The mediating effect of marketing capability in the relationship between CRM on business performance in Indonesia and Thailand service industry

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Abstract: This study empirically contributes to customer relationship management (CRM) activities on marketing capability and business performance. The authors also investigate the mediating role of marketing capability in enhancing business performance. A quantitative approach was employed by comparing service industry companies in Indonesia and Thailand. The respondents were managers responsible for managing relationships with customers. The sample size is 406 respondents consisting of 207 from Thailand and 199 from Indonesia, who were selected using the purposive sampling method. Results indicated that CRM activities positively affect marketing capabilities and business performance. This study also found that marketing capability played an essential role in mediating the relationship between CRM activities and business performance.

Keywords: customer relationship management; CRM; marketing capability; business performance; Indonesia; Thailand.

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1 Introduction

Intensive competition has been the most challenging situation in the service industry. The growing pressures and smaller margins require a better customer care program. In such competitive pressure, customer relationship management (CRM) could become a strategic tool to improve organisational performance (Bull and Adam, 2009; Harrigan et al., 2008; Soliman, 2011). Along with developing the globalisation era and information technology, organisations need to prioritise developing relationship bonding with their customers through CRM implementation (Dubey and Sangle, 2019). Previous research findings also have proved the importance of organisational relationships with customers as the central pillar to achieve superior company performance in both manufacturing and service companies (Fotiadis and Vassiliadis, 2017; Rahimi et al., 2017; Valmohammadi, 2017).

The application of CRM is varying among different aspects of an organisation. CRM is an acceptable approach to companies in collecting, analysing, and translating their customers through managerial, organisational decisions (Ernst et al., 2010). Mohammed and Rashid (2012) describe CRM as an organisational strategy approach to utilise their internal resources (technology, people, and processes) to manage customer relationships in the corporate development cycle to achieve competitive advantage and achieve organisational performance. Becoming a customer orientation is a must to gain performance (Nuryakin and Sugiyarti, 2018). Globalisation and information technology require organisations to formulate their customer-oriented strategy as an essential concept to win the competition. Customer orientation will create new products and improve product launch performance (Rodriguez et al., 2014). It is a prevalent term in marketing to implement the marketing concept of relationships between organisations and their customers.

Academics and practitioners see the idea of organisational relationships with customers as the central pillar to achieve superior corporate performance both in manufacturing and service companies (Day and Van den Bulte, 2002). Previous researchers have carried out empirical studies analysing CRM, both in the small (Harrigan et al., 2008) and large (Kennedy et al., 2005) and in the manufacturing and service sector industry (Soliman, 2011). Several previous studies have also examined CRM with business performance, including (Day and Van den Bulte, 2002; Izquierdo et al., 2005; Reijonen and Laukkanen, 2010).

Managing customer relationships are an excellent resource for the company (Morgan and Hunt, 1994). It is a fundamental way to maintain and build business relationships (Mitrega, 2012). Relationship marketing (RM) places emphasis on critical business processes that help to retain customers. Sheth (1994) identifies the guideline of RM into ten different steps. RM spans the organisation rather than having a functional focus. Moreover, it encourages the blending of useful competencies (engineering, finance, marketing, sales, purchasing, etc.) through team-oriented process management. This perspective can be usefully compared to the more general processes of organisational renewal and network development.

CRM is closely related to information technology (Powell et al., 2018). Technological deployment processes, such as CRM and social media systems, have created an increased understanding of managing interactions with customers in the current digital era (Rodriguez and Ajjan, 2014). Various studies examine how customer-focused technologies such as CRM and social media and customer orientation processes impact sales performance. This study found that CRM and social media positively influenced customer activities' orientation, affecting sales performance. Customer focus is a central principle of market orientation.

In this study, the authors investigate the influence of CRM activities capability on marketing capability and business performance empirically. Moreover, the study also examines the crucial mediating role of marketing capability in improving business performance. This research contributes to the body of knowledge related to the theory of commitment and trust theory developed by Morgan and Hunt (1994) about RM commitment and trust theory. Further, CRM's dimensions consisting of customer orientation, CRM organisation, knowledge management, and technology-based CRM, are explained.

2 Theoretical review and hypothesis development

2.1 Resource advantage theory

This research is inspired by the resource advantage theory (R-A theory) of competition (Hunt and Morgan, 1995), which stated that a company's competitiveness relies on its resources, which are significantly heterogeneous and imperfectly mobile between firms. The term resources in R-A theory refers to the tangible and intangible assets, enabling it to produce valuable market offerings efficiently and effectively for its market segment. In contrast to the RBV, possessing valuable, durable, and inimitable tangible or intangible assets alone does not directly allow the firm to achieve sustainable competitive advantage. The companies should cultivate and deploy all value-creating, tangible and intangible entities through product-market strategy (Hunt, 2001).

Capability and competencies are intangible and involve the firm's capacity to deploy resources advantageously through product-market strategy (Hunt, 2000). They consist of bundles of skills and accumulated knowledge, enabling companies to use their resources to create value and competitive advantage (Day, 1994). R-A theory views competencies as distinct resources for product-market strategy (Hunt, 2000). Firms could build comparative advantage by combining their lower order resources into a distinctive composite of higher-order resources, i.e., competencies.

From the R-A theory perspective, intangible resources may include organisational learning, relationship, entrepreneurial skills and capabilities, culture, brands, etc. The consequences of possessing intangible assets that are heterogeneous and imperfectly mobile are the potency to create value to achieve a competitive advantage. Leveraging hard to imitate or acquire resources is essential to attain a competitive advantage. These resources should be intangible, hard to obtain, lack transparency, heterogeneous, differ among firms, and imperfectly mobile. Even if a competitor can recognise it, it is difficult for them to acquire it (Hughes et al., 2008).

The idea of R-A theory implies that relationship skills are one of the vital keys for the company to achieve a competitive advantage. This study emphasises CRM as one of the constructs under investigation. A company with successful CRM tends to possess strong marketing capability. According to previous research, which tends to conclude that capabilities positively affect performance (Moorman and Slotegraaf, 1999), having a good marketing capability will determine its business performance.

2.2 Customer relationship management

CRM, usually used interchangeably with RM (Sin et al., 2004), has been widely defined in much previous research as in banking, tourism, ICT company and SMEs (Dubey and Sangle, 2019; Sin et al., 2004; Nejatian et al., 2011; Nguyen and Waring, 2013; Rahimi et al., 2017). In a simple concept, CRM is the overall process of building and maintaining customer relationships by delivering superior customer value and satisfaction (Kotler and Keller, 2012). By broadening the scope of relationships in comprehensive management and social context. Gummesson (2004) defines it as a marketing-based relationship, network, and interaction, recognising that marketing is embedded in the total management of the selling system, the organisation, market, and society. Kohli and Jaworski (1990) state that CRM is a set of strategies to interact and manage relationships with the customers through its activities and behaviour. The relationship has become an emerging school of marketing thought that offers an essential framework for understanding, explaining, and managing the network (Nuryakin et al., 2018b). While it is still inconclusive about RM, there are two standard dimensions: customer retention and process orientation.

Meanwhile, Kalakota et al. (2001) defined CRM as integration and strategy of purchasing, marketing, and coordinated service. Three steps of CRM are:

1 Getting new customers (acquire). This first step involves giving easiness of information access, innovation, and exciting service.

2 Improving the relationship with the existing customers (enhance). The companies try to maintain the relationship with customers through the best service (customer service). The implementation of cross-selling or up-selling in the second step can increase its profit and decrease the budget in attracting the customers (reduce cost).

3 Maintaining customers (retain). This step is an effort to get the customers' loyalty by listening to customers' complaints and fulfilling customers' needs.

CRM is a multidimensional construct with four components: key customer focus, CRM organisation, knowledge management, and technology-based CRM. Key customer focus covers an overwhelming customer-centric focus Sheth (1994) and continuously delivering superior and added value to selected vital customers through customised offerings. CRM organisation means fundamental changes in how firms are organised and business processes are conducted (Sin et al., 2004). Knowledge management refers to what has been learned from experience or empirical study of consumer data. A vital aspect of knowledge management includes knowledge learning and generation, knowledge dissemination and sharing, and knowledge responsiveness. Technology-based CRM plays an essential role as accurate customer data is critical to successful CRM.

In developing a CRM strategy, a company can not be separated from technology use. Nowadays, with the development of technology and information, the idea of technological-based CRM has been investigated. CRM is an organisational approach that manages the customers in the middle of the competitive and global market, which commonly utilises the technology (Zablah et al., 2004). Furthermore, a company needs to invest money in adopting CRM by using the approach of technology. The effects of a company's success that can develop a relationship with the customers are its ability to increase its CRM program's profit. Wang and Feng (2012) stated that CRM is an essential part of its internal capability to achieve superior business performance.

Harrigan et al. (2008) proved the importance of CRM's role in running its business in the service sector and SMEs. The concept of CRM is becoming an essential part of improving the performance of the organisation. RM-based SMEs are appropriate to apply the model of e-CRM by using the internet. Internet-based technology includes utilising the web for business support and utilising e-mail to check its database delivery. The concept of e-CRM is referred to using internet technology to provide and manage relationships with the customers.

2.3 Marketing capability

The term capability and competencies have been widely used interchangeably. Competencies in marketing are commonly referred to as marketing capabilities. However, Day (1994) tries to differentiate between these two terms. Competencies are defined as routine combined with firm-specific assets to enable a specific action to be carried out. Marketing capability is a complex bundle of skills, accumulated knowledge, and collective learning, exercise through the organisational process that ensures superior coordination of functional activities and ensure the use of their assets (Day, 1994). Marketing capabilities indicate how knowledge and operational skills are deployed in organisations (Vorhies, 1998).

Based on strategic management and marketing literature, firm capabilities are essential functional areas that can lead to a lively performance (Hunt and Morgan, 1996). The concept of capability development and its impact on performance has been an important focus within the marketing field in recent years (Vorhies et al., 1999). Studies on marketing capabilities have employed contingency theory to justify structural characteristics associated with superior performance. Vorhies and Morgan (2003) analyse the best fit between marketing capabilities and organisational structure in the implementation strategy.

The dimensionality of marketing capability has been identified in much previous research. Tuominen et al. (1999) classify marketing capability into two: outward-focused marketing capabilities (marketing intelligence, segmentation, targeting, positioning and customer relationship ability) and inward-focused marketing capabilities (deployment of marketing policies across the firm and the necessary coordination between department to allocate resources and present a coherent image to the market). While Conant et al. (1990) classify into three different groups:

1 marketing research, pricing

2 product development

3 channels of distribution, promotion, and marketing management.

Meanwhile, Trez and Luce (2012) investigate marketing capabilities by dividing them into specialised capabilities and architectural capabilities.

Previous research relates to a direct positive relationship between capabilities and performance (Moorman and Slotegraaf, 1999). Moore and Fairhurst (2003) reported that the most effective marketing capabilities in version are image differentiation and promotional capability.

2.4 Business performance

Assessing business performance could be analysed from establishing a theory point of view: The resource-based view (RBV) theory (Barney, 1991). By linking firm resources and sustained competitive advantage, Barney stated that any form of resources made available to a firm could lead to favourable business outcomes if used effectively and efficiently. The underlying assumption of RBV Theory is that a firm's tangible or intangible attributes, if correctly executed, could create inimitable, rare, non-substitutable, and valuable possessions. Such an ability may benefit a firm sustainable competitive advantage.

Researchers have developed many performance measurements. Talib et al. (2017) summarised these measurements include: market share expansion, increase the number of customers, increase revenue, logistics performance, better management, enhanced consumer confidence, ease market entry, assist market expansion, potentially increase sales, impact on revenue, financial performance, customer retention, market or industry growth, customer trust, and customer satisfaction. They linked halal food certification with business performance using operational performance and financial performance. Mohammad et al. (2013) using the balance score card (BSC) approach Kaplan and Norton (1992) to measure performance. BSC includes multidimensional measures, including financial and non-financial measures (customers, internal process, learning, and growth perspective). Yıldız and Karakaş (2012) differentiate business performance with marketing performance (sales increasing and market value) from financial performance (ROA, ROE, and ROS). This idea was investigating the relationship between market orientation and performance. The concept of market orientation is referred to by Kohli and Jaworski (1990). Using the term organisational performance, Nuryakin et al. (2018a) defined business performance as how well an organisation achieves its market performance and financial performance.

The concept of CRM is also essential n assessing performance (Fatma, 2012). Implementing CRM for organisations is very important to understand their customers through the adoption of information technology. In increasingly fierce industry competition, the concept of CRM becomes very important in efforts to foster long-term relationships with its customers. Companies use CRM to communicate and interact with customers, and it becomes a corporate strategy in analysing their customers. Meanwhile, other researchers also state that CRM is a concept that previous researchers have not done a lot of research yet. However, along with the development of technology and information, in recent years, the idea of CRM has been widely studied, as in research (Chang et al., 2010; Harrigan et al., 2008, 2009; Kennedy et al., 2005; Rodriguez et al., 2014).

Nwokah and Maclayton (2006) explain that customers' focus is to place customer interests, not including those of all stakeholders such as owners, managers, and employees, to develop long-term profitability. Customer focus has a direct relationship with sales growth.

CRM is an organisational approach in managing its customers amid competition and global market pressure in utilising technology (Zablah et al., 2004). Even companies have to invest large amounts of funds in adopting CRM using a technological approach. The impact of an organisation's success in building customer relationships can be in the form of a company's ability to grow profits from its operations.

2.5 The effect of CRM on business performance

The marketing concept states that achieving organisational goals such as market share and profitability depends on its ability to effectively and efficiently determine the target market's needs and wants and satisfy more than competitors (Akroush and Al-Mohammad, 2010). The study of CRM in recent years has improved and concluding CRM as a critical element to achieving company performance (Ata and Toker, 2012). CRM becomes a fundamental concept for organisations in modern marketing management. A customer-oriented company is a company that has a higher knowledge of its customers and more outstanding market-related capabilities. This ability guarantees the company to gain higher profits compared to less market-oriented companies (Day, 1994).

Ata and Toker (2012), in their study, mention that businesses must build B2B interaction models with their customers. They further explain that the adoption of CRM has a significant effect on performance. The study also emphasises the importance of managing customer satisfaction when companies build B2B interaction patterns. Meanwhile, other researchers describe companies engaged in the financial sector such as banking, having a strategic role in developing CRM, for example, through customer focus, organisational efficiency, and customer knowledge management (Soliman, 2011). Furthermore, Soliman (2011) states a positive relationship between CRM and its marketing performance dimensions.

Mohammad et al. (2013) examine dimensions of CRM concepts, such as customer orientation, CRM organisation, knowledge management, and CRM-based technology. They investigate the effect of CRM on organisational performance from various perspectives, such as finance, customers, internal processes, learning, and corporate growth. The results find that customer orientation, CRM organisation, and knowledge management positively affect organisational performance from various financial perspectives, customers, and internal processes.

Other researchers such as Harrigan et al. (2008) prove the importance of CRM's role in companies engaged in services and SMEs. The concept of CRM is also an essential part of improving organisational performance. In RM, SMEs based on RM are very appropriate when companies implement the e-CRM model. An approach model using e-CRM for SMEs based on RM can perform using the internet. Internet-based technology includes the web for business support and e-mail to check the delivery of databases from customers. The concept of e-CRM is then referred to as using internet technology to provide and manage relationships with customers.

The number of companies adopting CRM is experiencing significant growth (Bull and Adam, 2009). CRM becomes a method to understand customers' behaviour by creating intensive communication to improve its performance. CRM attracting customers to engage in a relationship to enhance customer loyalty and profitability. CRM is an approach to collect, analyse, and describe customers through organisational actions. Companies need to shift the orientation of the product to the orientation of customers.

Customers' orientation will create new products, improving the company's new product launches' performance. According to the above discussion, this hypothesis was developed.

H1 CRM activities positively affect business performance.

2.6 The effect of CRM on marketing capabilities

Zhou et al. (2007) argue that companies must adjust their orientation towards customers or competitors in the global market. In the worldwide market, the hotel industry shows that customer orientation impacts economic growth developed in the market, such as the market in local business conditions, greater availability of resources, and customer demands. On the contrary, competitor orientation is more effective in developing markets, economical local business conditions, and in a state of natural resource scarcity.

Research conducted by Zhu and Nakata (2007) explains the importance of companies to orient their customers. Customer orientation is said to be the strength of business performance, but various research results have different effects. Kanagal (2002) asserts marketing strategies in competitive advantage in RM as critical functions in improving business performance. RM is defined as the identification, formation, maintenance, improvement of modifications, and termination of relationships with customers to create value for customers and profit for the organisation with a series of exchange relationships. The concept of relational exchange can be analysed using transaction cost analysis and social exchange theory. The role of RM in CMS includes increasing profitability, building partnerships, recording customer addresses better, buying customer attention, protecting emotionally, understanding consumers' souls, and building trust with customers.

Research by Luo (2002) concludes that cooperation, a form of partnership in joint venture activities between companies and other companies, provides a positive role in improving sales performance and returning investment. In comparison, Clarke and Fuller's (2011) study examine the part of multi-organisation cross-sector social partnerships (CSSP), which focus on collaborative strategic management with the results of research showing an impact on company performance.

Other empirical evidence shows efforts to integrate market orientation to build international marketing (Lengler et al., 2013). Besides, several studies have examined the influence of customer and competitor exposure on export performance. It shows that customer orientation has a relationship with export sales; competitor orientation relates to corporate profits.

Based on these studies, the following hypotheses can be developed.

H2 CRM activities has a significant positive effect on marketing capability.

2.7 The effect of marketing capability and business performance

CRM is becoming an essential concept in improving the service industry's performance (Mohammed and Rashid, 2012). The idea of CRM has become a critical and prevalent concept for both academics and business practitioners. The idea of CRM becomes an essential part of improving business performance.

According to Morgan (2011), a company's marketing performance is determined by marketing capabilities and marketing resources. Marketing capabilities are closely related to dynamic capabilities, cross-functional coordination, architectural capabilities, and companies' specialisation. While marketing performance is reflected in sales, customer satisfaction, customer retention, and market share are served by the company. Lin and Peng (2008) imply that performance results from organisational and operational activities, including achieving corporate goals and internal and external achievements. Further, business performance is defined as attaining organisational goals regarding sales growth, profits, and market share. Many companies try to adopt specific strategies to lead and achieve purposes (Panigyrakis and Theodoridis, 2009). One effort to achieve company goals and process control is by measuring performance.

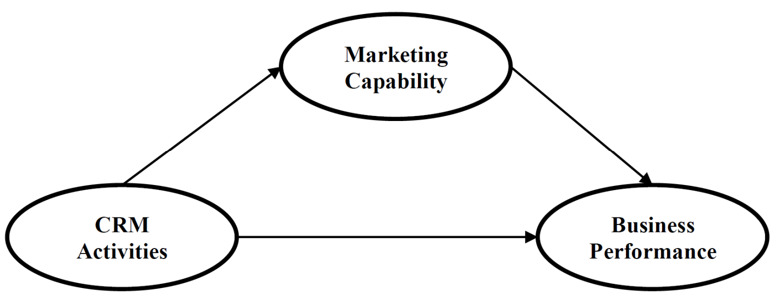
Huang et al. (2010) describe the three-dimensional concepts that can measure business performance. These three dimensions include business competition, manufacturing performance, and process efficiency. The dimensions of business competition include profitability, sales growth, total quality costs, and the company's ability to build new businesses. Manufacturing performance is focused on the average use of production machinery, production cycle time, operating costs, and customer satisfaction, both internal and external. The efficiency process is related to whether the company has carried out efficiency and effectiveness in its operational functions (Huang et al., 2010).

Based on these studies, the following hypothesis was developed.

H3 Marketing capability positively affect business performance.

Based on the review of previous studies, the following research model is developed.

Figure 1 Research model



3 Method

This study seeks to examine the correlational relationships between exogenous and endogenous constructs. The design of our research is a quantitative causal survey. The setting is small and medium service companies in Indonesia and Thailand. Indonesia and Thailand were chosen based on the similarity of geographic location as well as demographic characteristics. Our respondents are managers and owners of small and medium service companies in both countries. The target area for data collection is Yogyakarta Province for Indonesia and Khon Kaen Province for Thailand. Both provinces were chosen as they represent the variability of service business player characteristics of both countries.

Table 1 Respondent characteristics

Respondent characteristic	*Thailand sample (N = 207)*		*Indonesia sample (199)*	
	Number	*Percent*	*Number*	*Percent*
Age (years)				
≤25	1	0.5%	6	3.0%
26–30	7	3.4%	15	7.5%
31–35	81	39.1%	73	36.7%
36–40	95	45.9%	83	41.7%
41–45	13	6.3%	13	6.5%
>45 year	10	4.8%	9	4.6%
Gender				
Male	185	89.4%	167	83.9%
Female	22	10.6%	32	16.1%
Respondent job title				
Owner/manager	200	96.6%	187	94%
Staff	7	3.4%	12	6%
Education level				
Junior high school	5	2.4%	155	77.9%
Diploma	193	93.2%	27	13.6%
Undergraduate	9	4.3%	17	8.5%
Postgraduate	-	-	-	-
Total	207	100%	199	100%

The sampling method is purposive sampling. We employed these criteria for our respondents:

1 services company

2 having customer database

3 building CRM program.

The initial sample size was 406, consist of 199 samples from Indonesia and 207 from Thailand. They include the hotel industry, trade and retail, travel agents, spas, massage and beauty salons, banking sector, private universities, hospital and health services, insurance, communication and service providers, and logistics and transportation services.

The data collection method is using a questionnaire. We employed a self-administered and online questionnaire. We contacted the services companies' managers and owners to ask their willingness to join our survey and confirm whether they would participate via an online questionnaire or offline ones. Both offline and online questionnaires contain the same item of questions.

Table 1 showed the demographic profile of the managers or owners of service companies from Thailand and Indonesia, who participated in the study. The final sample showed that only 347 samples met the qualifications through screening and trimming steps for further analysis.

3.1 Measurements

The authors conducted a literature review to develop the measurement of the variables. A five-point Likert scale (1 strongly disagree – 5 strongly agree) questionnaire was developed to measure the three variables, i.e., CRM activity, marketing capability, and business performance. CRM activity measurements were using five items. While marketing capability was measured with five items, and business performance is measured with five items.

Table 2 Validity and reliability test results

	Component			*Cronbach alpha*
	1	*2*	*3*	
crm1		0.718		0.880
crm2		0.703		
crm3		0.734		
crm4		0.823		
crm5		0.793		
mc1	0.740			0.898
mc2	0.784			
mc3	0.833			
mc4	0.766			
mc5	0.669			
bp1			0.712	0.826
bp2			0.650	
bp3			0.756	
bp4			0.669	
bp5			0.613	

3.2 Validity and reliability testing

A validity test was conducted using factor analysis to identify the loading factor of each indicator. Simultaneously, the reliability test was also performed to measure the Cronbach alpha of each construct. The instrument's validity is obtained by identifying the value of loading factors on each variable CRM activities, marketing capability, and business performance. The indicator of each variable rotated component matrices. The validity test results showed loading factors of each indicator of CRM activities are greater than 0.6. The indicators of marketing capability are greater than 0.6. The indicators of business performance are greater than 0.6. It means that all indicators are valid.

Meanwhile, the reliability test results are indicated by the value of Cronbach alpha. Reliability test results showed that Cronbach alpha for three variables is greater than 0.6. It means that the three variables under investigation are reliable. Table 2 showed the results of the validity and reliability test.

4 Result

The descriptive statistic value of the mean, standard deviation, and correlation between CRM activities, marketing capability, and business performance constructs can be seen in Table 3.

Table 3 Descriptive statistic and correlations

	Mean	*Standard deviation*	*1*	*2*	*3*
CRM activities	3.809	0.814	1.000		
Marketing capability	3.747	0.803	0.590**	1.000	
Business performance	3.573	0.746	0.586**	0.680**	1.000

Notes: *correlation is significant at the $p < 0.1$ level (2-tailed). **correlation is significant at the $p < 0.05$ level (2-tailed). ***correlation is significant at the $p < 0.01$ level (2-tailed).

The value of correlation score CRM activities on marketing capability showed a significant value (0.590**). The relationship of CRM activities on business performance constructs indicated a strong correlation score (0.586**). The correlation of marketing capability on business performance constructs showed a strong correlation (0.680**). The research findings indicate a significant relationship between CRM activities on marketing capability and business performance. The research also showed a strong relationship between marketing capability on business performance.

In this study, hypothesis testing uses a path analysis approach in testing the mediation regression with path analysis use SPSS program. A series of regression analyses are conducted to test the whole model and its components by trying several stages, the testing phase of direct effect and the effect of mediation (Ata and Toker, 2012). A significant immediate effect is found between CRM activities on business performance and an indirect effect between CRM activities on business performance with marketing capabilities to explain mediating variables. The testing hypothesis model using regression analyses are conducted to test the whole model and its components. A significant relationship is found between CRM activities and marketing capability, and business performance.

Table 4 Test results of multiple regression for CRM activities on business performance

CRM activities and business performance	*Predictor variables*	*β unstd.*	*β std.*	*t*	*Sig.*
Dependent variable: business performance	CRM activities	0.502	0.586	13.431	0.000
Adj. R^2 0.341 – sig. 0.000					

Table 5 Test results of multiple regression for CRM activities on marketing capability

CRM activities and marketing capability	*Predictor variables*	*β unstd.*	*β std.*	*t*	*Sig.*
Dependent variable: marketing capability	CRM activities	0.598	0.590	13.566	0.000
Adj. R^2 0.341 – sig. 0.000					

Table 6 Mediating regression for CRM testing results, marketing capability on business performance

CRM, marketing capability and business performance	*Predictor variables*	*β unstd.*	*β std.*	*t*	*Sig.*
Dependent variable: business performance	CRM activities	0.243	0.284	6.099	0.000
Adj. R^2 0.517 – sig. 0.000					
Dependent variable: business performance	Marketing capability	0.433	0.513	11.020	0.000
Adj. R^2 0.517 – sig. 0.000					

Results are shown in Tables 4–6. The results of testing on Hypotheses 1 through Hypothesis 3 are described as follows.

Statistically, Hypothesis 1 testing results, which tested the relationship of CRM activities on business performance, are shown in Table 2. Table 2 shows the results of the regression coefficient value of the relationship between CRM activities on business performance indicated by the value ($t = 13.431 > 1.96$) with a significance value ($0.000 < 0.05$). These results indicated that CRM activities affect business performance. Hypothesis 1 is accepted. Hypothesis testing 2 examined the relationship of CRM activities to marketing capability showing the results of the regression coefficient value of the relationship between CRM activities on marketing capability as indicated by the value ($t = 13.566 > 1.96$) with a significance value ($0.000 < 0.05$). These results suggest that CRM activities affect marketing capability. Hypothesis 2 is accepted. Hypothesis 3 testing examined the mediating role of CRM activities relationships on business performance through marketing capability shows the results of the regression coefficient values indicated by the value ($t = 11.020 > 1.96$) with a significance value ($0.000 < 0.05$). These results suggest that marketing capability mediates the relationship of CRM activities to business performance. Hypothesis 3 is accepted.

5 Discussion

This study seeks to answer the research objectives, namely contributing to CRM activities' capabilities on marketing capability and business performance empirically. This study also proves the crucial mediating role of marketing capability in improving business performance. This research also contributes to the body of knowledge related to the theory of commitment and trust theory developed by Morgan and Hunt (1994) about RM commitment and trust theory.

The first finding in this study explains that CRM activities have a significant effect on business performance. This study's results align with Ata and Toker's (2012) research, demonstrating that CRM adoption significantly affects performance. The study also shows that companies have a strategic role in developing CRM (Soliman, 2011). This finding supports the previous research explaining that CRM has improved, concluding CRM is critical to achieving company performance (Ata and Toker, 2012). Soliman (2011) also found a similar result, which states a positive relationship between CRM and performance.

The second finding in this study explains that CRM activities have a significant positive effect on marketing capability. This study's results are in line with research by Zhu and Nakata (2007), which explains the importance of companies to orient their customers. Kanagal (2002) also explains the need for marketing strategies in competitive advantage (CMS) in improving business performance. This study supports the previous research by Luo (2002) that explain cooperation, a form of partnership activities, provides a positive role in improving sales performance. This research was also proving the previous studies conducted by Clarke and Fuller (2011), which explain the part of multi-organisation CSSP and focus on collaborative strategic management with the results of research showing an impact on company performance.

The third finding in this study explains that marketing capability has a significant effect on performance. The results of this study are in line with previous studies, which concluded that the success of a company's marketing performance, according to Morgan (2011), is determined by marketing capabilities and marketing resources. The results of this study are also in line with previous studies. It says that companies that seek to adopt specific strategies in leading and achieving the goals set (Panigyrakis and Theodoridis, 2009). This finding supports the previous who explain the efficiency process is related to whether the company has carried out efficiency and effectiveness in its operational functions (Huang et al., 2010).

6 Limitation

This study provides an essential contribution in testing the mediating role of marketing capability in CRM activities' relationship to business performance. The findings offer practical and theoretical consequences. Practically, this study's results provide implications for service businesses to continuously maximise their close relationships with their customers. The results of this study also recommend that direct marketing capabilities improve business performance. This study also suggests that marketing capabilities need to focus on business companies to improve performance to create superior service for customers, develop services that are fast in responding to customer desires, and adapt to customer demand.

Based on the results, recommendations for the service sector's need to continuously respond to customers, create clear marketing targets, and build creative marketing strategies. This study provides essential guidance for future research, including developing a more comprehensive empirical research model on the service industry's characteristics in the same scope, for example, the trade sector, retail sector, and hospitality sector. Recommendations related to this study sample should be more selective in choosing respondents, given the respondents' characteristics are very heterogeneous to allow a biased response.

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