

# Governance Advantages And Customer Relationship Quality In Improving The Marketing Performance Through Competitive Advantages In Rural Banks

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## *Abstract*

This research aims to analyze the effect of governance and customer relationship quality on marketing performance at Rural Banks (BPR) in Banten and West Java. In addition, this research also analyzes the efforts to improve marketing performance through competitive advantage. The population in this research was 399 Rural Banks in Banten and West Java. The sampling technique used saturated samples through questionnaires with 262 respondents as the sample. The data collection was conducted through questionnaires based on validity and reliability criteria, and was analyzed through path analysis method. The results of this research indicates that the quality of customer relationships has no effect on competitive advantage while the relationships have a positive and significant effect on marketing performance. Furthermore, the governance excellence has a positive and significant effect on marketing performance and competitive advantage has a positive effect on marketing performance. Then, it can be concluded that the excellence of BPR governance has a positive effect on competitive advantage.

Keywords: Governance Excellence, Customer Relationship Quality, Competitive Advantage, Marketing Performance.

## **INTRODUCTION**

Indonesian banking performs its duties and function based on the principle of prudence. The main function of Indonesian banking is as a collector and distributor of public funds that aims to support the national development implementation in order to increase equitable development, economic growth and national stability for improving citizen lives. The banking

structure in Indonesia consists of commercial banks and rural banks (BPR). The main difference between commercial banks and rural banks (BPR) is in their operational activities, that BPRs cannot create demand deposits and have a limited range of operations. Furthermore, it adopted a dual bank system in its business activities, for example commercial banks can conduct the business activities of conventional banks and based on sharia principles. While the principle of BPR activities is limited to the rules of Bank Indonesia, that it only conducts business activities as a conventional bank or based on sharia principles. Currently, Rural Banks that part of national banking is regulated through OJK Regulation, Number: 20/POJK.03/2014 based on considerations to encourage national economic growth and support dynamic business development that requires resilient and efficient national banking. BPR institutions need to be strengthened to actualize a healthy, strong, productive and competitive industry in order to improve services to the community, especially for micro, small and medium enterprises.

The establishment of rural bank is an effort to assist the people with middle to lower class economy through taking and fulfilling credit for community businesses. This can be seen from the large number of BPRs that have grown in the community starting from the village, sub-district, to district level in each province in Indonesia. Based on BPS data in 2022, the number of rural banks in Banten is 64 banks including BPR and BPRS, and there are 244 BPR head offices in West Java (Sobana et al., 2020). The large number of BPRs that grow in the community as well as the existence of Commercial Banks with a variety of products that remain to be developed can trigger the competition in Indonesian Banking Industry, especially in the scope of BPRs. This phenomenon encourages BPRs to innovate and strengthen their marketing performance. Marketing performance is a measure of achievement obtained from the marketing process activities in a company or organization. In addition, marketing performance can be used as a parameter to determine the extent of achievement that has been achieved (Nofrizal et al., 2021). In addition, marketing performance can be achieved with supporting factors, both internally and externally. Internal BPRs are sought to evaluate each work to create superior BPR bank governance.

In achieving excellence performance, it requires good corporate governance capabilities. According to Puspita et al. (2020) corporate governance is a system that aims to create company value effectively and efficiently by adhering to the principles of transparency, accountability, responsibility, independence, fairness, and equality. The implementation of governance is important both for commercial banks and BPRs to increase the customer confidence in banking institutions. Banks that have good governance will attract investors that they will receive a return on the funds

invested. One of the principles of good governance is transparency and responsibility that relates directly to consumers. The relationship between customers and BPR banks is strongly influenced by the quality of service provided because since it become company strategy to fulfill the customer satisfaction and loyalty to BPR banks (Prayogi & Rokan, 2022). The good quality of customer relationships is identified when they have full knowledge of the products issued by bank, for example find out the information and provide recommendations of bank product to their relatives and friends. Customer relations can be maintained harmoniously when the bank prioritizes consumer comfort in every transaction or the services provided exceed from the customer expectations. In addition to maintaining customer relations, this is good governance is used for maintaining bank's reputation in community.

Rural Banks (BPR) in Banten and West Java must have a competitive advantage since there are numerous BPR in Banten and West Java that should to survive and remain chosen by consumers according to predetermined targets. Generally, competitive advantage can be obtained from company's ability to process and utilize its resources and capital, which result in improvements, product innovation and service quality for customers, to the promotion in target market (Ishaq, 2020). This can be the company's distinguish features that can compete with both similar companies and companies that are in different industrial environments. Competitive advantage can be created by implementing good management with good governance will obtain good decisions and can increase the company's value along with business efficiency to gain a competitive advantage.

Competitive advantage can be achieved when the company has differences or advantages that are not owned by competitors in the same industry. Rural Banks can conduct promotions as an effort to attract consumers by describing its best products based on customer needs (Tjiptono & Chandra, 2012). Promotional strategies are important for banks to attract people to keep their money in the form of savings and deposits that able to increase bank capital for lending and maintain the bank health. After consumers conduct their credit transactions, the bank's obligation increases to implement the principles of responsibility and transparency by maintaining the quality of relationships with customers. Customer trust and loyalty will indicate the good quality of the relationship that has been built, and the services provided to customers will increase customer trust or distrust depending on the response provided by the Bank itself (Halizah et al., 2022).

There were BPRs that went out of business in 2019 due to losing competition with online loans which are currently in great demand by the

public because of its easy requirements. In addition, there are customers who feel disadvantaged because BPRs do not have good corporate governance principles that cause bad credit. The factors of global ecosystem and the changes in consumer behavior also become threat to Rural Banks when they do not remain innovate as an effort to survive. Rural Banks are one of the pillars of the community's economy that its establishment is needed for economic circulation. Based on the phenomena above and the importance of BPR for Indonesian economy in the future, this research aims to determine the advantages of governance excellence and the quality of BPR customer relations through competitive advantage to improve the marketing performance of Rural Banks in Indonesia.

## **LITERATURE REVIEW AND RESEARCH HYPOTHESES**

### **Governance Excellence, Customer Relationship, Competitive Advantage, and Marketing Performance**

Good corporate governance is a process and structure used to manage the business and relation of the company in increasing business prosperity and corporate accountability, with the aims of creating long-term value for shareholders based on their interests. The managers are expected to make the best decisions that will ultimately provide good results in achieving competitive advantage. The intensifying level of competition between companies also increases the company's need for competitive advantage in order to maintain its market or to expand its market. Traditionally, competitive advantage can be defined as an advantage of attributes and resources of an organization that allows it to outperform others in the same industry or the same product (Chaharbaghi & Lynch, 1999) in creating value from the products produced for the customers that will have an impact on the relationship between customers and banks. The customer trust in product value is the main factor of good quality relationship. Relationship quality is a met construct that consists of several core components to reflect the whole relationship between the company and the customer (Soewarno & Tjahjadi, 2020). These three factors support the achievement of marketing performance. Marketing performance is a measure of achievement obtained from whole marketing activities of a company or organization and can be used as a parameter to determine the extent of achievement that has been achieved (Nofrizal et al., 2021).

### **The Effect of Governance Excellence on Competitive Advantage**

Corporate governance is also known as Good Corporate Governance (GCG) that consist of six basic principles, such as transparency, accountability, responsibility, independence, fairness, and equality that must be owned by

the company. The companies that have good governance will be able to increase competition to maintain their position and expand their marketing reach. The research on the effect of governance on competitive advantage has been discussed by Affandi et al. (2020) stated that there is a positive and significant relationship between governance excellence and competitive advantage. In line with this, the governance has a significant influence on the company's competitive advantage (Linggahua et al., 2023). Based on the previous research, the temporary hypothesis in this research is:

H1: There is a partially positive influence between governance excellence on competitive advantage.

### **The Effect of Customer Relationship Quality on Competitive Advantage**

The quality of the relationship is closely related to the service provided by the seller to the buyer. In this research, Rural Banks as product sellers must provide good customer service to create the good quality customer relationships. The relationship between customers and BPR banks is strongly influenced by the quality of service provided since it is a company strategy to fulfill the customer satisfaction and loyalty to BPR banks (Prayogi & Rokan, 2022). The quality of customer relations indicates from the customers attitude towards the bank and their curiosity about the product. The research by Halizah et al. (2022) states that relationship quality has a significant effect on customer trust. The customers' trust will provide great opportunity for the company in the future. In line with this, Akob and Sukarno, (2022) states that there is a positive relationship between company reputation and competitive advantage. Based on the previous research, the temporary hypothesis in this research is:

H2: There is a partially positive influence between customer relationships on competitive advantage.

### **The Effect of Competitive Advantage on Marketing Performance**

Every company that competes in an industrial environment wants to become superior from its competitors. Competitive advantage is the company's ability to process its resources and capital effectively in increasing its performance (Ishaq, 2020). Marketing performance is a factor that is often used to measure the impact of strategies that have been implemented. The higher the product offered, it will have an impact on achieving maximum marketing performance (Ishaq, 2020; Udriyah et al., 2019). This is also in line with research conducted by Naninsih et al. (2022) that competitive advantage has a positive influence partially on marketing performance of SMEs in Makassar. Based on the previous research, the temporary hypothesis in this research is:

H3: There is a partially positive effect between competitive advantage and marketing performance.

#### **The Effect of Governance Excellence on Marketing Performance**

The company always conducts an evaluation every month in to examine the things that need to be improved in corporate governance system, also formulate the right formula for improving company performance through the corporate governance. This is in line with the research conducted by Berthelot et al. (2010) which examines the influence between corporate governance ratings and financial performance in companies listed on Canadian stock exchange. It concluded that the governance score in general has a significant positive effect on stock prices (marketing performance). Based on the previous research, the temporary hypothesis in this research is:

H4: There is a positive and partially significant influence between customer relationships on marketing performance.

#### **The Effect of Relationship Quality on Marketing Performance**

Relationship quality indicates through service quality or consumers' perceptions of the quality of a product or service in accordance with customer expectations. According to Artanti et al. (2020) relationship quality is the level of conformity in fulfilling the customer needs related to the product and its quality. When the company offered high quality product in accordance with market needs, there will be a reciprocal relationship that is very beneficial for the company in marketing performance. The research related to the effect of relationship quality on marketing performance has been conducted by Chu et al. (2016) which shows that there is a positive value of the effect of market orientation through relationship quality on marketing performance. Also, the relationship quality has a partially effect on marketing performance in MSMEs in South Kalimantan. In line with this, Putra and Putri (2019) stated that the quality of long-term relationships has a positive and significant effect on marketing performance. Based on the previous research, the temporary hypothesis in this research is:

H5: There is a positive and partially significant influence between relationship quality on marketing performance.

#### **Competitive Advantage Mediates the Effect of Governance Excellence on Marketing Performance**

Rural Banks must be able to aware with the market changes and for they can compete with their competitors. Through this awareness, BPRs can increase and maximize their strengths. Governance excellence is one of the strategies used to improve marketing performance mediated by competitive

advantage. Previous research conducted by Naninsih et al. (2022) states that competitive advantage mediates the effect of market orientation on marketing performance. This indicates that competitive advantage is able to support and strengthen the influence of market orientation in to improve its marketing performance. This is in line with Munawar & Munawar and Widiyanesti, (2021) that shows a positive relationship between competitive advantage which is an intervening variable in the value chain relationship with customer satisfaction. Based on the previous research, the temporary hypotheses in this research is:

H6: Competitive advantage mediates effect of governance excellence on marketing performance.

### **Competitive Advantage Mediates the Effect of Relationship Quality on Marketing Performance**

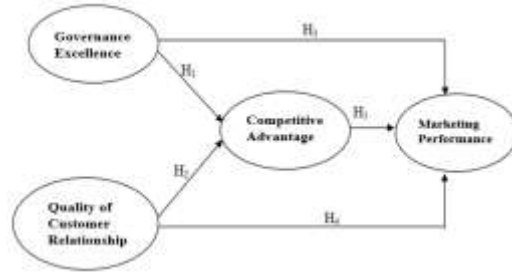
The quality of the relationship formed between BPR and customers is expected to improve the marketing performance of the BPR itself through a supporting competitive advantage as an intervening variable, which is one of the supporting factors to improve the marketing performance. Palwaguna and Yasa, (2021) stated that there is a positive relationship between competitive advantage on marketing performance and successfully mediates the influence between market orientation on marketing performance. In line with this, Dewi and Ekawati, (2017) also stated that the quality of the relationship formed by BPR institution which is mediated by the ability to compete through the product values is able to influence the marketing performance. Based on the previous research, the temporary hypotheses in this research is:

H7: Competitive advantage mediates the effect of relationship quality on marketing performance.

### **METHODOLOGY**

This research uses an explanatory quantitative approach to provide an explanation of the causal relationship between variables through hypothesis testing, as well as to explain the variables studied until obtaining the conclusion (Ferdinand, 2011). The variables in this research consist of independent variables, such as governance excellence (X1), customer relationship quality (X2), intervening variable competitive advantage (Z), dependent variable marketing performance (Y). The description of the research design is shown in Figure 1:'

### **Figure 1: Research Design**



Source: Processed by Researchers (2020)

The topic in this research is about improving the marketing performance. According to Kotler, marketing is the process of individuals or communities obtaining and needing goods by creating, offering, and exchanging products or services of value to others. The marketing performance variable referred to in this research is a measure of achievement obtained from the whole marketing process activities in a company or organization (Nofrizal et al., 2021). Marketing performance is influenced by governance excellence variables which are internal factors of the company, a system that aims to create company value effectively and efficiently by adhering to the principles of transparency, accountability, responsibility, independence, fairness, and equality (Puspita et al., 2020). Through these values, it will create the good customer relationship. According to Halizah et al. (2022) customer relations are customer trust and loyalty to the products provided by the seller. Tjiptono stated that marketing requires a strategy that the company plans to develop competitive advantage variables, called the company's ability to process and utilize its resources and capital for their value that is different from competitors (Ishaq, 2020). Furthermore, this research was conducted at Rural Banks Banten and West Java.

The population used in this research were 399 Rural Banks (BPR) which operating and providing services to the public in Banten Province and West Java. The sampling technique used in this research is saturated sampling. That used the whole population as the samples (Sugiyono, 2014). There are 262 Rural Banks (BPR) in Banten and West Java that used as a sample in this research. The data collection method or research instrument used in this research is through questionnaire that distributed to respondents. The questions in closed questionnaire were made through the scale of 1-10 and used Likert scale to obtain interval data. The answer to each instrument item using the Likert scale has the gradations from very positive to very negative, which can be in the form of words, including: number 1 to express the respondent's opinion "Strongly Disagree" while number 10 to express the respondent's opinion "Strongly Agree".

## RESULTS



### Validity Testing of Research Results

Validity testing is used to indicate the degree of accuracy between the actual data that occurs on research object and the data collected by the researcher. While, reliability test is used to determine the degree of data consistency within a certain time interval (Sugiyono, 2014). The Likert scale is used to describe the data that has been collected when testing the research questionnaire, and the interval calculation was used to calculate the scale from 1 to 10. According to Arikunto, (2011) the right scale is used 4 answer choices that have extreme differences and do not provide alternative answer choices, but this can be modified according to research needs. This research using a scale of 1-10 with the additional options to gather the feedback from the possible recommendation. Then the collected data was analyzed through SPSS application for it can be concluded the answers from respondents regarding the questionnaire.

The Structural Equation Model of the Partial Least Square (PLS) Approach is to tests or analyzes the empirical research model. Convergent validity in the measurement model analysis can be seen from the outer loading value in the analysis results. Convergent validity analysis is used to identify measures and determine important or dominant factors in reflecting a factor in forming latent variables. The significant indicators in measuring or forming latent variables (constructs) when the t value (critical ratio) is bigger than the t table (1.96) or the loading factor value is bigger than 0.50 with a significant level smaller than 0.05. The results of loading factor values of latent variable indicators in this research is explained in Table 1 below.

**Table 1: The Results of Loading Factor Indicators of Research Variables**

Variables	Indicators	Loading Factors	t-statistic Values
<b>Governance Excellence (X<sub>1</sub>)</b>	1. Intelligent in conveying various information transparently (KTK_1)	0.698	9.532
	2. The ability to produce strategies that have advantages (KTK_2)	0.756	10.615
	3. Specific ways to fulfill	0.815	18.923

<b>Variables</b>	<b>Indicators</b>	<b>Loading Factors</b>	<b>t-statistic Values</b>
	shareholder interests (KTK_3)		
	4. The uniqueness of placing moral and ethical values in every business process (KTK_4)	0.829	29.103
	5. Competent in protecting the ability of various elements of the company (KTK_5)	0.734	8.730
<b>Quality of Customer Relationships (X2)</b>	1. Maintain trust (KHP_1)	0.768	10.236
	2. Give each other information (KHP_2)	0.803	10.096
	3. Emotional closeness (KHP_3)	0.853	19.220
	4. Give offers (KHP_4)	0.660	5.807
	5. Customer first (KHP_5)	0.818	15.604
	6. Keeping the deal (KHP_6)	0.668	6.752
	7. Avoid conflict (KHP_7)	0.753	14.381
	8. Distribution on time (KHP_8)	0.689	17.202
<b>Competitive Advantage(Z)</b>	1. Quality of service that is difficult to imitate (KUB_1)	0.813	12.848
	2. Quality service (KUB_2)	0.767	14.877
	3. Product Innovation (KUB_3)	0.752	8.648

Variables	Indicators	Loading Factors	t-statistic Values
	4. Products that are different from competitors (KUB_4)	0.857	39.852
<b>Marketing Performance(Y)</b>	1. High income growth (KNP_1)	0.845	29.450
	2. The high growth in the number of customers (KNP_2)	0.813	26.050
	3. High profit growth (KNP_3)	0.759	11.615
	4. The high growth of working capital (KNP_4)	0.791	15.367

Source: Processed primary data (2020)

From the table above, it can be seen in the results of the calculation of Convergent validity value which shows that all variable values of Governance Excellence (X1), Customer Relationship Quality (X2), Competitive Advantage (Z) and Marketing Performance (Y) have bigger values than the cross-loading value of other variables. Apart from observing the cross-loading value, discriminant validity can also be known through other methods, by examining at average variant extracted (AVE) value for each indicator, which is required to be > 0.5 for a good model (Ghozali & Latan, 2012). The discriminant validity value in the research results is shown in the following table.

**Table 2: Average Variance Extracted (AVE)**

	Average Variance Extracted (AVE)	vAVE	Description
Governance Excellence (X <sub>1</sub> )	0,869	0,932	Valid
Quality of Customer Relationships (X <sub>2</sub> )	0,844	0,919	Valid
Competitive Advantage (Z)	0,789	0,888	Valid
Marketing Performance (Y)	0,737	0,858	Valid

Sources: Processed primary data (2020)

Based on the table above, it explains the value of AVE and the root of AVE from the variables of Governance Excellence (X1), Customer Relationship Quality (X2), Competitive Advantage (Z) and Marketing Performance (Y). It can be seen that each of these constructs (variables) has an AVE value above 0.5. This shows that each of these constructs has a good validity value or the questionnaire used to determine the results of governance excellence (X1), customer relationship quality (X2), competitive advantage (Z) and marketing performance (Y) are valid.

### Reliability Testing of Research Results

Composite Reliability is used to test the reliability value of indicators on a variable. A variable is reliability when it has a composite reliability value > 0.7. The following is the composite reliability value of each variable used in this research:

**Table 3: Reliability Testing Results**

Variable	Composite Reliability	Cronbach's Alpha	Information
<b>Governance Excellence variable (X<sub>1</sub>)</b>	0,877	0,824	Reliable
<b>Quality of Customer Relationships (X<sub>2</sub>)</b>	0,913	0,895	Reliable
<b>Competitive Advantage (Z)</b>	0,875	0,810	Reliable
<b>Marketing Performance (Y)</b>	0,878	0,817	Reliable

Sources: Processed primary data (2020)

The Cronbach's alpha value of all variables has good reliability because it has a value > 0.70. The results of composite reliability and Cronbach's alpha show that the variables have met the reliability requirements and able to be analyzed, called evaluating the inner model and checking the goodness of fit of the research model.

## DISCUSSION

### The Level of Competitive Advantage Increases along with Governance Excellence

These results prove that governance excellence affects the competitive advantage. The higher the governance excellence, it increases the level of competitive advantage, which means that governance excellence has a positive effect on competitive advantage in Rural Banks (BPR) in Banten and West Java. The issue of corporate governance has become an interesting issue in modern corporate governance practices, especially in the relation to

accountability since it will provide the benefits from good governance practices. The issue of governance has become more concern due to the scandals in various companies including accounting fraud, which ultimately brought down the profitability of large companies like Enron Corporation and MCI Inc (formerly World Com) in 2001-2002.

Sachitra et al. (2016) argues that physical resources including physical technology, plant and equipment, geographical location, and access to raw materials are rarely capable of generating sustainable competitive advantage since these resources are relatively easy to imitate and can migrate across locations. From these types of resources, the source of true sustainable advantage are the invisible assets or core competence of human capital and organizational skills that can be firm-specific (Schneider, 2018).

Sparrow and Makram, (2015) emphasized that the main thing to protect the organization differentiation is to use the unique resources of the company which refers to the concept of isolation mechanism. The isolation mechanism in Resource Based Theory is a resource feature that prevents other firms from obtaining and replicating the resources owned by the firm (Kozlenkova et al., 2014). From this explanation, the company needs company-specific resources to protect its differentiation. One of the company-specific resources in this research is Isolative Governance Advantage that will result in the management of resources for the formation of company-specific resources.

The competitive advantage will be maintained when there are capabilities that can create advantages supported by resources that are not easily imitated by competitors, or can be expressed in other words that the company's resources must be a barrier to imitation (Barney, 1991). The achievement of a company's competitive advantage can be understood with Resource-based Theory. Barney (1991) argues that in Resource-based Theory, competitive advantage occurs when the resources are heterogeneous and resources cannot move and the competitors cannot take the resources owned by the company.

### **The Competitive Advantage Increases along with the Quality of the Customer Interactions**

This research found that the quality of customer relations has no effect on competitive advantage in Rural Banks (BPR) in Banten and West Java, and the findings of this research do not prove this hypothesis. These results explain that the better quality of customer relations does not have a major influence on increasing competitive advantage in Rural Banks (BPR) in Banten and West Java. From the path coefficient of 0.163 and a positive sign, this indicates that the relationship between customer relationship quality and competitive advantage is unidirectional. It has the potential to increase

the competitive advantage of Rural Bank (BPR) in Banten and West Java through the improvement in the quality of customer relationship.

The customer relationships are essential factor. Some researchers have proven this statement, such as Dwyer et al. (1987) which found the evidence that building good relationships with customers is a logical consequence for companies to survive in the competition with other companies. According to Iturrioz et al. (2015) the intermediaries try to conduct cooperative relationships, partnerships or distribution programming. There are several measures that can be used to determine the closeness of relationships with customers Mullins et al. (2014) such as good communication and familiarity, attitude and company acceptance by customers, and trust, loyalty and commitment to customers.

Competition is an effort to outperform rivals in order for one side to succeed and reach objectives more quickly and effectively. Competitors are usually seen as a threat by most companies. In general, the businesses want to reduce competitors' market shares for gaining the market share and looking for ways to prevent new competitors in entering the market. However, the right competitors can strengthen the company's competitive position rather than weaken it. Kukk (2022) states that the competition is the main indicator of a company's success or failure. The competition determines the appropriateness of company activities that can contribute to company performance such as innovation, cohesive culture or good implementation.

Competitive advantage grows from the value or benefits created by the company for its buyers bigger than the expenses incurred by the business to produce it. These values and benefits are what buyers are willing to pay for, and superior value comes from offering a lower price than competitors' prices for equivalent benefits or offering unique benefits that exceed the price offered. Then, there are two basic types of competitive advantage, called cost advantage and differentiation. This research explains how a company gain a cost advantage or how the company can differentiate itself. In addition, this research also examines the choice of competitive scope, or variety of activities that plays an important role in determining competitive advantage.

Bayraktar et al. (2017) emphasizes the competitive strategy on analyzing industry structure and competitors in various industrial environments, although it also contains many implications for competitive advantage. The research begins by assuming an understanding of industry structure and competitor behavior. It also emphasizes how to understand the competitor behavior into competitive advantage. Unfortunately, the actions to create competitive advantage often have important consequences for industry structure and competitors' reactions.

### **The Governance Excellence Increases along with the Marketing Performance**

The results of this research prove that governance excellence has a positive effect on marketing performance at Rural Banks (BPR) in Banten and West Java. The governance excellence increases along with the marketing performance. Napitulu et al. (2020) stated that good corporate governance (GCG) is needed to encourage the efficient, transparent and consistent markets with laws and regulations. The main objective of good corporate governance (GCG) is to create a system of checks and balances to prevent misuse of company resources and encourage the company growth (Purbawati et al., 2019). The good corporate governance conducted by company based on the transparency desired by customers.

According to Purbawati et al. (2019) the companies that implement good governance experience a significant increase in marketing performance. In addition, the research by Bastomi et al. (2017) shows that companies that implement good Corporate Governance experience an increase in average marketing performance, and a significant decrease in risk. Moreover, the research result by Imran et al. (2020) found that the companies which implement good governance experienced a significant increase in expected stock returns. Furthermore, the results of Zhao et al. (2021) research on companies listed on Hong Kong capital market show that companies which implement good governance experience a significant increase in marketing performance (corporate performance).

### **The Marketing Performance Increases along with the Quality of Customer Relationships**

The results of this research prove that the quality of customer relationships has a positive effect on marketing performance at Rural Banks (BPR) in Banten and West Java. The marketing performance increases along with the quality of customer relationships at Rural Banks (BPRs) in Banten and West Java. According to Lages et al., (2005) relationship quality is measuring the relationship quality between an organization and its customers. The researchers developed a new measurement scale in Relqual scale to assess the level of relationship quality between customers and producers in exporting firms and importers. In Relqual scale, the result shows that relationship quality is measured by four multi-item scales, including amount of information sharing, communication quality, long-term orientation, and relationship satisfaction.

The results of this research consistently show that according to Francisco-Maffezzolli et al. (2014) relationship quality is indicated by five things, such as punctuality, trust, commitment, communication quality, cultural

similarity, and balance interdependence that are whole positive effects of relationship quality. These five factors positively measure the relationship quality. Some researchers have tested the influence between these five factors in measuring relationship quality, as has been researched by Jiang et al. (2016) who measured the correlation between communication, trust, and commitment to relationship quality which obtained a positive and significant correlation coefficient value.

The research results are consistent according to Kim & Byon, (2018) through the research that measures consumer interaction from the consumer's perspective. The analysis was conducted on 16 companies from UK and Germany along with 129 consumers. The research conducted that the level of a company's relationship with its customers and the qualification of client demand will influence how inventive its products are. The research results are consistent with Urban and von Hippel, (1988) in testing the lead user, that the lead user proved to present unique and useful data for a new product and its responsive solution. The new product concepts generated on the basis of user data were highly favored by research respondents from PC-CAD users.

The concept of relationship quality has emerged from theory and research in relationship marketing (Ledikwe et al., 2019; Oraedu, 2019) that aims to strengthen the strong relationships and to turn indifferent customers into loyal ones (Ismail, 2023). The relationship quality consists of trust, commitment and satisfaction. The variables of trust, commitment and satisfaction are the most frequently studied. Some previous studies focus on component issues of customer relationship management, called satisfaction and business performance.

### **The Marketing Performance Increases along with the Competitive Advantage**

The results of this research prove that competitive advantage has a positive effect on marketing performance at Rural Banks (BPR) in Banten and West Java. The higher the competitive advantage, it increases the level of marketing performance at Rural Banks (BPR) in Banten and West Java. Aqmal and Putra, (2021) states that competitive advantage can be indicated from the company's position in the competition which is analyzed by its strengths and weaknesses compared to its competitors. Competitive advantage comes from the company's ability to maintain the superiority of its resources and capabilities. Competitive advantage means superiority of skills and resources based on customer perceptions or achievement of lower costs, market share and profitability Marketing Performance. Competitive advantage can be obtained largely from resources and capital.



Srikalimah et al. (2020) emphasizes the importance of competitive advantage grows from the value or benefits from a company for its buyers more than the cost incurred by the company. Buyers are willing to pay for this value or benefit, and the great value comes from offering a lower price than competitors' prices for equivalent benefits or offering unique benefits that exceed the price offered. Srikalimah et al. (2020) argues that competitive advantage should be viewed as a dynamic process rather than the result.

Furthermore, Sihite et al. (2016) explains that companies that produce products and services must paying attention to the concept of competitive advantage in improving the profit and as method of surviving in business competition. Grover et al. (2018)states that competitive advantage consists of three dimensions, such as longevity, difficulty to imitate, and ease to match. Competitive advantage will be improving business Marketing Performance through profit growth, sales growth, and customer growth. The research results Yasa et al. (2020) explain that competitive advantage has a positive influence on Marketing Performance.

#### **Competitive Advantage mediates the Effect of Governance Excellence on Marketing Performance**

The results of data analysis show that the path coefficient of governance excellence on marketing performance with competitive advantage mediation is positive, with 0.562 and has a t-statistic value of 4.462. This value is bigger than 1.96, which means that there is an effect of competitive advantage on managerial performance mediated by competitive advantage. The role of competitive advantage variables in this relationship is partial mediation. Based on these results, it can be concluded that the sixth hypothesis in this research is accepted, means that competitive advantage is able to mediate the effect of governance excellence on marketing performance.

#### **Competitive Advantage mediates the effect of Customer Relationship Quality on Marketing Performance**

The results of data analysis show that the path coefficient of transformational customer relationship quality on marketing performance with competitive advantage mediation is positive, with the t-statistic value is 1.832. This value is smaller than 1.96, which indicates that there is no effect of customer relationship quality on marketing performance with competitive advantage mediation. In addition, the competitive advantage variable does not have mediating role in this relationship. Based on these results, it can be concluded that the seventh hypothesis in this research is

rejected, means that competitive advantage is unable to mediate the effect of customer relationship quality on marketing performance.

## **CONCLUSION AND RECOMMENDATION**

### **Conclusions**

After conducting the research, analysis, and discussion for drawing the conclusions to answer the temporary conjecture in this research, called the excellence of BPR governance has a positive effect on competitive advantage. Furthermore, relationship quality has no positive effect on competitive advantage. Governance excellence has a positive and significant effect on marketing performance. Customer relationship quality has a positive and significant effect on marketing performance, while competitive advantage has a positive effect on marketing performance. Customer relationship quality is able to influence marketing performance mediated by competitive advantage. In addition, competitive advantage is not able to mediate the relationship between governance excellence and marketing performance.

### **Recommendation**

The quality of customer relations has no effect on competitive advantage, it is recommended that companies need to improve their ability to respond to the success rate of customer relations and various kinds of appropriate competitive strategies by increasing insight, knowledge and competence about marketing science. Besides, it is necessary to increase business instincts through courage in making decisions by minimizing existing risks. The companies should be able to create quality customer relationships towards competitive advantage in competitive strategies. In addition, banks must be able to serve customers well with competitive interest rate services, emphasize the innovation/creativity and have the courage to take risks. The results of direct and indirect effects explain that the role of competitive advantage in mediating the effect of governance excellence on marketing performance. The companies that implemented the good governance will not create or have a competitive advantage that will be able to improve company performance.

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