achieved by the trader.

(4) The ability to accumulate profits; Is the amount of profits on the sale of products that have been obtained.

## 2.5. Conceptual Framework
The conceptual framework and the relationship model that occurs among the research variables are presented briefly in the conceptual framework of the study described as Figure 1.
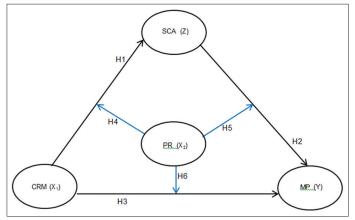
## 2.6. Hypothesis
The results of research Mithas et al. (2005), Umar (2013), concluding that CRM applications help companies to gain customer knowledge so as to help companies innovate products according to customer needs and wants, which impact on long-term relationships. Research Alipour and Mohammadi (2011) concluded the influence of CRM on competitive advantage. Further research of Arasy (2009), Dewi and Devi (2013) also concluded the influence of CRM on competitive advantage and company performance. Based on the description, hypothesis 1 is presented as follows:

H$_1$: CRM has a significant effect on competitive advantage.

Bharadwaj et al. (1993) explains that competitive advantage is the result of implementing strategies that utilize various resources owned by the company. Unique expertise is the company's ability to make its employees an important part of achieving competitive advantage. The ability of the company to develop the skills of its employees well will make the company superior and the implementation of human resource-based strategy will be difficult to imitate by its competitors. Moderate assets or unique resources are the real resources the company needs to run its competitive strategy. Both of these resources should be directed to support the creation of low cost enterprise performance and differentiate it from other companies.

A similar opinion was expressed by Porter (2007) who explained that competitive advantage is the heart of MP to face competition. Customers generally prefer to buy products that have more value than desired or expected. However, the value will also be compared with the price offered. Product purchases will occur if the customer considers the price of the product to match the value it offers. This is supported by the opinion of Arasy (2009) which states that the

competitive advantage is the ability of a company to give more value to its products than its competitors and the value is indeed bring benefits to customers.

The results of research conducted by Li (2000), Umar (2013) managed to find a positive influence between competitive advantage with performance. Companies that are able to create competitive advantage will have the power to compete with other companies because their products will remain in demand by customers. Based on the description, hypothesis 2 is presented as follows:

H$_2$: Competitive advantage significantly influence MP.

Payne and Frow (2005), Umar (2013), Chang (2007), Nguyen et al. (2007) stated that CRM is a strategy that focuses on creating customer satisfaction and long-term relationships by integrating several functional areas of the company to achieve competitive advantage. CRM provides data and information related to customers, including shopping behavior, consuming habits, and more. This data and information is used to improve understanding of customers and communicate with customers in order to create customer value and satisfaction, increase customer loyalty, increase profits and establish long-term relationships with customers and other key stakeholders. (Agrawal, 2004). Sheth and Mittal (2004) argue that there are three MP in CRM: One to one marketing, continuing marketing, and partnering programs.

The results of research conducted by Nguyen et al. (2007), Alipour and Mohammadi (2011), Ratna (2010) concluded that there is influence of the application of CRM to the company's competitive advantage. Mazuri et al. (2016), Dewi and Devie (2013) also proved a significant influence between CRM on company performance. Based on the description then put forward hypothesis 3 as follows:

H$_3$: CRM has a significant effect on MP.

The results of Jerry and Wally (2013) show that strong and positive personal relationships with customers, can help marketers in selling, or can convince others more effectively. Good relationships, and effective, will be a competitive advantage for the company. If there is openness and just being, or free from mistakes in helping others, then this will show encouraging results. Ubud (2011), said that customers and prospective customers are like family and need to be treated openly so that the flow of communication can flow smoothly and emerge also support each other cooperation Further research of Mazuri et al. (2016), Arasy (2009), Dewi and Devi (2012), concluded the influence of CRM on competitive advantage and company performance. Based on the description, hypothesis 4 is presented as follows:

H$_4$: Personal relationships are able to moderate the impact of CRM on competitive advantage.

The results of research Li (2000) managed to find a positive influence between competitive advantage with MP. Companies that are able to create competitive advantage will have the power

**Figure 1:** Conceptual research framework

to compete with other companies because their products will remain in demand by customers. While the quality of personal and professional relationships determine the success of marketing, where strong personal relationships become one of the drivers of the company's competitive advantage. The more high-quality personal and professional relationships you have, the easier it will be to sell the product. While Ubud (2011), states that a positive relationship with customers is the basic unit of all businesses. In order for a business to grow, it must strive continuously to expand and develop the network, as well as the quality of its relationship. If the relationship is strong and positive, then there will be a better business relationship, also effective, and this good and effective relationship will be a competitive advantage for the company. Based on the description then put forward hypothesis 5 as follows:

$H_5$: Personal relationships are able to moderate the influence of competitive advantage on MP.

Dewi and Devi (2013) concluded that the influence of CRM on company performance. Meanwhile, according to Jerry and Wally (2013), there are three steps to building a long lasting business relationship: (1) Have the right mindset: Must think positively about others and learn to see from the perspective of others as often as possible. (2) Ask the right questions: Ask questions with the right purpose and way. The purpose of asking is to find common ground, friends, interests, or concerns. (3) Demonstrate your professionalism, integrity, care and knowledge: If necessary, take unexpected, inexpensive, and thoughtful actions based on what you have learned about others.

The quality of personal and professional relationships determines the success of marketing. The more high-quality personal and professional relationships you have, the easier it will be to sell the product. Based on the description then put forward hypothesis 6 as follows:

$H_6$: Personal relationships are able to moderate the impact of CRM on MP.

## 3. RESEARCH METHODS

The research approach is quantitative, explanatory. The research analytical unit is a trader of leather industrial products as a small business presentation totaling 65,086 population. The sample of research is the trader who at the same time become the business owner of 398 respondents. The sampling method is the area of proportional random sampling, where the number of samples is determined by using the Slovin formula. Analytical technique using structural equation model (SEM) with WarpPLS Version 5 analysis tool.

The sample targets as respondents are the business owners of each small-scale merchant of Leather Industry products, who understand about the business process of Indutri Leather products trading and are also responsible for the business processes, and business strategies that exist in the company. In this case, the respondent at least meets several criteria: (i) Conceptually deemed capable and understands process functions in the business activities of

small scale business of leather industry products, (ii) understands or engages in the implementation of the business strategy of the company, (iii) is very concerned with the success of efforts to exploit the utilization of business resources in order to generate marketing and operational performance in the company. Thus, the distribution of respondents samples of small-scaled business locations of leather products traders in East Java are: For Gresik City the number of samples 59, Bangkalan 39, Mojokerto 81, Surabaya 89, Sidoarjo, 72 and Lamongan number of samples 58.

Descriptive data analysis on 398 respondents showed that: Characteristics of respondents by age are in the age range 31-50 years as many as 269 respondents, and dominant in the age range 31-40 years. This shows that traders are in a productive age, therefore the spirit to move forward and compete in terms of business development is still quite high (Table 1).

Characteristics of respondents by sex shows that the traders of leather industry products are more dominated by men that is 86.93% compared to women 13.07%. From the composition of this presentation, little convincing the view that the world of leather products traders more dominant with male traders than the female traders. This is understandable because, as is typical of the eastern culture where men are the backbone of the family, which is responsible for the family economy thus the main breadwinner in the family is the male.

The education level of the majority of respondents is high school graduates which reach 45.73%, while the rest are diploma educated 34.92% and 19.35% bachelor. The education level of the senior high school respondents already reflects that traders have been able to expand their business in a fairly tight competition lately. So hope to go forward and expand still wide open.

The duration of the respondent's trade indicates the degree of mastery over the job and the insight into the activity of trading leather products. The length of time the respondent's trade can be said to be spread evenly at every age level. There are 80% of

**Table 1: Distribution of sample by age, sex, education, and long being a trader**

| Characteristics | Amount (%) |
|---|---|
| Age (years) | |
| ≤30 | 42 (10.6) |
| 31-40 | 234 (58.7) |
| >40-50 | 76 (19.1) |
| ≥51 | 46 (11.6) |
| Gender | |
| Male | 346 (86.9) |
| Female | 52 (13.1) |
| Education | |
| Junior high school | - (00.0) |
| High school | 182 (45.7) |
| Diploma | 139 (34.9) |
| Bachelor | 77 (19.4) |
| Long trade (years) | |
| <1 | 4 (01.0) |
| 1-2 | 72 (18.1) |
| >2-5 | 136 (34.2) |
| >5 | 186 (46.7) |

respondents already have minimum 2 years trading experience. This information is enough to give an idea that the respondents are experienced traders and can be considered capable enough to develop business strategies in trading leather products industry.

## 4. DATA ANALYSIS

### 4.1. Measurement of Fit Overall Model
The SEM WarpPLS measure of fit analysis passes through two stages: Measure of fit measurement model (outer model) performed to assess the reliability and validity of latent variables forming indicators (latent variables). Measure of fit structural model (inner model) to see how big the relationship between latent variables, by looking at how much variance can be explained and to know the significance of P value. The measurement of fit over model is performed to show the overall outer model and inner research model.

### 4.2. Validity And Reliability Test
#### 4.2.1. Discriminant validity
Table 2 shows that the correlation of CRM with indicator is greater than correlation of CRM indicator with other variables. Similarly, the correlation of the superior variables, correlation of performance variables, and also the correlation of the relation variable. This indicates that all variables meet the criteria of discriminant validity.

#### 4.2.2. Convergent validity
From Table 3, it can be seen that average variances extracted (AVE) value for CRM, performance, and relation variables shows that all AVE values are >0.5. While AVE variables of excellence are 0.461 (=0.5). This shows that all the values of research variables meet the requirements of AVE, so it can be concluded that all the convergent validity of research variables are good.

Discriminant validity is represented by the value of AVE, s (square roots of average variance extracted), where the value of AVE, s is in the diagonal position of the correlations among latent variables ouput WarpPLS, and the expected value is greater than the correlation value of the same block. As shown in Table 3, the overall value of the diagonal block is greater than that of the same block. This indicates that all variables meet the expected discriminant validity criteria.

Based on the results of output in Table 4, it shows that all variables in the study have composite reliability values >0.7 and Cronbach's alpha is >0.6 so it can be concluded that the structural model used is good.

#### 4.2.3. Hypothesis testing
Hypothesis testing is based on measures of fit on the structural model, which is based on the value of significance of parameter estimation. The results are shown in Figure 2 and Table 5. By using WrapPLS, at the 5% significance level. Hypotheses 1, 2, 3 and 4 are accepted, while hypotheses 5 and 6 are rejected.

## 5. RESULT AND DISCUSSION

H1: Indicates that CRM has been able to form a competitive advantage. This result means that CRM management practices

have been able to be directed and developed by small business merchants of leather products industry to become a competitive advantage, where if these capabilities can be well managed, then this CRM practice can be a SCA. The dominant indicators on CRM variables are individual marketing indicators, followed by partnership program indicators, and lastly indicators of sustainable marketing programs.

The dominant indicator of individual marketing indicates that, small business merchants of leather industry products, deserve more priority to this individual marketing, because with individual marketing it will create good relationships with customers, because individual marketing is intended to meet the satisfaction of the

**Table 2: Cross loading indicator**

| Indicator | CRM | SCA | MP | PR |
|-----------|---------|---------|---------|---------|
| X1.1 | (0.786) | 0.014 | 0.015 | 0.084 |
| X1.2 | (0.817) | 0.021 | −0.014 | −0.025 |
| X1.3 | (0.712) | −0.040 | −0.001 | −0.064 |
| Z.1 | 0.150 | (0.721) | 0.163 | −0.170 |
| Z.2 | 0.103 | (0.726) | 0.243 | −0.158 |
| Z.3 | −0.177 | (0.595) | −0.155 | 0.330 |
| Z.4 | −0.117 | (0.666) | −0.302 | 0.062 |
| Y.1 | 0.300 | −0.027 | (0.804) | −0.016 |
| Y.2 | −0.089 | −0.007 | (0.825) | −0.052 |
| Y.3 | −0.102 | −0.507 | (0.715) | 0.193 |
| Y.4 | −0.126 | 0.517 | (0.755) | −0.110 |
| X2.1 | −0.252 | −0.050 | 0.114 | (0.738) |
| X2.2 | −0.032 | 0.020 | −0.077 | (0.889) |
| X2.3 | 0.262 | 0.023 | −0.020 | (0.821) |

CRM: Customer relationship management, SCA: Sustainable competitive advantage, MP: Marketing performance, PR: Personal relations

**Table 3: Correlations among latent variables and AVE**

| | CRM | SCA | MP | PR | AVE |
|-----|---------|---------|---------|---------|-------|
| CRM | (0.773) | 0.306 | 0.409 | 0.433 | 0.597 |
| SCA | 0.306 | (0.679) | 0.528 | 0.134 | 0.461 |
| MP | 0.409 | 0.528 | (0.776) | 0.182 | 0.602 |
| PR | 0.433 | 0.134 | 0.182 | (0.818) | 0.670 |

CRM: Customer relationship management, SCA: Sustainable competitive advantage, MP: Marketing performance, PR: Personal relations

**Table 4: Reliability test results**

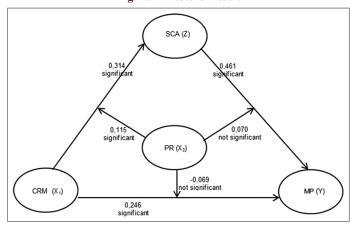| Variable | Reliability | |
|----------|-------------------------|-------------------|
| | Composite reliability | Cronbach's alpha |
| CRM | 0.816 | 0.661 |
| SCA | 0.773 | 0.608 |
| MP | 0.858 | 0.778 |
| PR | 0.858 | 0.750 |

CRM: Customer relationship management, SCA: Sustainable competitive advantage, MP: Marketing performance, PR: Personal relations

**Table 5: Path coefficient**

| H | Relationship | Coefficient (ß) | P | SE | Decision |
|-------|-------------------|-----------------|-------|-------|----------|
| $H_1$ | CRM→SCA | 0.314 | 0.000 | 0.050 | Accepted |
| $H_2$ | SCA→MP | 0.461 | 0.000 | 0.061 | Accepted |
| $H_3$ | CRM→MP | 0.246 | 0.000 | 0.051 | Accepted |
| $H_4$ | PR*CRM→SCA | 0.115 | 0.031 | 0.061 | Accepted |
| $H_5$ | PR*SCA→MP | 0.070 | 0.463 | 0.066 | Rejected |
| $H_6$ | PR *CRM→P | −0.069 | 0.071 | 0.071 | Rejected |

CRM: Customer relationship management, SCA: Sustainable competitive advantage, MP: Marketing performance, PR: Personal relations, SE: Standard error

**Figure 2:** Research result



unique needs of each customer. This can be done by always approaching, and preparing new products that can meet the wants and needs of every customer and prospect.

$H_2$: Indicates that the stronger the competitive advantage will be increasingly able to increase the achievement of MP. The results of this proof gives the meaning that the competitive advantage of small business merchants of leather products industry has been able to be directed and developed to increase the achievement of MP.

From the factor analysis it is known that the biggest factor making up the sustained competitiveness is difficult to imitate, meaning that traders are putting forward the hard-to-duplicate trading methods in terms of their competitive advantage in trading their wares.

Competence is difficult to imitate if traders are able to develop competencies because they are in the right place when viewed from positions, then place trades at strategic places, and when appropriate means that traders can follow the development of models in which traded leather products follow Trends and customer desires. Likewise traders can develop their business capabilities at the right time, and also traders can use their trading capabilities as a basis for competitive advantage.

$H_3$: Indicates that the more effective CRM practices will be higher MP. If a merchant implements a sustainable marketing program by giving a discount for each item the product sells, then the customer will directly be interested in buying the products offered by the merchant, thereby increasing the profitability of the business. The results of this study confirm the findings of previous research conducted by Djunaedi et al. (2017), which proves that competitive advantage is a good mediation variable on customer relationship marketing variable relationship with MP.

$H_4$: Indicates that there is a significant positive relationship between the moderation variable (PR*CRM) with SCA. This shows that personal relationships are able to strengthen the impact of CRM on competitive advantage. The results of this proof give meaning that the management of CRM practices that have been able to be directed and developed by merchants of leather products industry to become a competitive advantage can be strengthened

(positive moderation) by personal relationships that occur between traders and customers.

The personal relationship in this research is formed through three indicators, namely: Relationship of intimacy, trust, and openness. The analysis of the three indicators in the structural model of the study showed three significant indicators in forming PRs.

The biggest factor that makes personal relationships is a relationship of intimacy, meaning that traders always treat every customer as an important person, always listen to customers carefully, and try to understand customers well. This explains that leather industry traders always try to make good communication with customers, and strive to make customers as king, in the sense that customers are given good service, and satisfactory and more importantly customers are directed to buy goods that really fit quality with a reasonable warranty.

$H_5$: Indicates that there is a positive relationship between the moderation variable (PR*SCA) and MP. This suggests that PRs moderate the relationship between CRM and competitive advantage. Although not significant but indicates that personal relationships can strengthen the influence of competitive advantage on MP. The results of this proof provide the meaning that competitive advantage has been able to be directed and developed by leather products traders to increase MP, which is reinforced by the personal relationships that occur between traders and customers.

$H_6$: Indicates a negative moderation between the moderation variable (PR*CRM) and MP. This proves that although not significant but private relation variables moderate the relationship between CRM and competitive advantage.

Testing of this hypothesis 6 can be explained as follows: Hypothesis 4 shows that personal relationships are able to strengthen the impact of CRM on competitive advantage. Hypothesis 5 also shows that personal relationships can enhance the influence of competitive advantage on MP. From H4, H5, and H6, it can be concluded that personal relationships are closely related to competitive advantage, even if personal relationships are executed and done in earnest, it will make personal relationships become a competitive advantage, because with personal relationships it will create relationships brotherhood. Thus personal relationships have a positive impact and drive CRM relationships on SCA, as well as the driving force behind sustained competitive advantage relationships to MP. The results of this study actually also confirm and explain the statement of Ubud (2011) that marketers and customers and prospective customers become like family, friendly, and open so that the flow of communication can flow smoothly, thus will emerge support to work together. Thus, personal relationships are needed even more needed to be a means of SCA which can further improve MP in terms of total sales, sales growth, customer growth, and profit growth.

## 6. CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

The results indicate that personal relationships act as moderators of CRM relationships with competitive advantage and CRM

relationships with MP. An important point of this research is that researchers integrate CRM with personal relationships as moderators so that competitive advantage and MP of leather products traders is increasing. The integration of personal relationships with CRM results in competitive advantage which further enhances MP. Thus it is important for leather industry merchants to run CRM and approach their customers by running personal relationships effectively and continuously. The results of this study also indicate that competitive advantage becomes a good mediation variable between CRM and MP, thus the competitive advantage that already owned by the pedangang should be maintained and improved.

Limitations on research related to generalization. Because this research is done on small scale business of leather industrial product in East Java, the result of research can not be generalized to other small company.

Some suggestions that can be given related to the results of this study are: First, personal relationships in this study are not significant proven able to moderate the relationship of CRM to MP. While as discussed in the literature review, personal relationships act as variables that can moderate CRM relationships with MP. Therefore, further research is needed to review the factors that make up personal relationships. Second, this study excludes major factors of business capital, as well as business age. While both of these factors have a role to see the impact of CRM on competitive advantage and MP. Therefore, the next research is proposed to include both factors as a consideration to sort out the classification of traders. Third, the model in this study, can be used for further similar research by taking a wider area of research.

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