Weaving Loyalty and Trust: A Customer Relationship Quality Model for Business Performance in the Garut Vetiver Industry

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Abstract. The objective of this study is to develop a Customer Relationship Quality (CRQ) model to improve business performance in the vetiver handicraft industry. This industry is a culturally embedded creative sector in Garut, Indonesia, which produces 90% of the national vetiver essential oil. However, the industry faces challenges including inconsistent product quality, limited capital, and intense market competition. Design/Methodology/Approach: A quantitative, non-experimental survey with an exploratory design was employed to collect data from 66 MSME vetiver artisans. The collected data were then analyzed using Structural Equation Modeling-Partial Least Squares (SEM-PLS). The following conclusions were derived from the analysis: The findings of the present study demonstrate that CRQ exerts a substantial positive influence on business performance, as indicated by factors such as customer retention, repeat purchases, and customer satisfaction. This positive impact is primarily attributed to the presence of trust, loyalty, and effective communication within the business. Practical Implications: It is imperative for MSMEs to adopt relationship-based strategies and leverage digital engagement to ensure sustained competitiveness and market expansion. Originality/Value: The novelty of this study lies in its contextualization of CRQ within a traditional handicraft industry rooted in local culture, offering an empirically validated model that bridges relational marketing theory with the sustainability of creative MSMEs in emerging markets. This provides both theoretical enrichment and actionable insights for strengthening MSME resilience in post-pandemic business ecosystems.

Keywords: Customer Relationship Quality, Business Performance- Vetiver Handicraft- MSMEs Indonesia.

1 Introduction

Vetiver craft represents one of the most strategic creative economy sectors in Garut, contributing significantly to local economic development. As the primary production hub, Garut accounts for approximately 90% of Indonesia's vetiver essential oil output, supported by cultivation across 2,400 hectares in six districts and annual production

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R. Hurriyati et al. (eds.), *Proceedings of the 10th Global Conference on Business, Management, and Entrepreneurship (GCBME 2025)*, Advances in Economics, Business and Management Research 407,
https://doi.org/10.2991/978-94-6239-819-1_109

ranging from 50 to 75 tons. Despite this potential, the industry faces structural constraints, including limited production cycles, declining farmer participation, and a substantial gap between national supply (around 50 tons) and global demand, which reaches approximately 300 tons annually [1]. These conditions indicate that, beyond production capacity, competitiveness in this sector increasingly depends on non-product-based capabilities, particularly in managing customer relationships.

In this context, vetiver craft enterprises operate not only as production units but also as relationship-driven businesses that rely heavily on trust, loyalty, and effective communication. Prior studies consistently highlight Customer Relationship Quality (CRQ) as a critical determinant of business outcomes, where improved service quality and communication enhance customer satisfaction, loyalty, and repeat purchasing behaviour [2–4]. Trust, in particular, plays a foundational role in strengthening long-term relational exchanges, especially in traditional industries where product authenticity and cultural value shape customer perceptions [5]. These relational dimensions collectively position CRQ as a strategic mechanism for sustaining competitiveness in small and medium enterprises[6].

Furthermore, the relevance of CRQ becomes more pronounced in the post-pandemic business landscape, where MSMEs are required to adapt through digital transformation while maintaining relational integrity. Evidence suggests that digital adoption enhances market reach and operational efficiency, yet its effectiveness is closely tied to the quality of customer relationships [7,8]. This interplay indicates that relational capabilities and digital strategies should not be treated separately but rather as complementary drivers of business performance[9].

Although the role of CRQ has been widely examined across sectors such as retail, banking, and services, empirical evidence within traditional craft industries remains limited, particularly in contexts with strong socio-cultural characteristics. This gap is evident in the vetiver handicraft sector in Garut, where relational dynamics are deeply embedded in local values and production practices. Therefore, this study aims to develop and empirically validate a Customer Relationship Quality model that explains its contribution to business performance, measured through customer retention, repeat purchase frequency, and customer satisfaction. By situating CRQ within a culturally rooted creative industry, this research offers both theoretical refinement and practical insight for strengthening MSME competitiveness in emerging markets.

2 Methods

This study employed a quantitative approach using a survey-based, non-experimental design to examine the relationship between Customer Relationship Quality (CRQ) and Business Performance. The unit of analysis consisted of 66 MSMEs operating in the vetiver handicraft sector in Garut Regency, selected due to their relevance within the local creative economy.

Data were analysed using Structural Equation Modeling–Partial Least Squares (SEM-PLS) with SmartPLS software, chosen for its suitability in handling small sample sizes and latent variable analysis. Prior to hypothesis testing, instrument validity

and reliability were assessed, confirming that all measurement indicators met the required criteria.

3 Result and Discussion

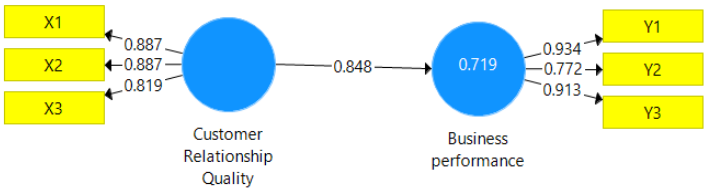

Fig. 1. PLS Algorithm
Source: Author's work.

The outer model, also referred to as the measurement model, was assessed to confirm the validity and reliability of the indicators in representing their respective latent constructs. As this study employed a reflective measurement model, each indicator was assumed to reflect the underlying latent construct it represents [15]. The analysis focuses on two primary constructs: Customer Relationship Quality (CRQ) as the exogenous variable and Business Performance (BP) as the endogenous variable.

Table 1. Outer Loading

	Value
X1 <- Customer Relationship Quality	0.887
X2 <- Customer Relationship Quality	0.887
X3 <- Customer Relationship Quality	0.819
Y1 <- Business performance	0.934
Y2 <- Business performance	0.772
Y3 <- Business performance	0.913

The CRQ construct was assessed using three indicators: Trust (X1), Loyalty (X2), and Effective Communication (X3). According to the data processed by SmartPLS, it showed that the outer loading values for each indicator were X1 = 0.887, X2 = 0.887, and X3 = 0.819. All loading values obtained were above the minimum of 0.70, showing that these indicators were adequately reliable. These findings suggest that the increased of trust, loyalty, and effective communication with customers will consistently reflect improved customer relationship quality.

The Business Performance construct was represented by three key indicators: Customer Retention (Y1), Repeat Purchase Frequency (Y2), and Customer Satisfaction (Y3). The obtained outer loading values were Y1 = 0.934, Y2 = 0.772, and Y3 = 0.913. Indicators Y1 and Y3 contributed significantly to the BP construct, while Y2 still ful-

filled the convergent validity criteria, as its value exceeded 0.70. These results emphasize that business performance, in the context of this study, is primarily reflected in the company's ability to retain customers, ensure satisfaction, and encourage repeat purchases over time.

Table 2. Construct Reliability and Validity

	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Business performance	0.844	0.845	0.908	0.767
Customer Relationship Quality	0.838	0.863	0.899	0.748

The evaluation results indicated that all indicators met the criteria for convergent validity, as the loading values obtained exceeded 0.70. Consequently, the latent construct in this study was able to adequately explain the variance of its indicators. Moreover, the Composite Reliability (CR) and Cronbach's Alpha values, both were above 0.70. In other words, this measurement model demonstrates strong internal consistency reliability (Hair et al., 2019).

Table 3. R-Square

	R Square	R Square Adjusted
Business performance	0.719	0.715

Based on the data analysis conducted using SmartPLS, the R-Square (R^2) value for the Business Performance construct was 0.719, with an Adjusted R^2 of 0.715. This indicates that 71.9% of the variation in business performance could be explained by the Customer Relationship Quality (CRQ) variable, while the remaining 28.1% was influenced by other factors that were not investigated in this study. Referring to the PLS-SEM evaluation criteria 10, this R^2 value falls into the strong category, indicating that the model has a high explanatory power for the endogenous variable. Substantively, these findings confirm that the higher the quality of customer relationships, reflected through trust, loyalty, and effective communication, the greater the opportunity for MSMEs to improve their performance, particularly in customer retention, repeat purchase frequency, and customer satisfaction. Thus, the structural model in this study can be considered to have adequate explanatory power and is relevant to support further analysis in the discussion section.

Table 4. Mean, STDEV, T-Values, P-Values

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values

Customer Relationship Quality -> Business performance	0.848	0.854	0.037	22.647	0.000

Based on the data analysis using SmartPLS, as shown in Table 4, the path from Customer Relationship Quality (CRQ) → Business Performance (BP) has a path coefficient of 0.848 with a positive direction. This value indicates that the higher the quality of customer relationships—reflected through trust, loyalty, and effective communication—the higher the resulting business performance. The Sample Mean value (0.854), which is close to the original sample value (0.848), and the relatively small Standard Deviation (0.037), indicate stable and consistent estimation results during the bootstrapping process. Furthermore, the T-Statistics value of 22.647 and the P-Value of 0.000 (<0.05) show that the influence of CRQ on Business Performance is statistically significant at a 95% confidence level. These findings support the research hypothesis that customer relationship quality plays an important role in improving business performance, particularly in the context of MSME vetiver craft businesses in Garut, where efforts to maintain customer trust, encourage loyalty, and build effective communication have been proven to enhance customer retention, repeat purchase frequency, and customer satisfaction.

The quality of customer relationships is a vital factor that influences business performance. This also applies in businesses of vetiver craft production in Garut. If the businesses improve some aspects of relationship quality, such as trust, communication, and commitment, they will also gain higher customer satisfaction and loyalty. Eventually, the improvements of these aspects are strongly correlated to greater customer retention and repeat purchasing behaviors [11–13]. Various aspects of relationship quality have been shown to improve how customers view the business that emphasizes the importance of communication and transparency to build loyalty and strengthen the customer base in a competitive market [14,15].

4 Conclusion

This study demonstrates that Customer Relationship Quality (CRQ) plays an important role in enhancing business performance in the vetiver handicraft sector. Strong customer relationships characterized by trust, loyalty, and effective communication can support customer retention, encourage repeat purchases, and enhance customer satisfaction. These findings suggest that, for MSMEs, competitiveness depends not only on product-related factors but also on the ability to develop and maintain meaningful customer relationships. Consistent customer engagement can help stabilize demand, strengthen customer loyalty, and enhance long-term business resilience. By examining CRQ within a culturally embedded creative industry, this study extends the relationship marketing literature and provides practical insights for MSMEs seeking to leverage relationship-based strategies to maintain local relevance while expanding into broader markets.

Acknowledgements

The authors gratefully acknowledge the financial support provided by the Faculty of Entrepreneurship, Universitas Garut, which made this research possible. Appreciation is also extended to all MSME participants in the vetiver handicraft sector who contributed valuable data and insights to this study.

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