

# The Impact of Stakeholder Communication Strategies on Consumers' Acceptance and Financial Performance: In the Case of Fertilizer Industry in Malaysia

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**Abstract**—There has been a growing emphasis in communication management from simple coordination of promotional tools to a complex strategic process. This study will examine the current marketing communications and engagement strategies used in addressing the key stakeholders. In the case of fertilizer industry in Malaysia, there has been little empirical research on stakeholder communication when major challenges facing the modern corporation is the need to communicate its identity, its values and products in order to distinguish itself from competitors. The study will employ both quantitative and qualitative methods and the use of Structural Equation Modeling (SEM) to establish a causal relationship amongst the key factors of stakeholder communication strategies and increment in consumers' choice/acceptance and impact on financial performance. One of the major contributions is a conceptual framework for communication strategies and engagement in increasing consumers' acceptance level and the firm's financial performance.

**Keywords**—Consumers' acceptance, financial performance, stakeholder communication strategies.

## I. INTRODUCTION

THE agriculture sector plays an important role in Malaysia's economic development which provides rural employment, uplifting rural incomes and ensuring food security. Excluding industrial crops such as palm oil and rubber, the agriculture sector contributed RM20 billion or four percent of Malaysia's gross national income (GNI) in 2009. As Malaysia moves towards becoming a high-income nation in 2020, the target of GNI is set for RM49 billion.

Traditionally labeled as the poor man's sector, the face of agriculture is slowly changing as entrepreneurs in diverse businesses like swift let nest-ranching and large-scale paddy

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(rice) farmers are able to move up to Malaysia's high-income group. Recognizing the crucial role that agriculture can play in a nation's economy, the government has set several key targets for the Agriculture and Agro-Based Industry Ministry under the Ministerial Key Results Area (MKRA) initiative of the Government Transformation Programme (GTP). The government realized that in order to ensure sustainability, the industry needed to be invigorated. The establishment of the MKRAs itself is a transformational change in the way that government delivery is performed. It is more transparent and engaging process, one that focuses on ministerial responsibility and delivery.

By 2020 agriculture will be transformed into agribusiness, move towards a model that is inclusive but simultaneously anchored on market needs, economies of scale and value chain integration. Malaysia will focus on large global markets with high growth potential such as aquaculture and premium processed foods, while maintaining a strong presence in strategic sub-sectors such as paddy and livestock to ensure national food security. To do this, capitalization on natural resources while enhancing productivity and adopting a truly demand-driven approach need to be done.

The importance of agriculture industry in securing food for the increasing population of the world moves parallel with the increase in fertilizer industry. The demand for fertilizers will increase in tandem with the expansion of the industrial crops. There have been major food and fertilizer crises during the past few years, with dramatic price swings and supply shortages. As the availability of land and water resources is declining, fertilizer become the most efficient and cost-effective input to increase the productivity of land. It is expected that the usage of mineral fertilizers will continue to increase with the expansion and intensification of cultivated area. A good supply and a balance nutrient are important for soil maintaining and limit the degradation of productive land. Fertilizer give positive effect on the environment in several ways [1] such as the efficient use of fertilizer ensures higher yield, it restock nutrients removed from soil by harvested produce and well fed-crops use water more efficiently. Fertilizer industry is characterized for being natural source intensive, with significant environmental and social impacts. It is expected that the usage of mineral fertilizers will

continue to increase with the expansion and intensification of cultivated area in Malaysia.

Communication of information plays an important role in the fertilizer industry as it involves multiple stakeholders who come from various economic and educational backgrounds with differing and often conflicting issues and concern, effective stakeholder management is needed to address the stakeholders. Stakeholder management refers to a method for systematically taking stakeholder interest into account [2]. It is defined as “communicating, negotiating, contracting and managing relationship with stakeholders and motivating them to behave in ways that are beneficial to the organization and its other stakeholders [3] noted that the way organizations manage their communication with key stakeholder determines the strength of their reputation.

In the case of fertilizer business, communication is essential to the organizations in distribution network, building the rapport with customers and to ensure sustainability of the organizations themselves. Ref. [4] suggests that easy flow of communication is an important feature of a strong relationship. Moreover, effective communication skills are important in generating customers' confidence. Ref. [5] highlights that timely communication boost trust by helping to resolve disputes and reconcile expectations and perceptions. Effective communication requires effective strategy - a coherent plan of action. These communication activities are essential for proper functioning of the organization. By communicating, organizations build market-based assets such as satisfaction, brand value and reputation of the company and thus, strengthening their position in the competitive environment [6], [7], [8]. Acknowledging the importance of marketing communications as a strategic success factor was recognized for improving organizations' performance, the researcher looked into the impact of marketing communication to the consumers' acceptance and the financial performance within the fertilizers industry in Malaysia.

## II. LITERATURE REVIEW

### A. Marketing Communication

In the past, marketing was seen as an activity to serve and satisfy human needs but it has been accepted in today's society as an important tool in solving the problems of the firms and achieving societal goals [9]. “Marketing is especially concerned with how transactions are created, stimulated, facilitated and valued” [10]. Based on Kotler's “concept of generic marketing” as the foundation, marketing has expanded to contemporary concept of stakeholder marketing.

The definition of marketing has been changed several times from its developed first definition. The changes in definition of marketing show the dynamic and importance of stakeholder marketing and marketing communication. Marketing is about finding the needs of the market, where the companies operate in the effort to meet these needs [11].

Companies strive to enhance their competitiveness and this will be attained by long-lasting rapport with consumers and a good communication. Satisfied consumers tend to return for the same products or services and it is important for the companies' performance in the long run which will lead to the success of the companies. Engaging in marketing communication is necessary in order to retain the satisfied consumer.

Marketing communication has become very important to organizations in order to market the products or services. It is the planned and integrated communication action that communicates with an organization's stakeholders. Integration and consistency makes marketing communication more efficient and thus more financially accountable. Therefore, in this era, more organizations adopted Integrated Marketing Communication (IMC) as way to better coordinate their brand communication.

The first definition of IMC was developed in the 80s, by a consortium including the American Association of Advertising Agencies, the Association of National Advertisers and the Advertising Federation of America stating the following [12]:

*“IMC is a concept of Marketing communications planning that recognizes the added value of a comprehensive plan that evaluates the strategic role of a variety of communication disciplines (such as advertising, direct response, sales promotion etc.) and combines them to provide clarity, consistency and maximum communication impact.”*

Even though the definition was used in many studies, majority of managers and marketers did not completely agree with the definition. An improved definition that suits the present market needs was developed by [13]:

*“Integrated Marketing Communication is a strategic business process used to plan, develop, execute and evaluate coordinated, measurable, persuasive brand communications programs over time with consumers, consumers, prospects, employees, associates and other targeted, relevant external and internal audiences. The goal is to generate both short-term financial returns and build long-term brand and shareholder value.”*

The motive of this new approach is the maximization of the investment to secure the most from the promotion. [14] identified three main pillars on which IMC is based:

The first pillar is the technology development, where consumers have easier access to information on different levels and permits them to make better choices. The second pillar is the uniformity throughout all communication messages. A consistent message will stick to consumers mind easily and would generate stronger brand image [15] and of globalization across geographic boundries.

Promotion inclusive of four distinct elements: sales promotion, advertising, personal selling, public relation and direct marketing. The theory is from Paul Smith's book “Marketing Communication – an Integrated Approach” (1998). It is an extension of the original 4Ps developed by Philip Kotler. The additional variables are people, process and

physical evidence. In the theory, [16], promotion consisted of following stages: sales promotion (sample drop, competition), advertising (TV – Press), direct marketing (mail shot, telesales), publicity, sponsorship, exhibitions, packaging, point of sales and merchandising, internet, word of mouth, corporate identity.

Marketing consequences relate to performance results that relate to assessment and accountability. The main outcome metric is financial performance. [17], in their research cited that market orientation is positively associated with business performance, regardless of the market turbulence, competitive intensity or the technological turbulence of the environment in which it operates.

### *B. Consumers' Choice*

Consumers are the lifeblood of any organization. Without consumers, a firm has no revenue, no profits and therefore no market value. In this study, it will look into the influence of stakeholder communication to consumer metrics and their impacts on the financial performance of firms. As marketing strives for greater accountability, it is critical to understand how consumer metrics link to profitability and firm's value. Consumer metrics include a variety of constructs and this study will focus on the metric consumer satisfaction, service quality and loyalty and intention to purchase because of their prevalence in use and maturity in measurement [18].

Ref. [19] mentioned in their study that consumer orientation is the sufficient understanding of consumers' need, would create superior value for business organization continuously, which at the end would positively effect on profitability. Ref. [20] did empirical study of major Japanese firms and their key consumers; they defined consumer orientation as "the set of beliefs that put consumer's interest first" is positively related to business performance.

#### *Consumer Satisfaction*

Consumer satisfaction has been defined in many different words, but basically it is consumer's judgment on a product or service. Traditionally, satisfaction was viewed as specific transaction, an immediate post purchase evaluative judgment or affective reaction [21]. Reflecting the more global perspective, studies such as [22] consider satisfaction to be an "overall evaluation based on the total purchase and consumption experience with a good or service over time". Consumer relationship management application helps firms to obtain consumer knowledge which resulted improvement in their consumers satisfaction [23]. Applied marketing research tends to measure satisfaction at the transaction level but more recently as an overall evaluation, a cumulative construct that is developed over all the experiences a consumer has with a firm.

#### *Service Quality*

Service quality was defined as "the global evaluation or attitude of overall excellence of service" [24]. Perceived service quality is the degree and direction of discrepancy between consumers' service perceptions and expectations [25], [26]. The dominant measurement approach for service

quality is SERQUAL, a multiple-item measure first developed in the 1980s, then tested and refined throughout the 1990s. Through this early research five dimensions of service quality were derived as factors: reliability, responsiveness, assurance, empathy and tangibles [27]. Reliability refers to the ability to perform the promised service and rigor accurately while assurance refers as knowledge and courtesy of employees and their ability to giving trust and confidence. Responsive refers to the willingness to help consumers and provide prompt service while empathy is the personal attention from the firms to its consumers. Tangibles in the other hand explain the appearance of physical facilities, equipment, personnel and communication materials.

#### *Loyalty and Intention to Purchase*

Behaviorally, consumers can be defined as loyal if they continue to buy the same product over the same time of period. Ref. [28] defines loyalty comprehensively as:

*"a deep held commitment to rebuy or repatronizes a preferred product/service consistently in the future, thereby causing repetitive same-brand or same brand set purchasing, despite situational influences and marketing efforts having the potential to cause switching behavior"*.

The importance of brand loyalty cannot be overlooked. Brand loyalty is a guaranteed purchase after taking into consideration the brand awareness and perceived quality. [29] cited that brand loyalty is crucial role in purchase, repurchase and switching behavior. Consumer loyalty is indicated by an intention to perform a diverse set of behaviors that signal a motivation to maintain a relationship with the focal firm, including allocating a higher share of the category wallet to the specific service provider, engaging in positive word of mouth, and repeat purchasing [30].

### *C. Financial Performance*

Value creation is the final objective of a company. Performance measurement is a future oriented function to meet the expectations of goals, to achieve desired outcomes and impact and helps to build and rebuild the organization. Performance measurement is also aimed at management improvement. Therefore performance measurement indicates successful management in the fulfillment of organization goals. Traditional view of performance measurement, determined by [31], is that it has three broad purposes which are to ensure the achievement of goals and objectives; to evaluate, control and improve procedures and processes [32], and to compare and assess the performance of different organizations, teams and individual.

Researchers have used different metrics for financial performance such as profit, stock price, Tobin's Q (ratio of market value of a firm to the replacement cost of its tangible assets) [33], [34], return on assets (ROA) [35], return on investment (ROI) [36], [37] and cash flows.

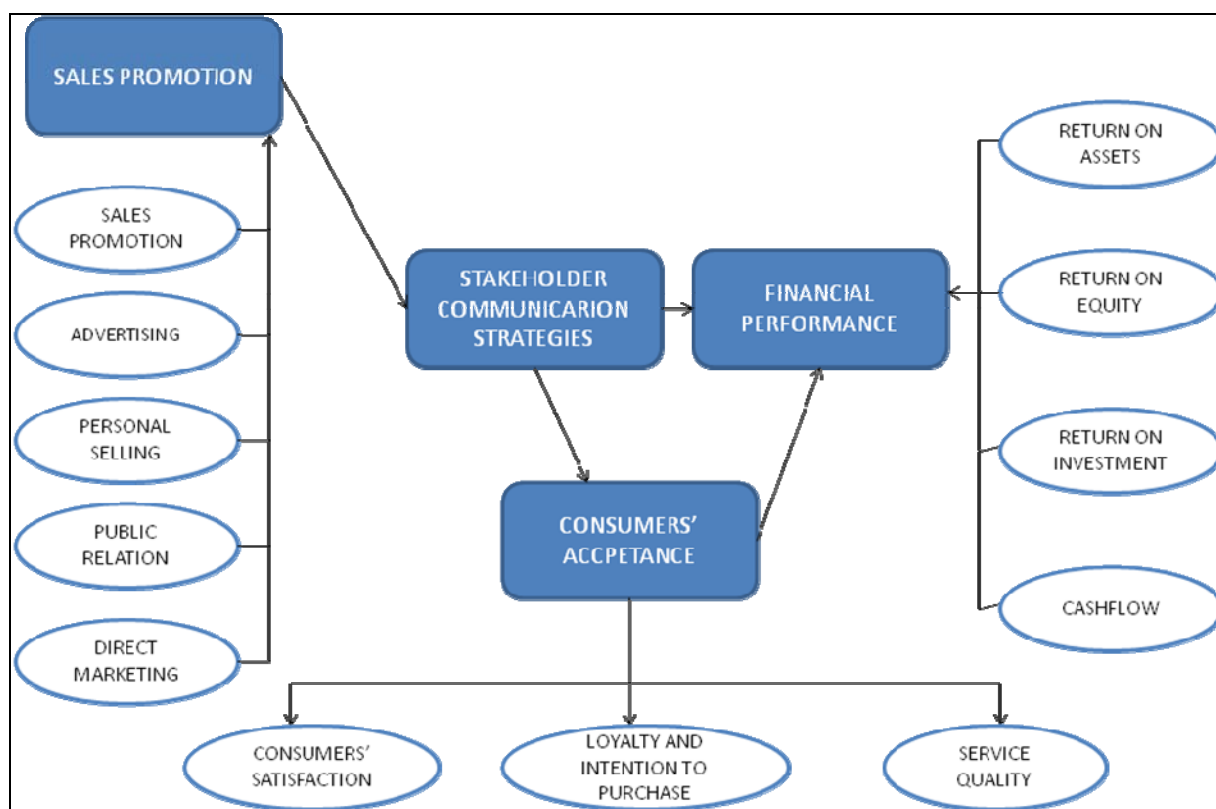


Fig. 1 Conceptual Framework

### III. CONCEPTUAL FRAMEWORK

As one of the major goals of literature review is to outline the direction of research and show the development of knowledge. This study has identified the theoretical framework of stakeholder communication upon this research builds.

The above conceptual framework comprises of three major components which are stakeholder communication strategies, consumers; choice and financial performance. The communication strategies use is from the Schultz and Schultz IMC conceptual model, which sales promotion, advertising, personal is selling, public relation and direct marketing. As for the consumers' choice, the variable chosen are consumers' satisfaction, loyalty and intention to purchase and service quality. And for the financial performance measurement, the researcher has decided to use the return on equity, return on assets, return on investment and cash flow as the measurement.

Based on the proposed framework, the researchers hypothesize that:

- H<sub>1</sub>: Stakeholders communication strategies are significantly positively associated with the financial performance.
- H<sub>2</sub>: An effective stakeholder communication will significantly lead to higher consumers' satisfaction which in turn will significantly lead to positive impact on firm's financial performance.

H<sub>3</sub>: An effective stakeholder communication will improve the service quality and consumer satisfaction and has significant impact on firm's financial performance.

H<sub>4</sub>: An effective stakeholder communication will enhance consumers' loyalty and their intention to purchase which in turn has a significant impact on firm's financial performance

The above hypotheses can be tested by employing the Structural Equation Modeling (SEM). This would enable the validation of causal relationship among the variables which are the stakeholder communication strategies, consumers' acceptance and financial performance.

### IV. CONCLUSION AND FUTURE DIRECTION

This paper presents the conceptual framework for communication strategies and engagement in increasing consumers' acceptance level and the firm's financial performance. Future direction will be on collecting the necessary data for both quantitative and qualitative methods. Final finding will provide a clear view on developing an appropriate model for stakeholder communication strategies and its impact on the consumers' acceptance and financial performance which would be useful to the organizations.

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