The Role of Customer Relationship Strategy, Innovation and Capability Strategic in Improving the Marketing Performance of Fashion SMEs in Jember

R. Alamsyah Sutantio
Jember State Polytechnic

Abstract:- The aims of study were to determine the effect of customer relationship strategic (CRS), innovation strategic and capability strategic on competitive advantage and marketing performance in Batik SMEs in Jember. Populatin were owner and employee's of Batik SMEs in Jember. Sample were 176 respondent. Analysis methode used Structural Equation Models. Result showed CRS had an effect on competitive advantage in Batik SMEs in Jember; 2) Innovation had an effect on the competitive advantage of Batik SMEs in Jember; 3) Strategy Capacity has no effect on the competitive advantage of Batik SMEs in Jember; 4) CRS has no effect on the marketing performance of Batik SMEs in Jember; 5) Innovation strategy had an effect on the marketing performance of Batik SMEs in Jember; 6) Strategy capability has no effect on the marketing performance of Batik SMEs in Jember; and 7) competitive advantage had an effect on the marketing performance of Batik SMEs in Jember.

Keywords:- Capability Strategic, Competitive Advantage, Customer Relationship Strategic, Innovation Strategic and Marketing Performance.

I. INTRODUCTION

MSMEs play a role in the economic movement that can advance businesses in Indonesia. The number of MSMEs reaches 26 million businesses or 98.68 percent of the total non-agricultural businesses and absorbs a workforce of more than 59 million people or around 75.33 percent of the total non-agricultural workforce. The advantages of MSMEs include first producing production goods, utilizing local resources both from human resources, capital, raw materials and equipment, Third using capital or loans (BPS, 2022).

Batik is one of Indonesia's original cultural heritages that has high artistic and cultural value. The recognition of batik itself as an original Indonesian culture has been patented and recognized by the world, especially by UNESCO on October 2, 2009, even in Indonesia there has been a National Batik Day. Batik grows and develops in Indonesia as a manifestation of the cultural richness of local areas.

The batik industry in Indonesia is a distinctive icon of Indonesian culture on the international stage and is an industry that is developed directly by the community and is also included in the creative industry. The creative batik industry

has several categories, namely 1) creative crafts between the creation and distribution of craft products such as precious stones, gold, silver, wood and iron, 2) creative designs such as interior design, products, interiors, packaging and other identity consultations, fashion lines and distribution of fashion products (Ratna et al., 2020).

With the growth and development of batik, many specific areas have become the largest batik producing areas in Indonesia. For example, Solo, Pacitan, Yogyakarta, Cirebon, Indramayu, Madura, Lasem, Sukoharjo and other batik producing areas. One of them is Jember Regency, East Java. Each batik in a city or regency in East Java has different characteristics from one another. This can be seen from the motifs, decorative motifs and colors that are usually adjusted to the natural resources and environment in the area. Therefore, the competition for Batik SMEs is getting tighter, especially in the former Besuki residency including Jember Regency. The development of Batik SMEs in Jember is explained in Table 1 below.
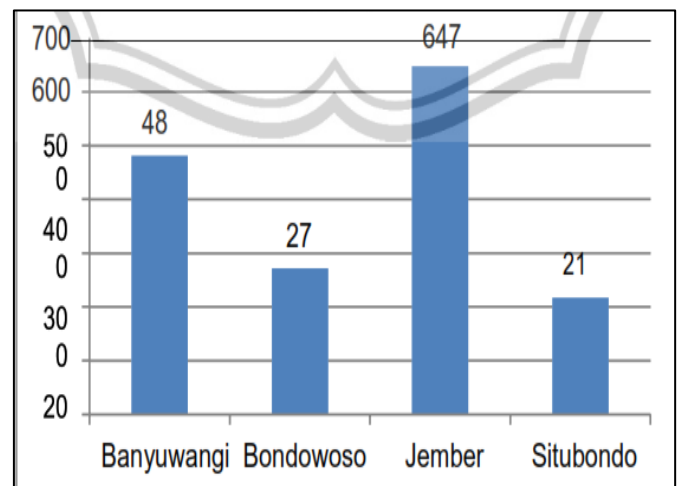

Fig 1 Number of Batik SMEs in the Former Besuki Area
Source:http://diskopukm.jatimprov.go.id/,

Based on the data above, the growth rate of Micro, Small and Medium Enterprises (MSMEs) in Jember Regency is ranked first as the region with the most MSMEs. It is shown that the number of MSMEs in Jember Regency is 647. Based on the data above, Jember has the potential to increase the Indonesian economy more than the other three regencies. With such a large contribution, the development of MSMEs in Jember must be considered. Jember City also develops batik

which is used as one of the identities of the region. Although batik in Jember is less famous than other batiks on the island of Java, batik has actually been around in this area for a long time.

The existence of entrepreneurs or batik craftsmen in Jember is able to increase community income. This is because the existence of the batik industry in Jember is able to absorb a lot of labor, especially for the batik process, besides that labor is needed for the design or coloring process. Jember batik is widely used by the Jember community in general, government and private agencies that use Jember batik as office uniforms.

Marketing performance is the success of the company measured in the long term which becomes an activity and is arranged to identify strategies in the right implementation (Puspitasari, 2015). The results of marketing performance are measured by the number of sales of batik SMEs in Jember as in Table 2.

Table 1 Sales Growth of Batik BUKM in Jember Regency

Sub Sector	2019	2020	2021	2022	2023
Hand-drawn Batik	1.89	7.71	8.82	8.65	1.68
Batik Ready	2.68	10.02	6.13	3.45	0.15
Batik Cloth	1.26	8.35	7.20	4.57	6.59

Source: Directorate General of IKMM-Ministry of Industry, 2024

Based on the results of sales growth, it can be explained that batik SMEs are still experiencing fluctuating developments due to marketing performance problems. Based on the results of a survey conducted by the author on Batik SMEs in Jember Regency, problems related to the marketing performance of Batik SMEs in Jember Regency were found in the area. Marketing performance is still relatively low because their sales growth is still unstable. Business pressure from strong competitors directly affects the marketing performance experienced by Batik SMEs in Jember Regency, so that business actors are required to improve their marketing performance. Then for product quality problems, including their desire to improve product quality, but when product quality is improved, prices will also increase, causing people to be less interested in buying products and if the price given is too low, consumers will doubt the quality of the product.

Zimmerer and Scarborough (2005) stated in the long term, companies gain sustainable competitive advantage through the ability to develop a set of core capabilities that enable the company to serve its target customers better than its competitors. Core competencies are unique capabilities developed by the company such as quality, customer service, innovation, market orientation, and other areas that enable the company to be better than its competitors. Competitive advantage is created by having to have and being able to manage resources to be able to provide goods and services according to the needs and desires of consumers.

Excellence is maintained by continuously improving the value provided to buyers and/or reducing costs in providing products or services (Suendro, 2010). Usvita (2015) stated that competitive advantage has a significant positive effect on marketing performance. Pjojanajaruwit (2018) found that competitive advantage can improve marketing performance. Datta (2017) explained that the higher the competitive advantage, the higher the company's performance will be. Kraja and Osmani (2018) found that competitive advantage improves marketing performance. Sudarmiatin (2016) found that competitive advantage affects marketing performance.

Actually, the most basic reason that drives companies to build relationships with customers is actually very classic, namely economic motives (Al-Xoubi, 2016). As is known, the largest income from the company's business process comes from customers, both directly and indirectly. Therefore, companies need to identify, satisfy and retain the most profitable customers (Fozia et.al, 2014). *Customer Relationship* also has a direct influence on marketing performance. Fazlzadeh et al., (2015), showed that there is a positive influence between the implementation of Customer Relationship on company performance. Mohammed and Rashid, (2012); Ngambi and Ndifor, (2015); and Oualid, (2016) showed a significant positive influence of Customer Relationship on company performance, but Ngambi and Ndifor, (2015) showed an insignificant influence of Customer Relationship on company performance. Adeyeye (2013) in his research on SMEs in Oyo City, Nigeria showed a significant positive influence of Customer Relationship and the quality of business strategy on competitive advantage and company performance. Borsaly (2014) in his research on SMEs in Egypt showed a significant positive influence of Customer Relationship and the quality of business strategy on competitive advantage and company performance. Fernando and Karunanithy (2015) found that Customer Relationship affects marketing performance. Hikmawati et al. (2018) said that Customer Relationship affects marketing performance.

Another factor that influences marketing performance is innovation strategy where sustainable innovation strategy. Innovation is one alternative for organizations to develop and survive dynamically and can adjust to the environment. Companies that do not innovate will be abandoned by their customers (Pardi et al., 2014). SMEs in managing a rapidly changing market require creativity and continuous monitoring of changes in customer expectations and desires. Customer needs are always the same, but the way they want to be satisfied continues to change due to exposure and experience they gain from competitors and other organizations. Therefore, the strategy used in serving customers must continue to change. Customer desires must be monitored more closely to find out what alternatives are available, both locally and globally. Marketers must be sensitive and innovative in managing the needs of the segments they serve and focusing on their development.

The main focus of innovation is the creation of new ideas, which in turn will be implemented into new products or new processes. The main purpose of the innovation process is to provide and distribute better customer value (Hartini, 2012). In carrying out product innovation, a company must conduct market orientation to find out market conditions and what customers need and want. Hapsari et al. (2017) found that innovation capability improves marketing performance. Cole, (2015) showed a significant positive effect of business strategy quality on competitive advantage, and Mu *et al.,* (2015) showed a significant positive effect of business strategy quality on company performance and Kumar et al., (2011) showed an insignificant effect of business strategy quality on competitive advantage.

Another factor that influences competitive advantage is Capability strategy. Business activities of Micro, Small and Medium Enterprises (SMEs) can be influenced by the Capability strategy. Yanuarti and Murwatiningsih (2019) said that Capability strategy influences marketing performance. Ulfa and Murwatiningsih (2019) said that Capability strategy influences marketing performance. Yasa et al., (2020) explained that Capability strategy is an important factor in building competitive performance and marketing performance. Aghazadeh (2015) explained the importance of capability strategy to performance.

Some Batik SMEs still have a lack of understanding in pricing. The wrong choice of pricing method that is not in accordance with the business does not allocate costs correctly so that Batik SMEs in Jember Regency experience losses. Batik SME owners in Jember Regency will determine the price of their products or services only by using experience without adequate calculations. That is why sometimes in determining the price of goods or services, they only use their business logic without using the right pricing method. Rizaldi et al., (2021) found a close relationship between product quality variables and prices on marketing performance.

The objectives of study were 1) to determine the effect of CRS on competitive advantage in Batik SMEs in Jember; 2) to determine the effect of innovation on competitive advantage of Batik SMEs in Jember; 3) to determine the effect of Capalitas Strategy on competitive advantage of Batik SMEs in Jember; 4) to determine the effect of CRS on marketing performance of Batik SMEs in Jember; 5) to determine the effect of innovation strategy on marketing performance of Batik SMEs in Jember; 6) to determine the effect of Capabilitas strategy on marketing performance of Batik SMEs in Jember; and 7) to determine the effect of competitive advantage b on marketing performance of Batik SMEs in Jember.

II. METHOD

This research was a quantitative research with an explanatory research type that explains the causal relationship between variables. Data collection was carried out with a time horizon that is cross-sectional. Exogenous variables include Customer Relationship Strategy, innovation and capability strategy. The interviewing variable is competitive advantage and endogenous is marketing performance.

III. RESULT AND DISCUSSION

A. Results

These characteristics will be described according to gender, last education level, status, age, SME scale and SME workforce. Respondents consist of men and women. However, in terms of quantity, the number of male respondents is almost twice as many as the number of female respondents, where there are 128 men (72.3%) and women as many as49person (27.7). This indicates that those who run SME businesses are still dominated by male owners.

Based on the age aspect, most of them are of age36 – 45years (61.6%). This shows that most of the owners are of experienced age or in the category of mature individuals. While the youngest respondents are of ageLess than 25year, namely 23 people (13%). This shows that there is still owner cadreship every year so that there is still owner regeneration in SMEs in Jember Regency.

Based on turnover, most of the respondents areTurnover > 300 million – 2.5 billion as many as 158 people or (89.3%) while the least wasTurnover < 300 millionnamely 6 people (3.4%). Based on the respondent group, it can be expected that in general the respondents involved in this study have a SME business scale in the small business class.

Based on the level of education, the majority of respondents were undergraduates (S-1), which was 80 people or 45.2%. Based on the education level attribute, it shows that the respondents in this study had undergraduate and diploma degrees, which illustrates that the respondents have sufficient academic experience to be able to answer the questions in the research instrument.

Respondents' ability and knowledge in answering questions in the research instrument can also be explained by paying attention to the number of workers. In the attribute of the number of workers who manage SMEs, it shows that most owners have more than 100 workers.5-10 peopleis as many as 155 people (87.6%), meaning that owners generally have not had that many workers. This is because SMEs are still on a small scale in terms of capital and also online marketing.

Based on the exogenous variable group is CRS, innovation strategy, capability strategy, while the endogenous variables are competitive advantage, and marketing performance. The results of the SEM test are explained below.
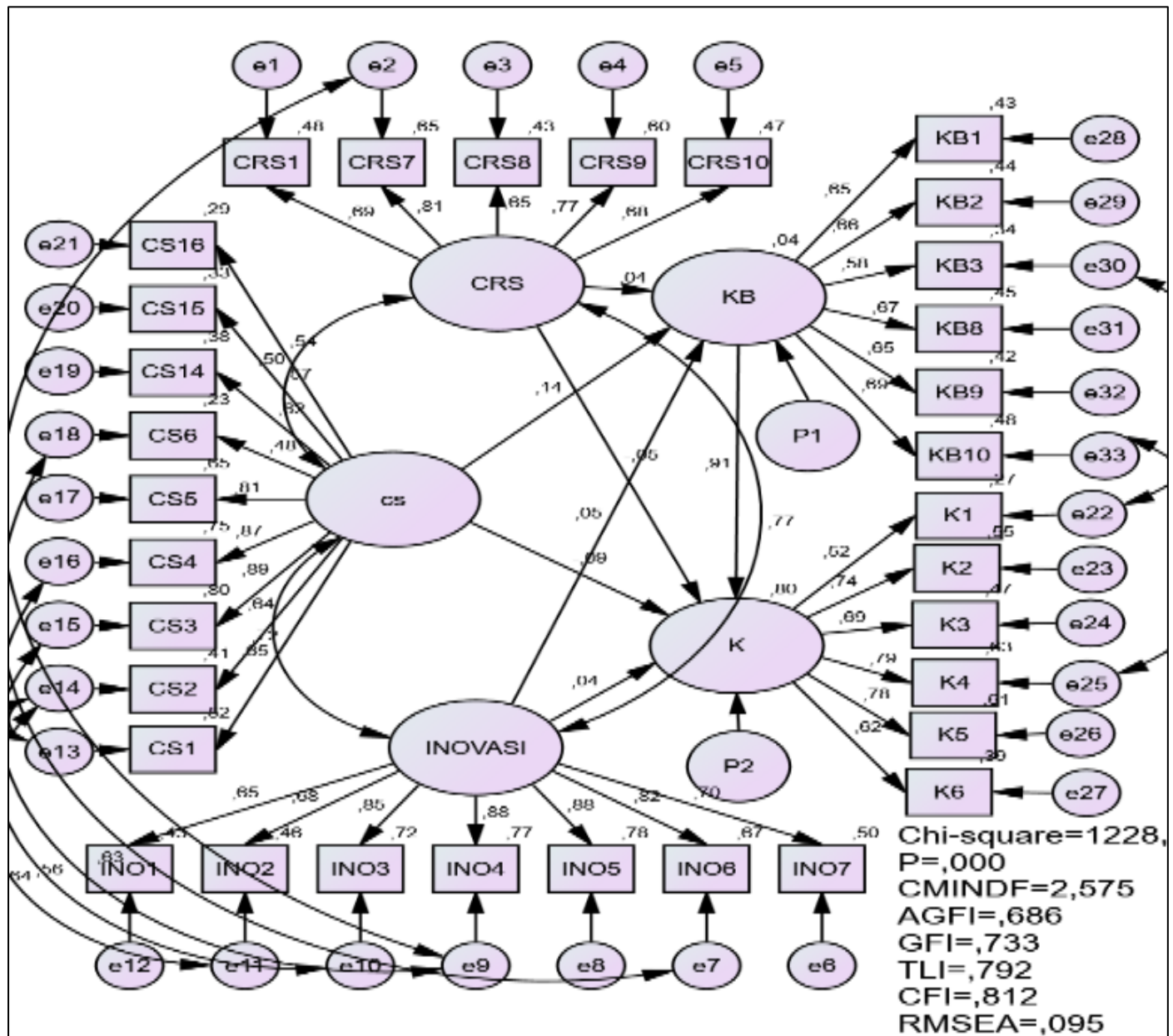
Fig 2 SEM Model

The results of the initial model construct test are presented in Figure 1 evaluated based on the goodness of fit Index, model criteria and its critical values that have data suitability. Based on Figure 1. then there is one criterion that meets the requirements with other criteria in the marginal fit position. Therefore, the basic model (default model) has met one of the goodness of fit criteria, then based on parsimony theory this model has been accepted and no modification is needed, because it is certain that the modification will produce a better chi-square value. In other words, based on parsimony theory, if the basic model (default model) has produced at least one criterion then the model is certain to produce the expected criteria. So the results of this test can be concluded that this model can be accepted quite well and can be used for estimation.

Table 2 Path Coefficient Values and Hypothesis Testing

Variables			Path Coefficient	CR	P	Information
KB	<---	CRS	0.037	3,230	0,000	Significant
KB	<---	CS	0.143	2,237	0,000	Significant
KB	<---	INNOVATION	0.050	0.289	0.773	Not Significant
K	<---	KB	0.906	5,810	0,000	Significant
K	<---	CRS	-0.047	-0.454	0.876	Not Significant
K	<---	CS	-0.090	-1,196	0.232	Not Significant
K	<---	INNOVATION	0.037	3,330	0,000	Significant

➢ *Hypothesis 1: CRS has a Positive effect on Competitive Advantage.*

The results of the analysis shown in Table 18 showed that CRS has a significant positive effect on competitive advantage. This can be seen from the positive path coefficient of 0.037 and the probability of significance (p) of 0.000 is obtained, which is smaller than the specified significance level (α) of 0.05. This means that every increase in CRS will increase the competitive advantage of SMEs. These results support the hypothesis that CRS has a significant effect on the competitive advantage of SMEs in Jember Regency.

➢ *Hypothesis 2: Innovation Strategy has a Positive effect on Competitive Advantage.*

The results of the analysis shown in Table 1 showed that the innovation strategy variable has proven to have no significant effect on competitive advantage. The path coefficient value between innovation strategy as a variable of innovation strategy on competitive advantage is 0.050 in a positive direction and a p-value <0.05 (p-value = 0.024). These results do not support the hypothesis that innovation strategy has a positive effect on competitive advantage.

➢ *Hypothesis 3: Strategy Capability (CS) has a Positive effect on Competitive Advantage.*

The results of the analysis shown in Table 1 showed that the Capability Strategy (CS) variable has a significant effect on competitive advantage. The coefficient value of the Capability Strategy (CS) path is 0.143 with a positive direction towards competitive advantage and a p-value of <0.05 (p-value = 0.000) is obtained. Thus, it means that every increase in Capability Strategy (CS) will increase the competitive advantage of SMEs. These results provide support for the hypothesis that Capability Strategy (CS) has a significant effect on the competitive advantage of SMEs in Jember Regency.

➢ *Hypothesis 4: CRS has a Positive effect on Marketing Performance.*

The results of the analysis shown in Table 1 showed that CRS does not have a significant negative effect on marketing performance. This can be seen from the positive path coefficient of -0.047 and the probability of significance (p) obtained is 0.875 which is greater than the specified significance level (α) of 0.05. This means that every increase in CRS will not increase the marketing performance of SMEs. These results provide support for the hypothesis that CRS has a significant effect on the marketing performance of SMEs in Jember Regency.

➢ *Hypothesis 5: Innovation Strategy has a Positive effect on Marketing Performance.*

The results of the analysis shown in Table 1 showed that the innovation strategy variable has proven to have a significant effect on marketing performance. The path coefficient value between innovation strategy as an innovation strategy variable on marketing performance is 0.037 in the positive direction and the p-value <0.05 (p-value = 0.000). These results support the hypothesis that innovation strategy has a positive effect on marketing performance.

➢ *Hypothesis 6: Capability Strategy (CS) has a Positive effect on Marketing Performance.*

The results of the analysis shown in Table 1 showed that the Capability Strategy (CS) variable does not have a significant effect on marketing performance. The coefficient value of the Capability Strategy (CS) path is -0.090 with a negative direction towards marketing performance and a p-value of <0.05 (p-value = 0.000) is obtained. Thus, it means that every increase in Capability Strategy (CS) will not increase the marketing performance of SMEs. These results do not support the hypothesis that Capability Strategy (CS) has a significant effect on the marketing performance of SMEs in Jember Regency.

➢ *Hypothesis 7: Competitive Advantage (CEA) has a Positive effect on Marketing Performance..*

The results of the analysis shown in Table 1 showed that the competitive advantage variable has a significant effect on marketing performance. The coefficient value of the Capability Strategy (CS) path is 0.906 with a positive direction towards marketing performance and a p-value of <0.05 (p-value = 0.000) is obtained. Thus, it means that every increase in competitive advantage will not increase the marketing performance of SMEs. These results provide support for the hypothesis that competitive advantage has a significant effect on the marketing performance of SMEs in Jember Regency.

B. Discussion

➢ *The Effect of CRS on Competitive Advantage*

The results of the path coefficient test showed thatCRSsignificantly influence competitive advantage. Based on the test results, the first hypothesis stating that CRS has a significant influence on competitive advantage is proven (accepted). This shows that CRS is able to increase competitive advantage. CRS can later become a strategy that will create better competitive advantage.

CRS was a strategy that focuses on creating customer satisfaction and long-term relationships by integrating several functional areas of SMEs to achieve competitive advantage. In fact, the most basic reason that drives SMEs to build relationships with customers is actually very classic, namely economic motives (Chadhiq, 2007). The largest income from SME business processes comes from customers, both directly and indirectly, therefore SMEs need to identify, satisfy and retain the most profitable customers.

CRS had an effect on competitive advantage. CRS that has been implemented by Batik SMEs in Jember has not been able to increase competitive advantage. CRS refers to the implementation, strategy, or technology used by SMEs to manage and analyze customer interactions and data throughout the customer cycle. CRS helps Batik SMEs in Jember track and manage customer relationships by storing all customer data in one platform. This helps businesses avoid customer data errors. Although Batik SMEs in Jember decided to implementCRS system, often the reality in the field does not run according to expectations. The investment that has been issued by UKM Batik in Jember provides results and benefits so that it can cause the CRS function to run well in UKM.

CRS that has been done by UKM Batik in Jember has a clear and measurable goal in the CRS system causing the business to be more competitive. The CRS function can be said to be successful when the purpose of the CRS system is designed to satisfy UKM, its customers and users. In addition, a good CRS strategy in determining the success of the CRS function will drive the success of UKM. In addition, poor business process design where there is a lack of user interest and low use of CRS software and adaptation from its users.

Successful CRS functionality relies on a continuous process improvement cycle to constantly optimize the CRS software. Successful implementation of CRS functionality will gradually decline in use if no improvements are made. The use of CRS software will be felt to be burdensome compared to the benefits provided. Eventually, the CRS application will begin to be abandoned and they will return to working manually. Therefore, it is important for Batik SMEs in Jember to One of the main obstacles in implementing CRS in Batik SMEs in Jember is the difficulty of changing user behavior in this case employees. The CRS system will have great potential to fail. A new CRS system requires employees to learn new processes, automation, and have new roles and responsibilities.

The results of this study are consistent with Nguyen et al. (2007). CRS is a strategy that focuses on creating customer satisfaction and long-term relationships by integrating several functional areas of SMEs to achieve competitive advantage. The results of this study are inconsistent with the research of Alipour and Mohammadi (2011) in their study concluded that CRS is very effective in achieving competitive advantage. In addition, this study is consistent with Al-Zoubi (2016), Fozia et.al. (2014), Alshura (2018), Sofi and Hakim (2018) Mohammed and Rashid, (2012); Ngambi and Ndifor, (2015) and Oualid, (2016) who said that the implementation of proper CRS can improve the ability of SMEs to achieve SME goals, namely retaining customers and achieving competitive advantage over competitors.

➢ *The Effect of Innovation Strategy on Competitive Advantage*
The results of the path coefficient test indicate that innovation strategy does not have a significant effect on competitive advantage. Based on the test results, the second hypothesis stating that innovation strategy has a significant effect on competitive advantage is not proven. This shows that innovation strategy does not increase competitive advantage.

Innovation directly related to SMEs in influencing competitive advantage. It's just that to have qualified employees who are able to strategize innovation, there is still little attention given by SMEs in managing employees. Colleti et al. (1997) explained that innovation strategies basically have a life cycle where at some point the product will experience a decline which may be caused by a sales strategy that is no longer in accordance with market conditions.

This situation encourages Batik UKM in Jember to implement the development of new innovation strategies in SME sales management. Innovations that have high

competitive advantages in achieving SME success. These results are in accordance with Surandini's research (2011) which states that to achieve effective competitive advantage, an innovation strategy that has a high level of performance is needed. Competitive advantage is controlled by the innovation strategy itself based on employee behavior and the results obtained by employees.

Based on the characteristics of the respondents, it shows that the majority of respondents Batik UKM in Jember mostly male and aged 31 – 40 years.Batik UKM in Jember who generally also have a bachelor's degree have good knowledge. Based on the respondents' answers as a whole, it shows that some respondents have a good perception of innovation strategy. Although there are those who answer quite agree with the innovation strategy due to the existence of a mediocre assessment of the innovation strategy.

There are several ways that can be taken to improve innovation strategies, namely by developing production systems, developing various levels of quality and developing products. With the innovation strategy, it will provide added value compared to similar products (product superiority), so that it will increase production so that competitive advantage also increases.

➢ *The Effect CRS on Company Performance*
The results of the path coefficient test indicate that CRS does not have a significant effect on marketing performance. Based on the test results, the fourth hypothesis stating that CRS has a significant effect on marketing performance is not proven (rejected). This shows that the better CRS does not necessarily improve marketing performance. CRS cannot be used as a reference to be a target for SMEs, SME products, so it cannot determine marketing performance.

The results of study are not in accordance with the opinion of Sittimalakorn and Hart, (2004) who explained that SMEs that have a high level of CRS will have high marketing performance. This is because SMEs that have a high degree of CRS will have a competitive advantage in terms of product quality, service quality, product innovation strategy and costs. SMEs that have implemented CRS will be able to provide better service so that they can satisfy their customers and can obtain higher business profits. The results of this study support Farida's research (2016) which found that CRS had no effect on marketing performance.

Based on the characteristics of the respondents, it shows that the majorityrespondents of Batik SMEs in Jember are mostly male and aged 31-40 years. SMEs who generally also have a bachelor's degree have good knowledge about the Batik SME product market in Jember. Based on the respondents' answers as a whole, it shows that some respondents have a good perception of CRS in Batik SMEs in Jember. Although some answered quite agree with CRS, this was due to the existence of a mediocre assessment of CRS in Batik SMEs in Jember.

The results of this study indicate that CRS has no significant effect on marketing performance. Although the

results of the assessment of CRS are mostly positive, the implementation of CRS in Bekasi City has not been optimal. The implementation of CRS that has been carried out in SMEs in establishing relationships with customers has been carried out so far. However, the real impact of the implementation of CRS does not provide an increase in competitive advantage. When Batik SMEs in Jember decided to implementCRS system, often the reality in the field does not run according to expectations. Investments that have been issued by SMEs do not provide results and benefits as imagined. There are several things that can cause the CRS function not to run well in Batik SMEs in Jember, including:

- *The Purpose of CRS Function is not Clear*

    The lack of clear and measurable goals in the CRS system causes Batik SMEs in Jember to be unfocused and unresolved. Batik SMEs in Jember identify whether the goals of your CRS software are achieved or not. After installing and configuring the CRS software, you must ensure that there are changes. The CRS function can be said to be successful when the goals of the CRS system are designed to satisfy SMEs, customers and users.

- *Bad CRS Strategy*

    CRS Strategy includes business capabilities in utilizingCRS softwarewith customer data to achieve business goals. One of the keys to CRS success in building a good and effective CRS is choosing the right partner. The CRS strategy that is built must be designed to face customers and be in line with the business strategy of Batik SMEs in Jember. For example, increasing revenue by increasing the number of customers, or saving costs by increasing employee productivity. In addition, the CRS strategy in Batik SMEs in Jember has not aligned all elements in SMEs, from human resources, business processes, to SME business priorities. This will make CRS in SMEs successful and sustainable.

- *Design Batik UKM in Jember Bad Business Process*

    The average business changes strategy and operations every 20 months, while business processes every 4-5 years. Batik SMEs in Jember only create new spaces to enter data. Meanwhile, the results are predictable, namely the lack of user interest and low use of CRS software and adaptation from its users. This will cause staff to continue using the usual manual methods.

- *Lack of Continuous Process Improvement*

    The target of Batik SMEs in Jember to acquire more customers, increase customer share, and improve customer retention will never end, and so will CRS software.

Batik SMEs in Jember have not succeeded in controlling the market, referred to as "market drive firms", namely Batik SMEs in Jember have not placed customer orientation and competitor orientation harmoniously so as to produce better performance of Batik SMEs in Jember. The main dimensions in CRS are customer orientation and competitor orientation as well as good inter-functional coordination. Batik SMEs in Jember that have a high level of CRS will have high marketing performance because SMEs that have a high degree of CRS will have competitive advantages in terms of; product quality, service quality, product innovation strategy and costs (Sittimalakorn and Hart, 2004).

➢ *The Effect Innovation Strategy for SME Performance*

The results of path coefficient test indicate that innovation strategy has a significant effect on marketing performance. Based on the test results, the fifth hypothesis stating that innovation strategy has a significant effect on marketing performance is proven (accepted). This shows that innovation strategy can improve the marketing performance of Batik SMEs in Jember.In addition, this study supports Darroch's research (2005) which found that innovation strategy has an influence on performance both as measured by financial performance and non-financial performance, namely market share and sales growth. This study is in accordance with Hana (2013), Cole (2015), Mu et al., (2015), Distanont and Khongmalai (2018) and Conto et.al (2016) who stated that to achieve effective competitive advantage, employee innovation strategies are needed that have a high level of performance.

Innovation can improve marketing performance, especially for Batik SMEs in Jember. This is because the innovation strategy carried out by Batik SMEs in Jember requires more than enough funds to achieve these goals without much consideration. However, because they only think short-term, operational costs end up ballooning. These costs could actually be allocated to product innovation strategies, but the budget allocated to Batik SMEs in Jember still depends on the finances of the head office. In addition, one of the things that causes the failure of innovation strategies is not presenting solutions. Batik SMEs in Jember use sophisticated technology rather than realizing solutions for consumers.

➢ *The Competitive Advantage Against Marketing Performance*

The results of path coefficient test indicate that competitive advantage has a significant effect on marketing performance. Based on the test results, the seventh hypothesis stating that competitive advantage has a significant effect on marketing performance is proven (accepted). This shows that the better the competitive advantage, the higher the marketing performance.

SME performance is also supported by competitive advantage. This is because competitive advantage improves marketing performance. Companies are required to always improve their performance by making improvements to the products they produce in order to obtain superior value compared to their competitors. Competitive advantage can be obtained from the ability of SMEs to manage and utilize the resources and capital they have.

Batik SMEs in Jember that are able to create competitive advantages will have the strength to compete with other SMEs because their products will continue to be in demand by customers. In addition, Batik SMEs in Jember. have good competitive advantages, then the capabilities within the SME are difficult to imitate by competitors. Thus, if the higher the competitive advantage possessed, it can be said that the

marketing performance is good. This study is consistent with Li's research (2000) which found a positive influence between SMEs that have competitive advantages and increased marketing performance.

IV. CONCLUSION AND RECOMMENDATIONTION

Based on the results of data analysis, the research conclusions include: 1) CRS had an effect on competitive advantage in Batik SMEs in Jember. It shows that CRS is able to increase the competitive advantage of Batik SMEs in Jember; 2) Innovation had an effect on the competitive advantage of Batik SMEs in Jember. It shows that the innovation strategy carried out by SMEs does not increase the competitive advantage of Batik SMEs in Jember; 3) Strategy Capacity has no effect on the competitive advantage of Batik SMEs in Jember. It shows that Strategy Capacity carried out by SMEs does not increase the competitive advantage of Batik SMEs in Jember; 4) CRS has no effect on the marketing performance of Batik SMEs in Jember. It shows that CRS is unable to increase marketing performance; 5) Innovation strategy had an effect on the marketing performance of Batik SMEs in Jember. It shows that the innovation strategy carried out by SMEs increases marketing performance; 6) Strategy capability has no effect on the marketing performance of Batik SMEs in Jember. It shows that the strategy capability carried out by SMEs does not increase marketing performance; and 7) competitive advantage had an effect on the marketing performance of Batik SMEs in Jember. If the competitive advantage is higher, then the marketing performance will be higher too.

The theoretical implications of the study are explained based on the theory that has been formulated by the researcher, so it can be seen that innovation strategy had an effect on competitive advantage and performance. While the findings showed that CRS also had an effect on competitive advantage and performance. However, in reality in the field, it is known that CRS does not have a significant effect on competitive advantage and performance. This is because it is still not properly applied in optimizing the application of CRS so that it does not affect competitive advantage and performance.

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