

**THE INNOVATIVE ROLE OF DIGITALIZATION
MOTIVATES SMES MAINTAIN PRODUCTS
BASED ON LOCAL CULTURE**
(Research on Songket Woven Fabric SMEs in Sidemen Village,
Klungkung District, Karangasem Regency, Bali Province)

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Abstract

Bali has a variety of customs, cultures that are different from other regions, traditional characteristics are expressed in a songket cloth which is full of meaning and contains a very deep meaning. The work of each region has its own style and variety, where the songket cloth from Sidemen Village has unique characteristics, especially the appearance of motifs and colors, so that they are used as the advantages of regional products. This study purposes to increase competitiveness through digitalization which motivates SMEs to maintain their local culture through product differentiation, innovation, customer relationship management and customer value based on local wisdom. Samples were taken from 150 SMEs of songket cloth using the sampling method and analyzed by SEM (Structural Equation Modeling) model. The results of the study conclude that product differentiation and innovation have an influence on customer value through customer relationship management. Suggestions are proposed that the maximum value for customers by developing continuous innovation without losing the characteristics of Bali with all its creativity in building a positive image, so that it can contribute to business continuity, especially SMEs.

Keywords – *product differentiation, innovation, CRM, customer value, SMEs*

1. Introduction

Bali is one of island in Indonesia that has unique culture heritage and still very attached with Bali's life society. Balinese culture considered a lot as inheritance great Indonesian culture and sublime. Culture value that still upheld in Bali can becomes opportunity income for the people in Bali itself, as are many SMEs craftsmen products local in Bali. Few of them also help to improve the surrounding economy better. Increasing people's income can help the regional economy much better. It showed by the Bali's economic developments that increase in the second quarter of 2017 compared to the first quarter of 2017, but tended to be slower when compared to the second quarter of 2016.

Bali's economy recorded growth of 5.87% (yoy) in the second quarter of 2017, higher than the previous quarter of 5.74% (yoy), with real output reaching Rp35.94 trillion. Bali's economic performance in the second quarter of 2017, was higher than the national economic growth in the same period, which was 5.01% (yoy). The improvement in Bali's economic performance in the second quarter of 2017, from demand was driven by increased investment performance and the still strong performance of foreign exports. Meanwhile, the offer to improve Bali's economic performance in the reporting period was driven by the increased performance of most of the main business fields, (BI, BPS, SKPD, Related). Empowerment of the people's economy is to increase the income and welfare of the community as well as expand the field of workers, it is necessary to improve and strengthen the ability of SMEs to become healthy, strong and independent SMEs. Community economic development is a priority scale to realize the importance of empowering SMEs. The large number of Micro, Small and Medium Enterprises (MSMEs) in Denpasar City is a separate asset that will strengthen the foundation of the regional economy, besides that the participation of MSMEs can realize economic growth, equity, and increase people's income, create jobs, and alleviate poverty.

The improvement of the Balinese economy is very prominent, namely the results of simple handicrafts but have high uniqueness and uniqueness, especially in the production process, namely songket woven cloth from Sidemen village. In Bali, there are several cities that have songket weaving, namely Singaraja City, namely Jinengdalem Village which is famous for its songket cloth, in Klungkung City which is famous for Gelgel songket cloth. A similar phenomenon is also found in Karangasem, precisely in Sidemen Village, there are several songket weaving craft businesses scattered in every banjar of Sidemen Village.

Sidemen Village is located in Klungkung District within the scope of Karangasem Regency, Bali Province with a population of 427,481 people (<http://www.karangasemkab.go.id>). This area is one of the tourist attractions in Bali, has several advantages that can be developed, can improve the local economy and become one of the regional cultural identities. Like the community of songket woven fabric craftsmen who are spread in several areas, Sidemen Village, Klungkung District, Karangasem Regency is the center of the famous songket woven fabric production in Bali (Atmaja, 2013).

Like the well known Balinese weaving community, namely in Sidemen Village in Karangasem Regency as one of the centers of woven fabric production in Bali. Weaving cloth is a daily activity in almost all houses in this Sidemen village, carrying out their routine activities as weavers. Almost everyone in this village can weave, learning from their parents from generation to generation.

Balinese songket has its own characteristics and patterns compared to songket weaving from other regions, and is part of the wealth of Indonesian woven fabrics that must be preserved and developed. Traditional Balinese songket is woven from pure colored silk with gold threads that form ornate patterns of various motifs, which are provided for Balinese residents of Brahmin descent, the highest caste in Hindu.

Songket itself become one of important part of Balinese culture because it has often used in many Bali's culture celebration, such wedding, traditional ceremony, religious ceremony or others. As one of unique culture figure in Bali and along with the times also to increase the selling value of the songket cloth, the local community tried to make wallets and bags from Sideman songket cloth. Of course, this is hunted by consumers as Balinese souvenirs when they come to Bali, especially to Sidemen village. Songket nowadays has many modified become modern without remove the essence value from the songket itself. We can found the songket showed and introduced at fashion show or another show about fashion.

The modification of this songket becomes a form of product differentiation that can be useful for the songket craftsmen themselves and make the songket cloth more diverse. Diversity in products needs to be addressed positively seen from the competition in the market where the product that is differentiated is how consumers know about the product choices available in the market (Nishino et al., 2014). Product differentiation is a means in the company's actions to design or create a difference to its products that are characteristic of different competitors' products (Cravens et al., 2013). So it can be interpreted that product differentiation is a stage carried out by a business in making products that are adrift from competitors both in terms of physically visible form, philosophy and product manufacturing techniques that are able to create profits for the business itself. For consumers, a product that has a unique difference will be of special interest which becomes an added value for the product. So the importance of a business having a uniqueness that can be an identity to distinguish it from other competitors' products. Positive product differentiation greatly contributes to the performance of business organizations, especially SMEs because it became a competitive advantage and the product rated different from the other products in the market industry.

In this context it is stated that product differentiation can be an alternative choice where consumers choose directly. Galeotti (2010), successful product differentiation is one that is able to integrate the content, context, and infrastructure of the company that produces the product so that it can be added value and can be offered to customers (Kotler, 2017). In general, product differentiation can appear with a different image or with a higher quality. Product differentiation will provide added value for consumers so that they have the potential to increase their growth and competitiveness.

Innovation according to Hills Gerald (2008), states that ideas/practices/objects that are considered to have something new by individuals/other user units. A company's ability to use new organizational forms and processes can increase its ability to search for new opportunities internally, prepare products and things externally by expanding the market. Research conducted by Charles et al (2002) emphasizes that innovation is part of the framework, linking aspects of corporate culture with the ability to innovate (raw materials, human resources, other supporting materials) in increasing product value through purchasing decisions.

Customer relationship management (CRM) is one of the most important aspects of a business organization which has an important role, especially in increasing the number

of loyal customers to the company's products (Zafar, 2015). CRM is a management strategy that is said to be strong for managing interactions and organizational relationships with existing customers. This strategy can help business organizations to be able to retain customers in a responsible way (Agnihotri et al., 2016). The development of information technology is so rapid at this time, marketers are encouraged to be active in using electronic media in carrying out their marketing, namely the transition from traditional methods to faster and modern digital devices (Hoque & Hamid, 2019).

Value chain as a tool to identify ways to create more customer value, where each company is a synergy of activities undertaken to design, produce, market, deliver, and support its products. The success of a company depends not only on the success of each part in carrying out its duties, but also on the success of coordinating various superior activities. A piece of batik cloth that can provide customer value if it has benefits (prestige) for the wearer, adjusted for the costs incurred, but can provide comfort by delivering high quality and identifying customer needs, communication with customers is harmonious, refinement of a piece of batik is carried out at the location of the production process the right one, (Febrianti, 2011).

The crucial problem that occurs is how the traditional songket woven fabric is able to survive in the midst of the hustle and bustle of such a fast fashion development. The strong influence of globalization is also increasingly threatening the existence of songket as local wisdom of the archipelago. The slow development of songket woven fabrics that are less varied in creating production designs where the songket is devoted to religious ceremonies. In addition, songket woven fabrics are considered difficult due to special designs that limit it, so that the innovations carried out are limited to predetermined rules, this is related to CRM which has an impact on customer value that is less than optimal so that it does not get an overall market response because it collides with the standard/rules. traditionally defined.

Based on the description of the problems above, the authors are interested in conducting research with the title The innovative role of digitalization motivates SMEs maintain products based on local culture (Research on songket woven fabric SMEs in Sidemen Village, Klungkung District, Karangasem Regency, Bali Province).

The scope of this research variable is limited to 4 variables studied, namely Product Differentiation (X1), Innovation (X2), Customer Relationship Management (Y), and Customer Value (Z).

- a. How big is the influence of Product Differentiation, Innovation on Customer Value through CRM Songket Sidemen Bali;
- b. Is there a relationship between CRM and Songket Sidemen Bali Customer Value;

Product Differentiation Definitions, Concepts and Indicators

An important aspect that should be addressed positively in terms of competition in the market where products are differentiated is how consumers know about the product choices available in the market (Nishino et al., 2014). Product differentiation is a means in the company's actions to design or create a difference to its products that are characteristic

of different competitors' products (Cravens et al., 2013). The entry of new products into the market will shift customers' choices from old products to the new products. So that product differentiation will positively contribute greatly to the performance of business organizations, especially SMEs. In this context, it is stated that product differentiation can be an alternative choice where consumers choose directly. (Galeotti et al., 2010) successful product differentiation is one that is able to integrate the content, context, and infrastructure of the company that produces the product so that it can be added value and can be offered to customers (Kotler, 2017). Product differentiation will provide a new experience for consumers in obtaining their various needs, so that differentiation is also considered an accurate strategy in terms of marketing.

To explore the elements that exist in product differentiation, Kotler (2017), product differentiation includes; (1) form, (2) features, (3) performance, (4) reliability, (5) easy to understand, (6) uniqueness, and (7) design. This research is devoted to the dimensions of design and uniqueness to describe product differentiation in the context of SMEs. High competition demands business owners to be able to adapt to developing situations and trends (Suprihanto, 2018). Although many SMEs, especially in the songket industry, have sprung up, there are still many owners who are less adaptive in creating trends in products. Therefore, craftsmen in the songket industry should develop the value of songket products by modifying their products to increase the value of differentiation for their own songket from similar products in the industry. Product differentiation can create a new trend in related products in the market.

The customer estimates which offering provides the most value, and strives for maximum value, constrained by search costs, knowledge, mobility, and revenue. According to Kotler & Keller (2012) customer value is a collection of perceived values/benefits that can increase the value of customer offerings through increasing product benefits, service benefits, personal benefits, and image benefits. On the other hand, the collection of costs that customers perceive to be incurred in evaluating, obtaining, using, and eliminating an offering that incur costs include monetary costs, time costs, energy costs, and psychological costs.

H1: Product differentiation affects customer value

Innovation

There is no limit to one's ability to create products through ideas and ideas that can show the face of Indonesia, innovation is needed to express the abilities that are poured into an amazing work. Product innovation is product introduction new in the market using different technologies and having different benefits higher to consumers than existing products. Innovation is one of the impacts of rapid technological change and high product variety that will determine organizational performance. High innovation, both process innovation and product innovation, will increase the company's ability to create quality products. Product innovation is needed to meet market demand, so that product innovation can be used as a company's competitive advantage.

The foresight of songket craftsmen in Sidemen Village in collaborating between the designs of the desired image patterns can produce a piece of songket cloth without

having to submit to the binding standards/rules so far. As times change and tastes continue to develop, the views of most people on the pattern of the fabric songket began to change. Adapting to these changes requires innovation in almost all businesses, to be able to meet changing market demands which are placed on the company's top priority scale. Innovation can also continue to develop through changes in a sustainable manner, present in the rhythm of modern life, and up to date (Febrianti, 2011).

The role of companies that want change in all fields, Kotler (2017) where: Main power balances between one's abilities and needs, Materials, adjustment of raw materials and other supporting materials in the implementation of the production process. Machines are needed to help smooth the production process. Innovation development is a step that can be explored continuously and realized into an idea or idea, in the form of a product or service in accordance with market needs, especially responding to changes in customer tastes. This has an impact on positive things that will be received by customers with values and benefits that are felt directly.

In accordance with the wishes of the customer where the customer value that will be received is a benefit that is related to each other, the songket itself, how to produce it, who does it and in the end, it gives an attractive impression for the products it offers. Although it is possible that what is offered to customers, of course there are some costs that the company must pay to provide value to its customers.

H2: Innovation affects customer value

CRM capabilities in an organization can affect its performance towards profit (2017). Hollensen (2011) has identified four dimensions in CRM that focus on (1) bonding, (2) trust, (3) empathy, and (4) reciprocity. CRM practices have a good capacity to increase the customer base especially in the context of SMEs. However, CRM implementation can only be successful if there is a good integration between knowledge management capabilities and information technology (Wang & Feng, 2012). Likewise, research by Hoque and Hamid (2019) which states that the effect of CRM has an impact on customer value which results in loyal consumers.

The concept that long-term relationships are more profitable than short-term transactional relationships in organizational philosophy. Knox et al. (2007) this is of course related to what value the customer will receive and what benefits he will receive. Customer Relationship Management (CRM) which comprehensively addresses customer needs, expectations and behavior and manages these factors to influence business performance (Jain et al., 2007). Gebert (2003) CRM as a system that focuses on managing the relationship between the company and its current and prospective customer base, as the key to success. Dyché (2002) provides a view that CRM as a business infrastructure enables the means to create and retain customers and increase their value.

Product differentiation is equally important for companies, especially SMEs in developing the ability to create new designs. In this context, it is stated that product differentiation can be an alternative choice where consumers choose directly. Galeotti (2010), successful product differentiation is one that is able to integrate the content, context,

and infrastructure of the company that produces the product so that it can be added value and can be offered to customers (Kotler, 2017). Hollensen's research (2011) states that there is a significant influence on CRM on purchasing decisions. Likewise with the research of Hoque and Hamid (2019) which states that the effect of CRM has an impact on purchasing decisions that result in loyal consumers.

H3. Product differentiation, innovation affects customer value through CRM

CRM implementation can only be successful if there is a good integration between knowledge management capabilities and information technology (Wang & Hui, 2012). The success of a CRM system lies in the effective management and implementation of the customer knowledge gained so that it will have an impact on purchasing decisions (Alvarez-Milán et al., 2018). Hollensen's research (2011) states that there is a significant influence on CRM on purchasing decisions. Likewise with the research of Hoque and Hamid (2019) which states that the effect of CRM has an impact on customer value expected by customers which results in consumers being loyal to the products offered by the company.

Customers have been predicting which offer provides the most value, and trying to get the maximum value, constrained by search costs, knowledge, mobility, and revenue. Although the success of a company depends not only on the success of each part in carrying out its duties, but also on the success of coordinating various superior activities. A sheet of batik cloth that can provide value for customers if it has benefits for the wearer, this is adjusted to the costs incurred, but can provide comfort by delivering high quality and identifying customer needs, communication with customers is harmonious, perfecting a sheet batik is done at the right location for the production process, (Febrianti, 2011).

H4: CRM Relationship with Customer Value

2. Method

This method is a tool to measure construction indirectly through indicators and analyze indicator variables, latent variables, and measurement errors. The analysis provides clarity on the relationship and the magnitude of the influence between the research variables. The characteristics tested in this study are product differentiation, innovation, and CRM which are suspected to play a significant role in customer value. The method used in this study is the SEM (Structural Equation Modeling) method which analyzes the relationship between indicator variables and latent variables which is called the measurement equation, the relationship between one latent variable and another, Cooper et al (2006). A sample of 150 SMEs of traditional songket woven fabrics from Sidemen Village, Klungkung District, Karangasem Regency, Bali Province.

Calculation of data analysis was carried out with the help of Lisrel 12.0.1 program. Operationalization of variables includes the dimensions of each variable, in this study there are 18 parameters consisting of 7 parameters Product Differentiation, 3 parameters Innovation, 4 parameters Customer Relationship Management, and 4 parameters Customer Value. Parameters using numerical weights ranging from 1 to 5. Completeness of the study

required information from SMEs Traditional songket woven fabrics from Sidemen Village, Klungkung District, Karangasem Regency, Bali Province based on the indicators of each variable.

3. Result and Discussion

Data Validity and Reliability Results

The questionnaire data used has passed the Validity and Reliability test. The validity test uses the product moment correlation value approach (validity index) where the statement item is declared valid if the statement item correlation coefficient 0.30 and the reliability test uses Cronbach's alpha formula where the questionnaire is declared reliable if the alpha coefficient > 0.7 (Barker - Pistrang, 2016 ;70). The test results showed that all the four questionnaire items contained 18 valid statements (rcount > 0.3 and Reliable (alpha > 0.7).

Table 1. Results of Questionnaire Validity and Reliability

Statement item	Index Validity	Coefficient reliability	Statement item	Index Validity	Coefficient reliability
Product differentiation			Customer Relationship Management		
DP1	0.654	$\alpha=0,886$	CRM1	0.698	$\alpha = 0,850$
DP2	0.636		CRM2	0.708	
DP3	0.660		CRM3	0.710	
DP4	0.741		CRM4	0.696	
DP5	0.737				
DP6	0.706				
DP7	0.638				
Innovation			Customer value		
Inv1	0.629	$\alpha = 0,775$	NP1	0.629	$\alpha = 0,781$
Inv2	0.638		NP2	0.634	
Inv3	0.605		NP3	0.529	
			NP4	0.607	

Data Descriptive Score Results

The results of the average response score of 150 respondents for the Product Differentiation variable which was measured using 7 statement items of 3.12 were in the interval 3-4 and included in the fairly good category. The results of the average response score of 150 respondents for the Innovation variable which was measured using 3 statements of 3.35 were in the interval 3-4 and included in the fairly good category. The results of the average response score of 150 respondents for the Customer Relationship Management (CRM) variable which was measured using 4 statement items of 3.02 were in the interval 3-4 and included in the fairly good category. The results of the average response score of 150 respondents for the Customer Value variable measured using 4 statement items of 3.17 are in the interval 3-4 and are included in the fairly good category.

Table 2. Descriptive Score

Variable	Indicators	Total Score	Avg.	Note
Product differentiation	7	3278	3.12	Fair
Innovation	3	1506	3.35	Fair
CRM	4	1814	3.02	Fair
Customer value	4	1903	3.17	Fair

SEM (Structural Equation Model)

The results of the calculation of the SEM (Structural Equation Model) model to test the effect of Product Differentiation (X1) and Innovation (X2) through Customer Relationship Management (Y) on Customer Value (Z) based on survey data are presented in Figure 1.

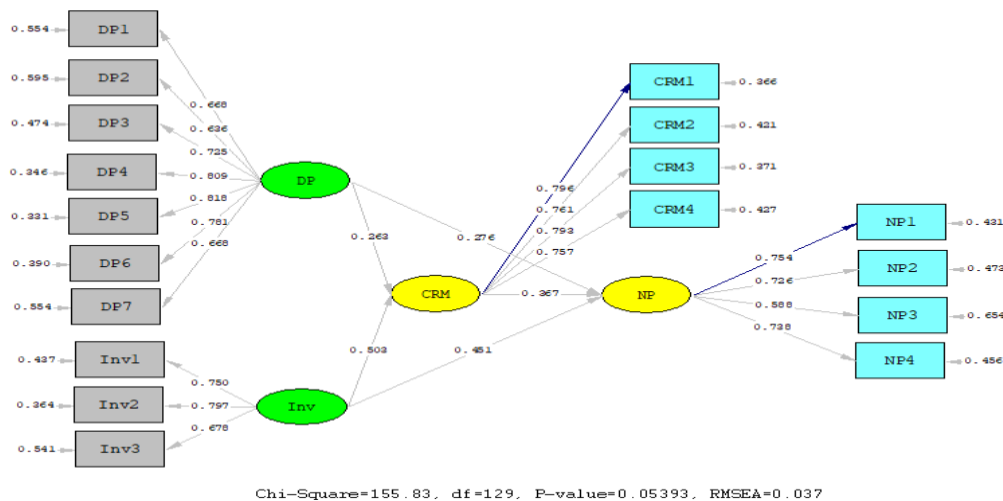


Figure 1. Structural Model

Measurement Model Test Results

The measurement model is a model that connects the latent variable with the manifest variable. In this study, there are 4 latent variables with a total of 18 manifest variables. The results of the measurement model test for each latent variable indicator are described in Table 3 as follows:

Table 3 Summary of Measurement Model Statistical Computing Results

Latent Variable	Manifes Variable	Loding Factor (λ^2)	R ² (λ^2)	E (Error Variance)	Score t	CR	VE	Notes
Product differentiation	X1.1	0.668	0.446	0.554	7.337	0.889	0.537	Valid-Reliable
	X1.2	0.636	0.405	0.595	6.838			Valid-Reliable
	X1.3	0.725	0.526	0.474	8.064			Valid-Reliable
	X1.4	0.809	0.654	0.346	10.738			Valid-Reliable
	X1.5	0.818	0.669	0.331	11.720			Valid-Reliable
	X1.6	0.781	0.610	0.390	11.782			Valid-Reliable
	X1.7	0.668	0.446	0.554	7.805			Valid-Reliable
Innovation	X2.1	0.750	0.563	0.437	8.542	0.787	0.557	Valid-Reliable
	X2.2	0.797	0.636	0.364	10.245			Valid-Reliable
	X2.3	0.678	0.459	0.541	7.877			Valid-Reliable
Customer Relationship Management	Y1.1	0.796	0.634	0.366	-	0.859	0.604	Valid-Reliable
	Y1.2	0.761	0.579	0.421	10.873			Valid-Reliable
	Y1.3	0.793	0.629	0.371	9.044			Valid-Reliable
	Y1.4	0.757	0.573	0.427	8.285			Valid-Reliable
User score	Y2.1	0.754	0.569	0.431	-	0.796	0.497	Valid-Reliable
	Y2.2	0.726	0.527	0.473	11.398			Valid-Reliable
	Y2.3	0.588	0.346	0.654	6.732			Valid-Reliable
	Y2.4	0.738	0.544	0.456	10.075			Valid-Reliable

The results of the calculation of the loading factor and the value of the t test in table 3 for each indicator (manifest variable) of the latent variables in the SEM model used are above the ideal loading factor average of 0.5, which ranges from 0.5 to 0.9. All manifest variables/indicators have a t-test value of more than 1.96, which indicates that each manifest variable is significant in forming latent variables. So the indicators (manifest variables) of the latent variables in the SEM model are all valid and can be used to explain each latent variable. Construct Reliability (CR) for the four latent variables is greater than the recommended 0.7. This means that the latent variables formed have good and consistent reliability. A variance extracted (VE) value of more than 0.5 indicates that the formed variable already has more than 50% of the information for each indicator (the information contained in each manifest variable can be represented in the latent variable).

Result of Structural Model Test

To see whether the model obtained has met the size of the model's accuracy (Goodness of fit measures / GoF) so that it can be said that the model obtained from the comparison between the data and the model is good, it can be seen based on the following criteria:

Table 4. Goodness of Fit Model SEM Result

<i>Goodness of Fit Indeks</i>	Cut-off	Computation result	Evaluation Model
Chi-Square (X^2)	df = 129 ; $\chi^2_{tabel} = 103.765$	155,83	Fit (Baik)
P-Value	$\geq 0,05$	0.05393	Fit (Baik)
CMIN/df	≤ 2	1,2080	Fit (Baik)
<i>Root mean square error of approximation (RMSEA)</i>	$< 0,08$	0.037	Fit (Baik)
AIC	Small value, and close to AIC Saturated	*M = 719.734 *S = 649.608	Fit (Baik)
NCP Interval	Small value	26.834 (0 ; 62.426)	Fit (Baik)
ECVI	Narrow intervals	*M = 1.610 *S = 2.295	Fit (Baik)
<i>Non-Normed Fit Index (NNFI)</i>	$0,90 < NFI < 1$	0.975	Fit (Baik)
<i>Normed Fit Index (NFI)</i>	$0,90 < NNFI < 1$	0.891	Marginal
<i>Incremental Fit Index (IFI)</i>	$0,90 < CFI < 1$	0.979	Fit (Baik)
<i>Comparative Fit Index (CFI)</i>	> 0.90	0.979	Fit (Baik)
RFI	> 0.90	0.871	Marginal
Standardized RMR	< 0.05	0.0361	Fit (Baik)
Root Mean Square Residual (RMR)	< 0.08	0.0248	Fit (Baik)
<i>Goodness-of-fit Index(GFI)</i>	> 0.90	0,881	Marginal

Source: Lisrel Output Calculation Results 12.0.1

The results of the absolute fit measure show that the model obtained meets the goodness of fit criteria at a small 2 (chi-square), p-value > 0.05 , CMIN/DF value < 2 , RMSEA size ($0.037 < 0.05$), and SRMR ($0.0361 < 0.05$) so it can be concluded that the estimation results of the model are acceptable, meaning that the empirical model obtained is in accordance with the theoretical model.

Structural Model

Structural model is a model that relates exogenous latent variables with endogenous latent variables. Based on the results of data processing obtained structural equations as follows.

Table 5. Structural Equation Results

<i>Endogenous Constructs</i>	<i>Exogenous Constructs</i>			<i>R-square</i>
	Product Differentiation	Innovation	CRM	
Customer Relationship Management Value	0,263 (2,579)	0,503 (4,488)	0,367 (3,598)	0,413
	0,276 (3,187)	0,451 (4,312)		0,785

Note: The numbers in brackets are the statistical values of the t-test.

The R-square value for Customer Relationship Management (CRM) of 0.379 indicates that Product Differentiation and Innovation simultaneously have a 41.3% effect on Customer Relationship Management (CRM). Meanwhile, 58.7% is the influence of other factors outside the variables in the model. R-square for customer value of 0.785 indicates that Customer Relationship Management (CRM), Product Differentiation and Innovation simultaneously have an effect of 78.5% on customer value. While the remaining 21.5% is the influence of other factors outside the variables in the model.

Hypothesis test

Table 6. T-score test

	Model		Influence Coefficient	T- statistic	Notes	
Direct influence						
	CRM	<---	Product differentiation	0.263	2.579	Significant
	CRM	<---	Innovation	0.503	4,488	Significant
	Customer value	<---	Product differentiation	0.276	3.187	Significant
	Customer value	<---	Innovation	0.451	4.312	Significant
	Customer value	<---	CRM	0.367	3.598	Significant
Indirect influence						
	Customer value	<- CRM	Product differentiation	0,097	2.387	Significant
	Customer value	<- CRM	Innovation	0,185	2.737	Significant

Hypothesis Test Results

1. The test results based on the data in table 6 show that Product Differentiation has an effect on Customer Relationship Management (the t-statistic value of the Product Differentiation variable = 2.579 is greater than the critical 1.96). The positive coefficient results indicate that the better Product Differentiation will improve Customer Relationship Management (CRM).
2. The test results based on the data in table 6 show that innovation has an effect on Customer Relationship Management (the t-statistic value of the Product Differentiation variable = 4.488 is greater than the critical 1.96). The positive coefficient results indicate the better Product Differentiation will increase Customer Value.
3. The test results based on the data in table 6 show that Product Differentiation through CRM Songket Sidemen Bali has an effect on customer value (the t-statistic value of the Product Differentiation variable = 2.387 is greater than the critical 1.96). The positive coefficient results indicate that the better Product Differentiation supported by Customer Relationship Management (CRM) will increase Customer Value.

4. The test results based on the data in table 6 show that Innovation through CRM songket Sidemen Bali has an effect on customer value (the t-statistic value of the Product Differentiation variable = 2.737 is greater than the critical 1.96). Positive coefficient results indicate better Innovation supported by Customer Relationship Management (CRM) will increase Customer Value.
5. The test results based on the data in table 6 show that Customer Relationship Management has a relationship/influence on customer value (the t-statistic value of the CRM variable = 3.598 is greater than the critical 1.96). The positive coefficient results indicate that the better Customer Relationship Management will increase customer value.

4. Conclusion

1. 5 The positive coefficient results indicate that the better Product Differentiation will improve Customer Relationship Management (CRM), meaning that from the several dimensions that exist in the varied product differentiation, of course this strengthens the resulting product so that the difference is seen compared to other products produced by competitors. It is suggested that, quality, reliability, aesthetics and so on are developed to increase the purchase, with the exotic Balinese songket ikat weaving design when used, having a unique and distinctive appearance, not only used for religious ceremonies.
2. The positive coefficient results indicate that the better Product Differentiation will increase Customer Value, it means that the difference from Product Differentiation with all its uniqueness is able to increase Customer Value. It is suggested that the character of Balinese ikat weaving will have a strong influence on customer value even though there is a material risk that must be removed but the benefits can be felt by consumers through customer value.
3. The positive coefficient results indicate that the better Product Differentiation supported by Customer Relationship Management (CRM) will increase Customer Value, meaning that product differentiation along with the role of customer relationship management is able to have a strong influence on customer value. It is suggested that the SMEs of Balinese songket weaving should strive to have diversity, not just the design of the image pattern or the color of the thread needed in the production process, to focus on the market as a whole, not just for the needs of religious ceremonies. CRM is further improved more widely to foreign countries although the value issued by the customer is certainly balanced with the benefits that will be obtained by the customer.
4. The positive coefficient results indicate that the better. Innovation supported by Customer Relationship Management (CRM) will increase Customer Value, meaning that customer relationship management plays a role due to changes in dynamic market tastes, continuous innovation will certainly change the product order through research and development. The impact on customer value be increasing. It is recommended that further improve besides customer relationship management through the Ina Craft

exhibition held by the Department of Industry and Trade which deliberately showcases diverse regional cultures.

5. The positive coefficient results indicate that the better Customer Relationship Management will increase customer value, meaning that the role of customer relationship management is carried out more intensively so that it has a very strong effect on customer value. It is suggested that competitors are currently competing to seize the market, of course this spurs MSME actors in Bali to further improve their marketing strategies by increasing communication through the community as a whole.

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