Model of Relationship Marketing Partnerships Between Batik SMEs and Batik Distributors in Central Java, Indonesia

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ABSTRACT

This article develops and tests the model for the determinants of satisfaction and loyalty. The aim of this study is to analyze: (1) the effect of confident on relationship quality, (2) the effect of confidence on mutual benefit, (3) the effect of mutual benefit on relationship quality, (4) the effect of relationship quality on satisfaction, (5) the effect of mutual benefit on satisfaction, (6) the effect of mutual benefit on loyalty, and (7) the effect of satisfaction on loyalty. This model was tested using data obtained from 131 batik dealers in Semarang, Indonesia. The hypotheses are tested using Partial Least Square (PLS), all supported by the results of the confirmation of confidence, mutual benefit, which are found to be the key drivers of relationship quality, satisfaction and loyalty. This study emphasizes the role of relationship quality and mutual benefit as mediation for the variables of confidence and loyalty. The implications of the findings in this research towards the application of relationship marketing are: First, effort should be made to increase the confidence between suppliers and dealers who help market the product. Second, to ensure a long-term partnership between the enterprising parties, the quality of relationship between suppliers and craftsmen or Small and Medium Enterprises (SMEs) should be enhanced, so that the satisfaction of craftsmen or SMEs will be the better. Third, Craftsmen or SMEs should be more transparent in determining the mutual benefit with suppliers to improve satisfaction so as to create a profitable partnership for both enterprising parties. Fourth, satisfaction of dealers with craftsmen or SMEs should be increased so that the craftsman or SMEs can provide and meet the required product requested by the dealers in a timely manner.

KEYWORDS
Confidence, Mutual Benefit, Relationship Marketing, Relationship Quality, Satisfaction and Loyalty

INTRODUCTION

The profile of industrial sector in Central Java batik comprises of 8231 small and medium enterprises engaging in the creative industry, with a workforce of 43,589 people and a total investment of Rp. 844,0083,301,000. In the city of Semarang currently exist 40 SMEs involved in Batik Semarangan, with a workforce of 149 people (Disperindag, Central Java, 2011-2014). Semarang city has many

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Small and Medium Enterprises (SMEs) active in the creative industry namely batik, embroidery, fashion, food and beverage all across Semarang. From development of Batik Small and Medium Enterprises (SMEs) data in Semarang, actual sales targets of batik production are still low in figure with 2007 target amounted to 20,150 units / fabric which increased up to 2010 target which amounted to 65,802 units / fabric, while in 2011 the target of batik production decreased to 58,350 units / fabric, to 57,120 units / fabric in 2012. Steady increase was found in 2013 figure of 78,208 and in 2014 with 86,761 units / fabric. The marketing activity for this business is confirmed to be fluctuating in nature.

The problem in Batik SMEs in Semarang lies in the inefficient market absorption of products, leaving manufacturers difficult to market their products to market. Distribution channel of the system still uses the old pattern that is an intermediary marketing through distributors, wholesalers or retailers. Therefore, existing cooperation and partnerships are largely based on relationship marketing, so partnerships between SMEs, distributors, wholesalers and retailers are expected to run well and mutually beneficial.

The results showed that the client relationship and commitment, Word of Mouth significantly affect satisfaction, yet transparency does not play significant role on the quality of relationships (Basheer, 2014). Findings of Crucere and Moise (2014) confirm that the sales force, sales activities, profits orientation are all performed to maintain customer loyalty by building a mutually beneficial and sustainable relationship. Kanibir (2014), in his research, explains that there are ways which can improve marketing performance of SMEs in the context of international marketing. Marketing relationships are further supported with research findings of Jia and Wang (2013) which mention that confidence of marketing channels can strengthen can strengthen relationship marketing which helps companies adapt to various market environments. Furthermore, Brettel (2012) presents the findings of a study to test the design of relationship marketing business model which support the notion that there is a positive increase in the relationship between the companies and the customers. Other findings from Farida (2017) and Palmatier (2007) shows that the quality of the relationship, perceived control among buyers, sellers, and businesses has a positive effect on the financial results of the businesses. In agreement with the former is a further research (Ardyan et al., 2016) which confirms that collaboration and business networking is important in conducting collaborative relationships between sellers and buyers through the marketing mediator within marketing channels namely distributor, wholesaler, and retailer. Results in studies by Kumar (2009) find that strengthening the implementation of marketing strategies is carried out through marketing relationships which promote satisfaction, retention, and loyalty. The importance of the quality of the relationships is also confirmed by Skarmeas (2008) who states that the quality of the relationships between import and export distributors is positively related to investment and performance.

This study differs from previous studies in that it implements relationship marketing; the quality of the relationship between producers or SMEs with dedicated distributors in Indonesia; craftsmen enconfidence their products to be marketed by distributors and in turn they receive the sales result. This study develops and tests the model for the determinants of satisfaction and loyalty. The aim of this study is to analysis: (1) the effect of confidence on relationship quality, (2) the effect of confidence on mutual benefit, (3) the effect of mutual benefit on relationship quality, (4) the effect of relationship quality on satisfaction, (5) the effect of mutual benefit on satisfaction, (6) the effect of mutual benefit on loyalty, and (7) the effect of satisfaction on loyalty. The model confirms that the confidence factor serves as an important foundation in building sustainable relationships and cooperation.

The structure in this paper are as follows: (1) introduction; (2) literature review; (3) research methods; (4) the results of hypothesis testing; (5) research finding and theoretical implication.

**LITERATURE REVIEW**

The traditional marketing paradigm from the 90s only involved two parties, namely the seller and the buyer, whose relationship between them ends as the transaction closes. However, new paradigms in
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