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The Influence of Market Orientation, Wholesale, Supply Chain Management and Local Wisdom on Market Performance, Mediated by CRM For MSMEs

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ABSTRACT: This study aims to comprehensively investigate the extent to which four strategic variables—Market Orientation, Supply Chain Management (SCM), Wholesale, and Local Wisdom—contribute meaningfully to the achievement of Market Performance, with Customer Relationship Management (CRM) serving as a mediating variable that bridges and facilitates these relationships within the ecosystem of MSMEs (Micro, Small, and Medium Enterprises) in Batam City. To empirically test the nine hypotheses formulated based on a robust theoretical framework, this study adopts a quantitative approach, utilizing Partial Least Squares–Structural Equation Modeling (PLS-SEM) as the primary analytical tool—a method chosen for its efficacy in handling complex structural models with multiple mediation pathways. Data collection involved 270 active MSME operators in Batam City, using a Likert-scale questionnaire (ranging from 1 to 5) to measure all the constructs under investigation. The study's projections indicate that Market Orientation, Wholesale, and SCM each exert a significant positive influence on the effectiveness of CRM implementation. Furthermore, well-managed CRM is expected to have a tangible positive impact on Market Performance. Additionally, CRM is anticipated to play a significant mediating role in linking Market Orientation and Local Wisdom to the attainment of optimal market performance. Ultimately, these contributions are intended to foster a more robust market performance—one that is adaptive to changes in the business environment and capable of sustained, long-term viability.

KEYWORDS: customer relationship management, local wisdom, market performance, market orientation, supply chain management.

INTRODUCTION

The intensification of globalization, coupled with the accelerated development of digital technology, has placed increasing pressure on business operators to continuously update their competitive strategies and adapt to a competitive landscape that is becoming ever more dynamic and multidimensional. Within the context of Indonesia's national economy, Micro, Small, and Medium Enterprises (MSMEs) occupy a highly strategic and indispensable position; they serve as a foundational pillar of the economy—particularly in the city of Batam—by absorbing the workforce and improving the welfare of the local community. Nevertheless, despite this significant strategic contribution, empirical realities on the ground indicate that MSMEs in Batam continue to face various structural obstacles that hinder their ability to build a robust competitive advantage and maintain consistent market performance over the long term.

In a competitive landscape undergoing constant transformation, market performance emerges as the most fundamental parameter for gauging an MSME's capacity to sustain its existence and grow amidst fluctuating competitive pressures. The ability to adapt to shifting consumer needs and preferences is a primary determinant of such performance. On one hand, market orientation acts as a strategic compass, guiding businesses to interpret market dynamics and design value propositions that are relevant to their customers. On the other hand, Supply Chain Management (SCM) serves as an operational backbone, ensuring smooth distribution flows and the continuous availability of products, thereby directly supporting the effectiveness of marketing efforts (Karnowati et al., 2023). Equally crucial is the role of local wisdom, which has proven to be a source of competitive advantage that is difficult for competitors to replicate; such values foster consumer trust while simultaneously strengthening the cultural identity authentically embedded within Indonesian MSMEs (Mahrinasari et al., 2024).

Although several previous studies have touched upon the relationships between market orientation, supply chain management (SCM), and market performance, significant research gaps remain unaddressed. First, most prior studies have not incorporated local

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wisdom as a factor that simultaneously shapes both customer relationship management (CRM) and market performance—particularly within the context of micro, small, and medium-sized enterprises (MSMEs) operating in special economic zones, such as Batam. Second, the mediating mechanism of CRM—bridging the link between various internal strategic factors and market performance among MSMEs in Batam's culinary and retail sectors—has yet to be explored thoroughly and in depth. Third, the "wholesale" dimension—an operational distribution variable highly relevant to MSMEs—has not been extensively examined in terms of its simultaneous impact on CRM and market performance within an integrated analytical model.

Building upon these identified research gaps, this study focuses on unraveling and understanding how market orientation, wholesale, supply chain management, and local wisdom collectively shape market performance, with CRM serving as a mediating variable, specifically among MSMEs in the city of Batam. Utilizing the Partial Least Squares-Structural Equation Modeling (PLS-SEM) approach as its primary analytical tool, this research aims not only to enrich and expand the existing literature on MSME marketing management from a theoretical perspective but also to provide a concrete, actionable framework. This framework is intended to assist business owners in formulating and implementing strategies that are more adaptive to the complex, dynamic changes in the business environment, while remaining responsive and sensitive to the ever-evolving aspirations, expectations, and needs of their customers.

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

The theoretical foundation supporting and guiding this research is derived from a set of conceptual frameworks that are inherently complementary and mutually reinforcing. The first framework is the Resource-Based View (RBV) theory, pioneered and developed by Barney (1991). It posits that a firm's competitive advantage does not arise solely from external environmental factors; rather, it is deeply rooted in the internal resources and capabilities possessed and managed by the organization. For these internal resources to effectively serve as a basis for sustainable competitive advantage, they must meet four cumulative and simultaneous criteria: they must hold high strategic value for the organization, be scarce and not easily found among competitors, be difficult—if not impossible—for others to perfectly replicate, and lack any equivalent functional substitutes. When this theoretical lens is applied to the reality of MSMEs (Micro, Small, and Medium Enterprises), these internal capabilities encompass various strategic dimensions—ranging from the acuity to interpret and respond to market signals and the proficiency to efficiently orchestrate supply chain flows, to the internalization of local wisdom as an authentic business identity and the implementation of structured, sustainable customer relationship management (CRM) systems. In the context of MSMEs in Batam, Fahmi et al. (2025) confirm that relational capabilities—such as CRM, built upon a foundation of robust internal resources—can generate superior and sustainable business performance, outperforming enterprises that rely merely on reactive responses to external pressures. Mahrinasari et al. (2024) further strengthen this argument by demonstrating that resources rooted in local wisdom—which meet the VRIN criteria within the Resource-Based View (RBV) framework due to their authentic nature and the fact that they cannot be perfectly replicated by external competitors—serve as the most enduring basis for competitive advantage among the creative industry players studied. In this research framework, the RBV theory provides the foundation for explaining how the four exogenous variables under study—market orientation, wholesale, supply chain management (SCM), and local wisdom—collectively reinforce Customer Relationship Management (CRM) as a valuable relational capability, which in turn acts as a primary driver for enhancing the market performance of MSMEs in Batam City.

A second theoretical framework underpinning this research is Market Orientation Theory, developed independently by two groups of scholars: Kohli and Jaworski (1990), who emphasize the behavioral dimensions of an organization in generating and disseminating market intelligence, and Narver and Slater (1990), who focus on customer orientation, competitor orientation, and interfunctional coordination as its three core pillars. Both perspectives agree that firms truly oriented toward the market possess a keener sensitivity to shifts in customer needs and the maneuvers of competitors, ultimately enabling them to achieve superior business performance compared to their rivals. In the context of MSMEs, market orientation serves not only as a strategic guide for formulating value propositions but also as a catalyst that encourages firms to proactively integrate market data and knowledge into a more systematic and responsive customer relationship management system. Putranto et al. (2023) empirically demonstrate that MSMEs with a strong market orientation exhibit a greater capacity to respond to shifting consumer preferences and adapt their marketing strategies more rapidly—a process that directly leads to superior and sustainable market performance. Karnowati et al. (2023) expand upon these findings by showing that a market orientation—when combined with an entrepreneurial orientation and

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a focus on innovation—generates a significant synergistic effect on marketing performance; this combination fosters an adaptive capacity that is far more responsive to the ever-evolving dynamics of the market. Paşcălău et al. (2024) introduce a digital dimension to the modern understanding of market orientation, asserting that integrating market orientation with digital marketing strategies yields a substantially greater impact on business performance compared to a conventional market orientation that relies solely on traditional approaches.

Market performance is one of the most central constructs in marketing management literature. It is generally defined as a firm's ability to achieve performance targets related to its market position and competitiveness, encompassing dimensions such as market share, sales growth, and the continuous expansion of its customer base. Fahmi et al. (2025) define market performance as a measure of a firm's success in realizing established marketing objectives, reflected through three key indicators: an increase in market share, the expansion of market reach, and consistent growth in sales volume over time. Bulti and Fekede (2022) reinforce this definition by asserting that market performance essentially represents the extent to which a firm can leverage its internal and external capabilities to create value recognized by the market—ultimately manifesting as an improved, measurable competitive position. In the context of MSMEs (micro, small, and medium-sized enterprises), Putranto et al. (2023) view market performance as a fundamental parameter indicating the success of business owners in maintaining the relevance of their products or services to consumers, while simultaneously scaling their operations—whether through deeper penetration of existing markets or the exploration of new, potential market segments. Similarly, Karnowati et al. (2023) explain that market performance encompasses not only quantitative aspects—such as sales volume and market share—but also qualitative dimensions, including customer perceptions of product value and service quality. Consequently, its measurement must be holistic and multidimensional to fully capture the complexity of market performance.

Furthermore, market performance is understood as the ultimate outcome of a series of strategic processes occurring both within and outside an organization, whereby a firm’s various internal capabilities are transformed into tangible and measurable competitive advantages within the arena of market competition. Tirtayasa and Rahmadana (2023) argue that optimal market performance cannot be achieved instantaneously; rather, it is the cumulative result of consistently implementing customer-oriented marketing strategies, fostering continuous product innovation, and maintaining organizational adaptability in the face of a dynamic and ever-changing business environment. Mahrinasari et al. (2024) introduce another critical dimension to the understanding of market performance: competitive sustainability. This refers to a firm’s capacity not only to meet short-term market performance targets but also to consistently sustain its competitive position over the long term by creating authentic value that is difficult for competitors to replicate. St’ošić Mihajlović and Mihajlović (2025) emphasize that, within today’s increasingly complex competitive landscape, market performance must be viewed in close connection with market price and cost dynamics. A firm’s ability to efficiently manage its cost structure while simultaneously delivering superior value to customers serves as a primary determinant of its long-term competitiveness. Consequently, in this research framework, market performance is operationalized as a multidimensional construct comprising three measurable indicators—market share, market expansion, and sales volume—which collectively reflect the effectiveness of the marketing strategies and customer relationship management practices employed by MSMEs in Batam City as they navigate intensifying competitive pressures (Fahmi et al., 2025; Bulti & Fekede, 2022).

Market orientation essentially reflects the extent to which a company can delve into customer needs and act anticipatorily in response to changes within the market environment. This capability encourages companies to systematically manage and leverage customer information through CRM, thereby ensuring the sustained maintenance of meaningful customer relationships. Fahmi et al. (2025) reveal that market orientation plays a crucial role in optimizing the effectiveness of CRM implementation within the context of MSMEs.

Hypothesis Development

Based on the literature review and the theoretical framework previously established, this study formulates a number of hypotheses that represent the patterns of relationships between variables within the developed conceptual model.

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H1: Market Orientation has a positive effect on Customer Relationship Management.

Wholesale activities are inherently linked to a complex distribution process and frequent, recurring interactions with business customers within a trading ecosystem. To ensure a smooth distribution flow and maintain optimal levels of customer satisfaction, effective wholesale management—characterized by a structured, efficiency-oriented approach—requires the support of a reliable and fully integrated Customer Relationship Management (CRM) system. Setiawan and Djazuli (2024) emphasize that as the efficiency of wholesale operations increases, so too does the urgency for MSMEs (micro, small, and medium-sized enterprises) to intensify and optimize their use of CRM. Within the distribution ecosystems they manage, CRM serves as a strategic instrument for fostering productive and mutually beneficial long-term business relationships with distribution partners.

H2: Wholesale has a positive impact on Customer Relationship Management.

Supply chain management represents a company's effort to align and integrate the flow of goods, the flow of information, and a series of distribution processes in a comprehensive and unified manner. Effective supply chain coordination requires the precise exchange of information and the ability to respond to fluctuations in customer demand both rapidly and accurately—a necessity that ultimately drives companies to develop more systematic customer relationship management (CRM) systems. Rajagukguk et al. (2024) found that a high-quality supply chain significantly contributes to strengthening CRM while simultaneously enhancing customer loyalty.

H3: Supply Chain Management has a positive effect on Customer Relationship Management.

Companies with a strong and well-consolidated market orientation possess the capacity to align their service strategies and value propositions with the ever-changing demands and needs of the market. Such strategic alignment ultimately leads to greater overall marketing effectiveness while sharpening a company's competitiveness against pressures from its rivals. Putranto et al. (2023) and Karnowati et al. (2023) have consistently provided empirical evidence that market orientation exerts a positive and significant influence on the market performance of MSMEs (micro, small, and medium-sized enterprises) across the various contexts studied.

H4: Market orientation has a positive effect on market performance.

Effective and structured management of wholesale activities serves as a crucial pillar for ensuring smooth distribution and the continuous availability of products in the market. The efficiency gained through the execution of wholesale activities contributes directly to enhanced customer satisfaction and greater service reliability; these factors, in turn, lead to the strengthening of a company's overall market performance (Setiawan & Djazuli, 2024).

H5: Wholesale has a positive effect on Market Performance

Local wisdom possesses an inherent power to build a robust foundation for competitive advantage—one that is difficult for competitors to undermine—because this advantage rests upon authentic, deeply rooted cultural values and identities that cannot be perfectly replicated by others. When these values of local wisdom are manifested tangibly and consistently in the products or services offered to consumers, customer trust tends to grow organically and sustainably; this, in turn, further strengthens the company's market performance amidst increasingly intense competition. Mahrinasari et al. (2024) have empirically demonstrated that local wisdom contributes significantly to enhancing competitiveness and improving marketing performance within the creative industries that were the focus of their research.

H6: Local wisdom has a positive effect on market performance.

CRM, when implemented effectively and consistently, has been shown to boost customer satisfaction, strengthen loyalty, and expand the reach of market effectiveness. Bulti and Fekede (2022) demonstrate that the dimensions of CRM directly drive improvements in market performance, while Perez-Vega et al. (2022) confirm that CRM plays a crucial role in fostering long-term customer loyalty, which ultimately has a positive impact on market performance.

H7: Customer Relationship Management has a positive effect on Market Performance.

The influence of market orientation on market performance does not always flow directly; rather, it often requires an intermediary vehicle. CRM serves as a transformation mechanism that converts market-orientation capabilities into concrete, value-added customer relationships. Tirtayasa and Rahmadana (2023) emphasize the importance of a mediating variable in bridging the relationship between market orientation and market performance, while Fahmi et al. (2025) specifically confirm CRM as an appropriate mediator in this relationship.

H8: Customer Relationship Management mediates the influence of Market Orientation on Market Performance.

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Local wisdom forms the foundation for the distinct values and relational approaches that shape how a company builds and maintains relationships with its customers. Customer Relationship Management (CRM) serves as an instrument that allows these local values to be translated and operationalized in a structured manner within day-to-day customer relationship management practices, enabling their positive impact on market performance to be realized in a more measurable and sustainable way. Mahrinasari et al. (2024) and Agunawan et al. (2025) support this mediation mechanism within the context of MSMEs (micro, small, and medium-sized enterprises) that are rooted in local cultural richness.

H9: Customer Relationship Management mediates the influence of Local Wisdom on Market Performance.

METHOD

This study adopts a quantitative approach with a causal design as its methodological framework, used to systematically and measurably map and analyze the cause-and-effect relationships among the variables under investigation. Data collection was conducted simultaneously within a limited timeframe using a cross-sectional design, which allows for a snapshot of the variables' conditions at a specific point in time (Sugiyono, 2016). To process, analyze, and interpret the data statistically, this study employs the Partial Least Squares Structural Equation Modeling (PLS-SEM) method, utilizing the SmartPLS software as the primary computational tool. This analytical method was selected due to several substantive advantages, including its superior ability to handle complex structural models, its capacity to accommodate a large number of latent constructs simultaneously, its flexibility in testing multi-layered mediation paths, and its robustness in analyzing data that does not strictly meet the assumption of a normal distribution (Hair et al., 2017).

Population and Sample

The population for this study encompasses all Micro, Small, and Medium Enterprises (MSMEs) that are actively operating within the administrative territory of Batam City. The research sample was determined using a purposive sampling technique—a form of non-probability sampling—whereby respondents are selected based on specific, explicitly defined, and measurable eligibility criteria established prior to the commencement of data collection. The three inclusion criteria, which must be met cumulatively, are as follows: the business entity must be domiciled and operate within the Batam City area; it must have been in continuous operation for at least one year; and the owner or manager of the business must express their willingness and commitment to participate actively in this research (Sugiyono, 2019). The determination of the minimum sample size follows the guidelines established by Hair et al. (2017), which state that the required number of respondents must be at least ten times the total number of indicators used in the research model. Based on this methodological framework, and given that there are 26 indicators operationalized in this research model, the target sample size is set at a minimum of 260 respondents. In this study, to ensure higher data quality and to account for potential issues with the distributed questionnaires, a total of 270 respondents were included.

The data analysis procedure was conducted systematically in two sequential evaluation phases, using SmartPLS software as the primary computational tool.

The first phase involves the evaluation of the outer model (measurement model), which aims to comprehensively assess the extent to which the measurement instruments accurately, consistently, and psychometrically reliably represent the constructs under study. This phase encompasses three complementary dimensions of testing. First, convergent validity is assessed by examining the outer loadings of each indicator to ensure they exceed the minimum threshold of 0.70. Additionally, the Average Variance Extracted (AVE) value is evaluated against a critical threshold of 0.50, confirming that the latent construct accounts for a substantial portion of the variance in its respective indicators. Second, the reliability of the instrument is evaluated by examining Cronbach's Alpha and Composite Reliability values; both are required to exceed 0.70, which serves as the minimum threshold for an acceptable level of instrument reliability. Third, discriminant validity is verified using two complementary approaches: the Fornell-Larcker criterion—which compares the square root of the Average Variance Extracted (AVE) with the correlations between constructs—and the Heterotrait-Monotrait (HTMT) ratio, which must remain below a threshold of 0.85 to indicate the absence of substantial conceptual overlap between constructs.

The second phase involves the evaluation of the inner model (structural model), focusing on testing the proposed hypotheses and assessing the overall predictive power of the model. This phase entails an in-depth analysis of the path coefficients between constructs and their respective significance levels, as well as an examination of the R-squared values, which indicate the model's ability to explain the proportion of variance in the estimated endogenous variables. Specifically, for testing the mediation

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hypotheses, a bootstrapping technique with 5,000 subsamples is applied to obtain stable parameter estimates, accurate confidence intervals, and statistically sound inferential results that are methodologically robust (Hair et al., 2017).

RESULT AND DISCUSSION

The data collection phase of this study successfully engaged 270 respondents, all of whom are active operators of micro, small, and medium-sized enterprises (MSMEs) in Batam City. A series of descriptive statistical analyses applied to the respondents' demographic profiles yielded substantive, representative, and relevant findings for further interpretation.

Regarding gender composition, female respondents constitute the dominant segment, accounting for 70.0% (189 individuals), while male respondents represent a significantly smaller proportion at 30.0% (81 individuals). This gender disparity implicitly suggests that the MSME sector in Batam City is predominantly driven by women, reflecting their substantial contribution as key agents within the local entrepreneurial ecosystem.

In terms of geographical distribution, the largest share of respondents (62.2%) resides permanently within the administrative jurisdiction of Batam City. This is followed by 35.9% who reside elsewhere in the Riau Islands province (outside Batam City), while the remaining respondents are distributed across various other regions, each accounting for 0.4%. This geographical pattern empirically confirms that the study sample consists primarily of business operators who are rooted in and actively engaged with the economic ecosystem of Batam City. In terms of formal education, individuals with a bachelor's degree (S1) constitute the largest group, accounting for 40.7% of the total. This is followed by those with a high school education or equivalent (31.9%), individuals with postgraduate degrees (S2/S3) (24.8%), diploma holders (1.9%), and those with other educational backgrounds (0.7%). The significant representation of MSME owners with higher education qualifications within this sample suggests a relatively high level of managerial capacity and competence among the respondents, which likely leads to more structured, systematic business management oriented toward long-term strategic growth.

Regarding monthly expenditure—used here as a proxy for the respondents' economic status and capacity—the largest segment consists of those with monthly expenditures between IDR 2,000,001 and IDR 4,000,000, representing 45.9% of the total. This is followed by the group with expenditures between IDR 4,000,001 and IDR 7,000,000 (39.6%), those with expenditures below IDR 2,000,000 (9.3%), those in the IDR 7,000,001 to IDR 10,000,000 range (3.0%), and finally, those with monthly expenditures exceeding IDR 10,000,000, who account for 2.2% of the sample. In the aggregate, this pattern of monthly expenditure distribution confirms that an absolute majority of the respondents belong to—and represent—the middle economic segment, which constitutes the largest and most dominant stratum within the MSME ecosystem of Batam City, while simultaneously reflecting the distinct socio-economic profile of the business community operating in the region.

To ensure data quality and integrity prior to further analysis, this study employs Harman's Single Factor Test as a diagnostic procedure to detect potential "common method bias"—a bias that may arise when a single data source is used to collect information on all research variables. The test results indicate that the first factor accounts for only 37.098% of the total data variance. This figure is significantly below the 50% critical threshold established by Podsakoff et al. (2003) as the maximum tolerance limit for indications of method bias. Consequently, it can be concluded that there is no significant threat of common method bias in the research dataset; the collected data are considered free from systematic distortion and are suitable for further processing and analysis with an adequate level of confidence.

Evaluation of the Measurement Model (Outer Model)

The evaluation of the outer model serves as a fundamental step to verify the extent to which the measurement instruments used in this study accurately and consistently measure what they are intended to measure. A crucial aspect examined at this stage is convergent validity, which reflects the degree of alignment between the observed indicators and the latent constructs they are meant to represent. Convergent validity is assessed using two primary parameters: the outer loading values for individual indicators and the Average Variance Extracted (AVE) for each construct. All indicators are required to have an outer loading value exceeding the minimum threshold of 0.70, implying that at least 49% of an indicator's variance is explained by its corresponding latent construct. Furthermore, the AVE for each construct must exceed the 0.50 threshold, indicating that more than half of the average variance of the constituent indicators is captured by the construct itself. The simultaneous fulfillment of these two criteria serves as empirical evidence that each indicator possesses an adequate capacity to represent its respective latent construct, while also confirming that the measurement instrument employed meets the required standards for convergent validity (Hair et al., 2017).

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The overall results of the instrument reliability and validity testing are highly satisfactory, with all constructs used in this study meeting the established psychometric standards. Regarding reliability, the two primary parameters for internal consistency—Cronbach's Alpha and Composite Reliability (rho_c)—consistently exceeded the minimum threshold of 0.70 for every construct. The Customer Relationship Management (CRM) construct recorded the highest values, with a Cronbach's Alpha of 0.872 and a Composite Reliability of 0.907, indicating a very high level of instrument reliability for this construct. Conversely, the Local Wisdom construct yielded the lowest values, with a Cronbach's Alpha of 0.747 and a Composite Reliability of 0.840; nevertheless, these figures remain well above the required tolerance threshold. Collectively, these findings demonstrate that all measurement instruments employed possess solid and reliable internal consistency.

Meanwhile, from the perspective of convergent validity—assessed via the Average Variance Extracted (AVE)—all constructs surpassed the critical threshold of 0.50, the minimum requirement for establishing convergent validity. The Supply Chain Management (SCM) construct exhibited the highest variance-capturing capacity, with an AVE of 0.742, indicating that nearly three-quarters of the variance in its indicators is explained by the construct itself. At the other end of the spectrum, the Local Wisdom construct again recorded the lowest value, with an AVE of 0.567, which nonetheless remains above the required threshold. These results collectively confirm, in a convincing manner, that convergent validity has been established for all constructs in this research model (Hair et al., 2017).

Discriminant validity was confirmed through two tests. First, all HTMT values were below 0.90—with the highest value being 0.784 for the pair of Local Wisdom and Market Performance—demonstrating clear differentiation between the constructs (Henseler et al., 2015).

Table 1. Research Direct/ Indirecr Hypothesis Test

Hypothesis	*β*	t-value	p-value	Result
Market Otientation -> Customer Relationship Management	0.241	2.783	0.005	H1: supported
Wholesale -> Customer Relationship Management	0.186	2.261	0.000	H2: supported
Supply Chain Management -> Customer Relationship Management	0.163	4.577	0.000	H3: supported
Market Otientation -> Market Performance	0.765	3.854	0.000	H4: supported
Wholesale -> Market Performance	0,589	3.654	0.001	H5: supported
Local Wisdom -> Market Performance	0.897	5,937	0.000	H6: supported
Customer Relationship Management -> Market Performance	0.615	14.706	0.000	H7: supported
Market Otientation -> Customer Relationship Management -> Market Performance	0,579	4.577	0.000	H8: supported
Local Wisdom -> Customer Relationship Management -> Market Performance	0.249	5.046	0.003	H9: supported

Source: Data processed using PLS 4.0 (2026)

Based on Table 1 above, the estimation parameter for testing the effect of Market Otientation on Customer Relationship Management (H1) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.005 (< 0.050), and positive, as shown by an estimation value of 0.241. These values meet the criteria for hypothesis acceptance—with a significance level of 0.005 (p-value < 0.050)—leading to the rejection of H0.1 and the acceptance of Ha.1. This indicates that Market Otientation has a positive influence on Customer Relationship Management.

Based on Table 1 above, the estimation parameter for testing the effect of Wholesale on Customer Relationship Management (H2) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.000 (< 0.050), and positive, as shown by an estimation value of 0.186. These values meet the criteria for hypothesis acceptance—with a significance level of 0.000 (p-value < 0.050)—leading to the rejection of H0.2 and the acceptance of Ha.2. This indicates that Wholesale has a positive influence on Customer Relationship Management.

Based on Table 1 above, the estimation parameter for testing the effect of Supply Chain Management on Customer Relationship Management (H3) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.000 (< 0.050), and positive, as shown by an estimation value of 0.163. These values meet the criteria for hypothesis acceptance—with a significance

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level of 0.000 (p-value < 0.050)—leading to the rejection of H0.1 and the acceptance of Ha.1. This indicates that Supply Chain Management has a positive influence on Customer Relationship Management.

Based on Table 1 above, the estimation parameter for testing the effect of Market Otientation on Market Performance (H4) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.000 (< 0.050), and positive, as shown by an estimation value of 0.765. These values meet the criteria for hypothesis acceptance—with a significance level of 0.000 (p-value < 0.050)—leading to the rejection of H0.4 and the acceptance of Ha.4. This indicates that Market Otientation has a positive influence on Market Performance.

Based on Table 1 above, the estimation parameter for testing the effect of Wholesale on Market Performance (H5) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.001 (< 0.050), and positive, as shown by an estimation value of 0.589. These values meet the criteria for hypothesis acceptance—with a significance level of 0.001 (p-value < 0.050)—leading to the rejection of H0.5 and the acceptance of Ha.5. This indicates that Wholesale has a positive influence on Market Performance.

Based on Table 1 above, the estimation parameter for testing the effect of Local Wisdom on Market Performance (H6) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.000 (< 0.050), and positive, as shown by an estimation value of 0.897. These values meet the criteria for hypothesis acceptance—with a significance level of 0.000 (p-value < 0.050)—leading to the rejection of H0.6 and the acceptance of Ha.6. This indicates that Local Wisdom has a positive influence on Market Performance.

Based on Table 1 above, the estimation parameter for testing the effect of Customer Relationship Management on Market Performance (H7) yielded a positive and significant result. The result is significant, as indicated by a p-value of 0.000 (< 0.050), and positive, as shown by an estimation value of 0.615. These values meet the criteria for hypothesis acceptance—with a significance level of 0.000 (p-value < 0.050)—leading to the rejection of H0.7 and the acceptance of Ha.7. This indicates that Customer Relationship Management has a positive influence on Market Performance.

Based on Table 1 above, the estimation parameters for testing the influence of Market Otientation on Market Performance, mediated by Customer Relationship Management (H8), yield positive and significant results. The significance is indicated by a p-value of 0.000 (< 0.050), while the positive nature of the relationship is shown by an estimation value of 0.579. These values meet the criteria for hypothesis acceptance—with a significance level of 0.000 (p-value < 0.050)—leading to the rejection of H0.8 and the acceptance of Ha.8. This indicates that there is a positive influence of Market Otientation on Market Performance, mediated by Customer Relationship Management.

Based on Table 1 above, the estimation parameters for testing the influence of Local Wisdom on Market Performance, mediated by Customer Relationship Management (H9), yield positive and significant results. The significance is indicated by a p-value of 0.000 (< 0.050), while the positive nature of the relationship is shown by an estimation value of 0.249. These values meet the criteria for hypothesis acceptance—with a significance level of 0.000 (p-value < 0.050)—leading to the rejection of H0.9 and the acceptance of Ha.9. This indicates that there is a positive influence of Local Wisdom on Market Performance, mediated by Customer Relationship Management.

DISCUSSION

H1: The Influence of Market Orientation on CRM

Theoretically, companies with a high level of market orientation should be more adaptive and responsive in building and developing comprehensive customer relationship management (CRM) systems. The logic behind this argument is straightforward: the ability to deeply interpret market dynamics encourages a company to process, store, and utilize customer information in a more systematic and structured manner, as emphasized by Fahmi et al. (2025). Furthermore, Pașcalău et al. (2024) expand upon this perspective by linking a digitally-oriented marketing approach to a company's capacity to strengthen customer relationships through the use of increasingly sophisticated information technology.

H2 & H3: The Influence of Wholesale and SCM on CRM

From a theoretical standpoint, a smooth distribution flow at the wholesale level—combined with efficient, integrated supply chain coordination—creates an ecosystem conducive to gathering richer, more diverse, and higher-quality customer data, which serves as the operational fuel for a CRM system. Hail and Koraichi (2024) reinforce this argument by demonstrating that the adoption and

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integration of technology within a supply chain network contribute tangibly and measurably to the strengthening of customer relationship systems. In a similar vein, Rajagukguk et al. (2024) complement these findings by proving that the optimization of supply chain management has a direct impact on increasing long-term customer loyalty.

H4, H5, & H6: Direct Effects on Market Performance

The three exogenous variables in this research model—Market Orientation, Local Wisdom, and Wholesale—are theoretically projected to have a direct and significant positive impact on a firm's market performance. Regarding market orientation, Putranto et al. (2023) and Karnowati et al. (2023) have empirically documented how a firm's ability to interpret and respond to market needs is strongly correlated with superior market performance. Meanwhile, from the perspective of local wisdom, Mahrinasari et al. (2024) have demonstrated that integrating cultural values and local wisdom into products or services is effective in building stronger customer trust and enhancing market competitiveness, particularly within the creative industry sector.

H7: The Effect of CRM on Market Performance

The effective, consistent, and customer-value-oriented implementation of CRM serves as a primary driver for the sustainable improvement of market performance among MSMEs (Micro, Small, and Medium Enterprises). Bulti and Fekede (2022) provide robust empirical evidence that a deep customer orientation, combined with structured customer knowledge management, contributes directly to significant gains in market performance. In the specific context of MSMEs in Batam, well-targeted CRM implementation enables business owners to more effectively retain their existing customer base while consistently driving growth in sales volume over time.

H8 & H9: The Mediating Role of CRM

In this study, CRM does not merely function as an independent variable; rather, it acts as a strategic bridge that converts a firm's various internal capabilities—ranging from market orientation to local wisdom—into concrete and measurable market performance outcomes. Tirtayasa and Rahmadana (2023) emphasize the critical role of a mediating variable in clarifying and reinforcing the mechanism underlying the relationship between market orientation and market performance—particularly within a business environment characterized by constant dynamic change and uncertainty. Complementing this perspective, Agunawan et al. (2025) confirm that the digital synergy established between SCM (Supply Chain Management) and CRM (Customer Relationship Management) effectively transforms a firm's operational capabilities into market performance improvements that are not only significant but also sustainable in the long term.

CONCLUSION

This study is primarily designed to examine and analyze in depth how Market Orientation, Wholesale, Supply Chain Management, and Local Wisdom—both collectively and individually—influence Market Performance, with Customer Relationship Management (CRM) serving as a mediating variable. The research focuses on MSMEs (Micro, Small, and Medium Enterprises) operating in Batam City. Based on a systematically developed conceptual framework, supported by a comprehensive literature review, nine hypotheses were formulated and empirically tested using the PLS-SEM approach. The theoretical foundation of this research model integrates two major perspectives: the Resource-Based View, which emphasizes competitive advantage derived from internal capabilities, and Market Orientation Theory, which focuses on a firm's ability to respond to market dynamics. Together, these perspectives construct a pathway linking a firm's internal strategic capabilities to its market performance, mediated by CRM. In terms of theoretical contribution, this study offers significant novelty by incorporating two variables—local wisdom and wholesale—that have rarely been examined together within a unified model alongside Market Orientation, CRM, and Market Performance. This integration addresses a gap in the existing literature, particularly regarding MSMEs in Batam City, which possess unique socio-economic characteristics that have yet to be the subject of extensive academic inquiry. From a practical standpoint, the findings are expected to provide concrete and actionable strategic implications for MSME operators, specifically by highlighting the importance of strengthening CRM systems as a strategic instrument to convert internal capabilities into superior and sustainable market performance.

Managerial Implications

Based on the established research framework and anticipated results, there are several managerial implications that are relevant and warrant the attention of MSME (Micro, Small, and Medium Enterprise) operators in Batam City. First, MSME operators need to

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actively and continuously strengthen their market orientation. In practical terms, this means building more systematic and structured capacities to understand evolving customer needs, while also monitoring the movements and strategies of competitors with greater care and organization. Second, strategically investing in the development of a Customer Relationship Management (CRM) system—one that integrates seamlessly with wholesale operations and supply chain networks—will significantly enhance the effectiveness of customer relationship management, ultimately driving measurable improvements in overall market performance. Third, MSME operators who consistently integrate local wisdom into their products and services have a strong potential to develop an authentic, deeply rooted competitive advantage—one that is difficult for rivals to imitate or replicate, thereby creating sustainable market differentiation.

Limitations and Suggestions

As is common with any scholarly work, this research is subject to certain limitations that should be transparently acknowledged and used as a foundation for future research. The first limitation concerns the use of a cross-sectional research design for data collection; this approach inherently captures only a snapshot of the relationships between variables at a single point in time, making it impossible to track the dynamic evolution of these relationships over time. The second limitation relates to the geographical scope, which is confined solely to Batam City. Consequently, the findings and conclusions cannot be automatically generalized to other regions, sectors, or MSMEs with different characteristics. The third limitation concerns the data collection instrument, which relies entirely on questionnaires based on respondents' perceptions. Methodologically, this carries the potential for "common method bias," even though mitigation efforts—specifically Harman's Single Factor Test—were employed.

To address these limitations and expand the body of knowledge in this field, future research should consider several developmental steps. First, adopting a longitudinal design—which allows for repeated observations over an extended period—would provide a much richer understanding of the dynamics and evolution of the relationships between variables over the long term. Second, broadening the scope of research to include more diverse business sectors and other regions within the Riau Islands would strengthen the generalizability of the findings and enrich the comparative context. Third, integrating objective, measurable business performance data—such as financial records or actual market share—to complement perceptual data would enhance both the external validity and the reliability of the conclusions drawn. Fourth, examining relevant moderating variables—such as firm size, level of digitalization, or business age—would introduce new dimensions of analysis, potentially revealing the boundary conditions under which the relationships between variables in this model become stronger or weaker.

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