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The Effect of Relationship Marketing on Company’s Performance: A Case Study of a State-Owned Sawmill Company

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Abstract

The timber and timber products industries are among Malaysian top three contributors of the country’s Gross Domestic Product (GDP) in the commodity sector. It is an important segment of Malaysia’s manufacturing sector contributing to RM 22.5 billion in export and 1.6% of the national Gross Domestic Product (GDP) in 2019. Moreover, Malaysia is one of the world’s largest exporters of tropical timber and timber products, hence, it is important for the players in this industry to maintain its sustainable competitive advantage. In this respect we argue that strong relationship created by both seller and buyer may motivate customer to buy more often and in greater quantity. This article aims to measure the strength and direction of the relationship between three (3) dimensions of relationship marketing which include communication, commitment and customer satisfaction and the performance of PESAKA Terengganu Berhad, a Terengganu state-owned sawmill company. A purposive, systematic sampling was adopted in this research and the respondents were chosen from business customers who has been dealing with PESAKA Berhad, for at least one year. A Questionnaire is chosen as the instrument for this research and it was completed and returned by 73 respondents. Results of the descriptive analysis revealed that the perceptions of the majority of respondents were positive and significant on the influence of the relationship marketing on PESAKA’s performance. The correlation analysis revealed that all the elements of relationship marketing are found to have a significantly positive and moderate level of correlation with PESAKA’s performance with correlation value ranging from 0.497 to 0.626. The results of the Regression analysis revealed that there is significant and positive relationship between all the independent and dependent variables. Based on the results of these analysis, PESAKA’s management should focuses more on satisfying the customers as well as building trust in order to build favourable perception from its customer. This perception is important because trust will create a belief that the company is doing their best to cater to the needs and preferences of customers which will ultimately improves PESAKA’s long term performance. Future research should include a larger number of respondents from different industries and location around the country. Additional variables should also be
included as part of the independent variable such as trust, benevolence, credibility, integrity and reliability.

Keywords: Relationship Marketing, Sawmilling Industry, Company’s Performance, Communication, Commitment, Customer Satisfaction

Introduction

Since the emergence of the wood-based and plywood industries developed in the 1960s and 1970s, the Malaysian timber industry has grown into an important manufacturing sector in Malaysia (Dardak, 2015). The industry plays an important role in the international timber trade. Far from being an exported or semi-manufactured timber exporter, Malaysia has established itself as a leader in tropical timber production with wood furniture, flooring and exports and panel products. Recognizing the role of the industry, the government has identified the sawmill industry as a priority industry which is still growing. The main goals of the Industrial Master Plan (IMP) development is to transform the tree-based industry into a resource-based industry, increase the value-added of forestry products, and make Malaysia a popular hub for high-quality wood products. Such as furniture, crafts and printing. The wood-based industries can be divided into two subcategories, primary and secondary wood processing. Primary refers to the wood treatment and veneer treatment which is as early processing and value-added activities meanwhile secondary wood processing becomes the primary product and other solid waste such as small branches, side slabs, margins, panels, chopsticks and board dust to low value-added products.

A report by the News Straits Times (2019), Malaysian timber products and timber exports are expected to reach RM23 billion this year, using advanced trade technology (FTA), ASEAN and Oceania countries and strong demand from India. Vice-Chairman of the Malaysian Timber Industry Board, Norchahaya Hashim has expressed concern over the uncertainty of geopolitical events such as the trade war between China and the United States and the United States, parts of the economy in Iran and Brexit. Malaysia plans to target about 60 per cent of timber products combined with 40 per cent of timber prices by 2020. However, the goal could not be achieved due to a shortage of equipment, labour shortages, lack of equipment and technology, among others (Yusof, 2019).

The basic idea of customer care is that sellers must consistently provide them with the best value, and one of the ways trade relationships are used (Armstrong et al., 2018), hence there is an increasing interest in relationship marketing among business organisations who wishes to create long term sustainable advantage. Relationship marketing is often used as a strategy to win customer’s heart and hopefully, their loyalty. Relationship marketing is based on service and high customer quality it is increasing interest in marketing relationship. Relationship marketing stands in contrast to the more traditional transactional marketing approach, which focuses on increasing the number of individual sales which is more focused on short term transaction.

Relationship marketing is a service management strategy rather than a service that ensures the complexity of customer expectations after use and marketing (Gummerus et al., 2017). Furthermore, Lovelock and Patterson, (2015) proposed that practising relationship marketing has proven important in developing relationships and networking with customers to persuade them to stay loyal to the brand the product offerings. It is a marketing strategy
that ensures the acquisition and retention of most profitable customers using the most effective method. Thus, tremendous growth of services sector implies the role of marketing in terms of vast opportunities and implications, marketing opportunities arising from new technology, in franchising from fewer regulations and professional restrictions, in servicing physical goods and international markets (Alon et al., 2020). The rapid growth of services industry has changed the conditions of business. Customer retention has been advocated as an easier and more reliable source of superior performance (Budianto, 2019). It has become common knowledge that the value of all customers are not same, the 80/20 rule prevails whereby we have learned that 20 percent of customers generate more than 80 percent of revenues for most companies, and it is not uncommon to find that an even lower percentage of customers can generate more than 80 to 90 percent of the revenues. Under such circumstances, it is not prudent for a company to allocate equal resources to all customers.

Better customer segmentation and program differentiation is needed in order to match revenue potential with service offerings. Those with higher revenue potential deserve a greater allocation of costs and service. Otherwise, competitors will seize the opportunity by offering better service and a greater allocation of resources for the high-end customers. At the lower-end, attempts should be made to achieve cost savings through the reallocation of efforts based on less-expensive resources. This can be done with the help of RM strategy. It is based on the idea that the happier a customer is with a relationship, the greater the likelihood that they will stay with an organization.

This study is carried out as the ultimate aim of a RM approach is for the customer to become a partner of the organization, by contributing to marketing decisions through a one-to-one relationship. This study is particularly useful when one considers the major costs involved in marketing and enhances our ability to grow while increasing the value of customers in term of new and long-term business. Commitments, trust, customer satisfaction and communication are major challenges faced by most CEOs worldwide. There is also problem in relationship marketing whereby as personalities increase, competition increases, communication and knowledge grow, making customers more difficult to act.

**Literature Review**

Relationship marketing steadily popular and related between organizations and customers. In other words, business mean relationship built up by attracting, retaining and strengthening especially between government and customers (Noe et al., 2017). Relationship marketing boost up the sale, huge growth opportunity (Hilton, 2017). Apparently, loyal customers are created through long-term relationship and aggressive promotion especially service intensive industry. Relationship marketing can take place between retailers and suppliers, buyers and sellers in accordance to fulfil the specification and expectation of both customers and service providers (Traina, 2018). Traina (2018) further asserts that making a good rapport with customers and always determining what they want even though they are still prospects for a firm product or services. Scholars proposed that it is a good strategy to attract and built stronger relationship. In the end, the good service can give impact to customers, socio-economic, and open for various activities between customers and organizations.
Roszkowska-Menkes (2018) views relationship marketing as a platform to build network with customers and individuals to maintain good relationship and continuous networking with them. For example, in the telecommunication industry, services relationship are continuously maintained with customers and other stakeholders even though relationship marketing does not apply to all types business (Steinhoff et al., 2019). Furthermore, Kotler (2019) promotes long term relationship with existing, regular customers as well as new customers. Based on the past empirical research, three variables are postulated to have significant relationship with company performance. Company performance is a pervasive or substantial element when customer look before they start to deal. Beckers et al., (2018) believe that high organizational performance hinges on strong relationship created by the organisation with its customers and other stakeholders. We propose that these three variables, commitment, communication and customer satisfaction will help increase of company performance based on evidence at PESAKA Terengganu Berhad. The more efficient the communication and commitment level shown by a company, the higher is the company’s performance. Furthermore, high satisfaction level is an important predictor of an organisational performance especially for a service-oriented organisation as indicated by Soltani et al (2018).

Customer satisfaction is also an important indicator of a company’s performance and the objectives for PESAKA Terengganu Bhd, is to provide not only high-quality products but also the best service after sales. Kotler (2000); Ying et al (2020) postulates that customer’s satisfaction has a direct influence on performance which are related customer’s preferences and expectation before, during and after a transaction. Furthermore, William & Nauman (2011) argues that customer satisfaction is also determined by customer’s buying and selling behaviour.

In addition to relationship marketing, it is communication which is more important as a part of building a business relationship where trust between buyer and seller is paramount in ensuring. Chan & Lai (2017) also emphasize the good communication in order to avoid conflict and align with perception and expectation of customers. The important of communication also been addressed by Huda et al (2019); Musah et al (2017).

Commitment of the organization towards customers is crucial and contribute to the trust of the customers. This is also called customer’s partnership and loyalty for future purchases (McKevitt & Davis, 2015). Several researchers such as Parawansa (2018) and Bricci et al. (2016) stressed that elements of marketing relationship such as commitment and trust are positively related to customer’s satisfaction and loyalty. Furthermore, Haghkhah et al (2020) proposed that trust and commitment are important mediator in the relationship between customer value and service quality on customer’s loyalty. Moreover, McDonald & Wilson (2016) argues that exhibiting strong commitment is the highest priority for partners and customers. Referring to past literature, we therefore proposed that communication, commitment, and customer satisfaction from the literature mostly influence and having significant towards company performance.

Research Methodology

This study was conducted at Dungun, Terengganu and one of the sawmill company was selected as the location. PESAKA Terengganu Berhad is the sawmill company selected for this study. The target population chosen in this article are clients of PESAKA Terengganu Berhad.
Currently, the company has 120 active buyer that frequently purchase sawmill product directly from PESAKA Trengganu Berhad. The respondents were chosen because they are the customer who regularly purchases sawmill products compared to others. Krejcie & Morgan (1970) proposed a calculated table that reveal for a population of 120, the ideal sample equals to 92 samples. The authors, however have decided to use 100 samples instead of 92 samples in order to increase the validity of the sample. The sample is chosen to represent the entire population and the results of the findings can be used to represent the entire population. Sekaran and Bougie (2016) explained that the sample consists of a group of people selected from the population as representatives of the population. Based on the population of this study the sample in this study was determined to be 92. However, researchers distribute the 100 questionnaires for this study.

Research Design

In this article, we adopted a quantitative research is adopted. Quantitative research is based on the objective of this research which is examined on the element of relationship marketing (communication, commitment, customer satisfaction and trust) as practised by the sawmill company as perceived by its clients, to determine the level of company performance as perceived by the clients, to measure the significance level of the relationship marketing between the elements of relationship marketing with company performance and to determine the strength and direction of relationship marketing that has significant effect to company performance with detailed and systematic strategies to find the solution and refine the knowledge of interest (Creswell & Creswell, 2018). Furthermore, Kerlinger and Lee (2000) added that quantitative research is deductive nature, where inferences were made as direct observations basis with a primary goal to describe the phenomenon and cause-and-effect relationship.

Respondents selected for this research consists of customers of Pesaka. This customer consists of customer that regularly purchasing in Pesaka. The data collected in January 2020. Population of PESAKAcustomer consists of customer that contacted via email only. The selection method is based on random selection and based on availability of data only with valid email address. The data of customer is given by the HR department of PESAKACompany. Total customer data that taken from the HR department contains of a total of 200 customers with valid email address that purchased from the company for the month of January 2020. A total of 200 questionnaires sent to them via emails and only 120 questionnaires received and only 100 questionnaires that are useable.

Data Collection methods and Research Instruments

In order to determine the type of data needed and pre-set research design, the self-administered questionnaire formed the basis of our data collection procedure. Questionnaires offer fewer biases data, inexpensive, and more convenience in collecting the data. The questionnaire had been distributed using the hard copy to respondents specifically to sawmill buyer.

Questionnaire was developed and divided into several sections which are Section A (Demographic Factors), Section B (Independent Variables), and Section C (Company Performance). It consists of demographic questions of the customer such as age, gender, ethnicity, highest education, and duration of being an employee with the company, duration of work, job title and current location. Multiple item answer in Section A was used to ease the
respondent in answering the questions which related to demographic information. Section B and section C consists of questionnaire questions that related to this research which is communication, commitments, customer satisfaction, trust and company performance.

In order to measure each variable, a Seven-Point Likert Scale questionnaire which ranges from 'strongly disagree to strongly agree' used in this study. Variables of communication, commitments, customer satisfaction and trust are adopted from author Alrubaiee and Al-Nazer (2010) and a company performance variable is adopted from Werlang and Rossetto (2019). To ensure a complete

In order to get the data, 100 questionnaires were distributed to the respondents.

**Pilot Study and Reliability Analysis**

Before commencing data collection for the research, the researcher first conducted a pilot study to gain preliminary insight on the nature of respondents’ feedbacks and the reliability of instruments being used (Hazzi & Maldon, 2015). A pilot study is important to test the feasibility of the approach employed to conduct the study (Leon et al., 2011). The findings from the pilot study are useful to refine the questionnaire items, structure and layout, to confirm the readability and literacy level of the target sample, as well as obtaining preliminary feedback on the phenomena being investigated (Cohen et al., 2007). The pilot study, therefore was conducted to obtain responds from 30 respondents the actual data collection process.

Following the pilot study, the reliability of the scales used in the instrument was analysed to ensure its capability to measure the desired response. The reliability of the instruments was tested by obtaining the reliability coefficient, namely, Cronbach’s Alpha (Hair et al., 2014). The acceptable value for Cronbach’s Alpha for the instrument to be considered as reliable is more than 0.60 (Hair et al., 2010). Based on the Cronbach’s Alpha obtained from the reliability analysis presented in Table 3.1, it was found that the Cronbach’s Alpha value ranged from 0.765 to 0.920 which reflects that the questionnaire’s items designed for measuring all the variables are reliable for data collection purpose.

### Table 3.0 Reliability Analysis of Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Number of items (N)</th>
<th>Cronbach’s Alpha</th>
<th>Reliability</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication</td>
<td>8</td>
<td>0.880</td>
<td>Good</td>
</tr>
<tr>
<td>Commitment</td>
<td>7</td>
<td>0.765</td>
<td>Acceptable</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>8</td>
<td>0.909</td>
<td>Very Good</td>
</tr>
<tr>
<td>Trust</td>
<td>8</td>
<td>0.836</td>
<td>Good</td>
</tr>
<tr>
<td>Company Performance</td>
<td>5</td>
<td>0.920</td>
<td>Very Good</td>
</tr>
</tbody>
</table>

**Data Analysis**

**Analysis of Mean**

Figures in table 4.0 revealed the mean score and the standard deviation of the independent variables. The respondents perceived that customer’s satisfaction scored the highest mean score \(M = 5.92, \text{S.D} = 0.47\) compared to the other independent variables. The
result indicates that customers of PESAKA Sdn Bhd. perceived that PESAKA’s service delivery is higher than average which is a positive sign for PESAKA Sdn Bhd. This is then followed by commitment (M = 5.88, S.D = 0.38) which is ranked second among the variables and the third highest mean score is shown by the variable communication (M = 5.82, S.D = 0.44). Overall, the mean score for each of the variable fall in the range of very high level. Thus, the respondents in this study perceived very highly towards relationship marketing practised by the sawmill company while dealing with their customer base.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Variable</th>
<th>Mean</th>
<th>Standard Deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Customer Satisfaction</td>
<td>5.92</td>
<td>0.47</td>
</tr>
<tr>
<td>2</td>
<td>Commitment</td>
<td>5.88</td>
<td>0.38</td>
</tr>
<tr>
<td>3</td>
<td>Communication</td>
<td>5.82</td>
<td>0.44</td>
</tr>
</tbody>
</table>

Correlation Coefficient Analysis

In this article, the Pearson correlation analysis was conducted to identify the direction, strength and significance of bivariate relationships among all the variables, focusing on the relationships between the independent and dependent variables. In this regard, coefficient that has negative value indicates that both variables are in an inverse relationship. In the following sections we will interpret the correlation between each independent variable with company performance.

Table 4.10 shows the correlation coefficient obtained from Pearson correlation analysis between the relationship marketing variables and company performance. The coefficients revealed that there is positive and moderate strength for all relationships between the variables and there is moderate strength between all variables. All relationships are significant at 99% (p < 0.01). Based on the Pearson correlation analysis, it was revealed that all element variables of relationship marketing were found to have a significant positive and moderate level of correlation with company performance. The correlation between customer satisfaction and company performance showed the highest coefficient (r = 0.626), followed by the correlation between communication (r = 0.511) with company’s performance. The correlation between commitment and company’s performance (r = 0.497) highlighted the lowest value. The positive correlations indicate that each variable has a positive relationship with PESAKA’s Sdn Bhd performance, where an increase in the independent variables will increase the company’s performance.

These findings are consistent with past literature. The authors’ found that the majority or 73 respondents are satisfied with that can be seen from the correlation results. Among these three variables, customer satisfaction, showed the strongest correlation with PESAKA’s compare to commitment, and communication. The findings of the research revealed that communication, commitment and customer satisfaction are significant and positively associated to PESAKA’s Terengganu Bhd. performance.
Table 10: Pearson Correlation of Relationship Marketing and Company Performance

<table>
<thead>
<tr>
<th>Variables</th>
<th>Comm.</th>
<th>Commit.</th>
<th>CS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commit.</td>
<td>0.442**</td>
<td></td>
<td></td>
</tr>
<tr>
<td>CS</td>
<td>0.551**</td>
<td>0.500**</td>
<td></td>
</tr>
<tr>
<td>PERF</td>
<td>0.511**</td>
<td>0.497**</td>
<td>0.626**</td>
</tr>
</tbody>
</table>

Comm – Communication; Commit – Commitment; CS – customer satisfaction; PERF – Company Performance

Multiple Regression Analysis

Table 4.20 presents the output of linear regression conducted between all variables in relationship marketing (communication, commitment, customer satisfaction and trust) and Company performance as a dependent variable. Based on the regression model obtained, it was revealed that all variables in relationship marketing, in combination, contribute very significantly to Company performance [R² = 0.513, F (4, 68) = 17.908, p < 0.01]. The result implied that the combination of all variables in relationship marketing significantly influence 51.3% of the variance in company performance, where any changes in these relationship marketing variables would significantly cause changes in Company performance. Therefore, hypothesis H1: relationship marketing has a significant contribution to company performance, is therefore accepted.

Table 10: Output of Regression Model of All Variables

<table>
<thead>
<tr>
<th>Variables</th>
<th>Company Performance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Regression Model Output</td>
</tr>
<tr>
<td>Relationship Marketing (Communication, Commitment, Customer Satisfaction)</td>
<td>R</td>
</tr>
<tr>
<td></td>
<td>R²</td>
</tr>
<tr>
<td></td>
<td>Adjusted R²</td>
</tr>
<tr>
<td></td>
<td>ANOVA F-value</td>
</tr>
<tr>
<td></td>
<td>Significant of F-value</td>
</tr>
<tr>
<td>Customer Satisfaction</td>
<td>0.377</td>
</tr>
<tr>
<td>Communication</td>
<td>0.164</td>
</tr>
<tr>
<td>Commitment</td>
<td>0.085</td>
</tr>
</tbody>
</table>

** significant at p < 0.01

From the multiple regression analysis, it was found that all variables in relationship marketing (communication, commitment and customer satisfaction), contribute significantly where 51.3% of the variance in company performance (R² = 0.513, F (4, 68) = 17.908, p < 0.01) is explained by the changes in the independent variables. As highlighted by the results, the regression analysis also revealed that any changes of the predictors will significantly and positively influences the changes in PESAKA Sdn Bhd’s performance.

Conclusion and Recommendations
From the multiple regression analysis, it was found that all variables in relationship marketing (communication, commitment, customer satisfaction and trust), in combination, contribute very significantly of 51.3% to the variance in company performance \([R^2 = 0.513, F(4, 68) = 17.908, p < 0.01]\). The result intended for any changes that occur within the relationship marketing will contribute significantly to the changes in company performance. This finding affirmed that maintaining a good quality of relationship marketing produces good influence to the company performance. This result is consistent with several previous similar studies that also found relationship marketing has significant positive relationship and influence to company performance (Wongsansukcharoen et al., 2015; Hoque et al., 2017; Zarei et al., 2019). Meanwhile, Chandra and Peolana (2016) emphasized that relationship marketing leads to a direct positive impact on firm performance, in line with the findings obtained from this study.

In the context of this study, the company maintained a high quality of relationship marketing with their buyers or clients, as proven with the very high level of mean score to each of the element variables as perceived by the respondents. The ability of the company, along with the employees, to maintain a good level of relationship marketing activities is evident to the customers. It thus contributes to the sustenance of a long term relationship between the two parties. By consistently maintain the quality of relationship marketing, the sawmill company manages to create positive view and perception among its customer that the company is capable of managing and producing good quality of product to cater to their business needs, and subsequently improve their company performance.

Many scholars have advocated relationship marketing as an excellent way to increase the performance of a firm by establishing a long-term relationship with the customer (Taleghani et al., 2011) especially in the industry that depends on repeat business from customers such as sawmills company as such, building and sustaining loyal customer base through the means of relationship marketing has become the means for firms to develop and maintain mutually satisfying long term collaborative relationship and thus being reflected on the company performance (Husnain & Akhtar, 2015). Hunt et al. (2006) supported that relationship marketing is a successful relational exchange that helps to enhance financial performance which is an important indicator for company performance. Thus, efficient delivery of relationship marketing can be much more efficient to improve relationship quality with an existing customer as well as enhancing competitive advantage (Vyas & Raitani, 2015).

Based on some insight gained from the findings obtained in this study, several aspects that require attention and improvement action from the management of the company. The obvious contribution of this study to managerial practice is that the management of the company obtained the crucial information that customer satisfaction and trust respectively has a significant positive effect to company performance (Agnihotri et al., 2016). In this sense, the company management should strongly divert its focus on satisfying the customer’s needs and requirements as well as building trust in order to gain favourable view among its customer into believing that the company is doing their best to cater to their needs and ultimately improve their company performance (Tukker and Tischner, 2017).

In addition, company management may take this opportunity to review the specific attributes of customer satisfaction and trust that draw the customers’ attention and integrate their perspective that emphasize on the material’s quality in benefitting their business, and thus come up with a proper diagnostic tool to enhance both qualities in relationship marketing (Murali et al., 2016). Furthermore, it can also serve as the basis for training pre-
requisite to support both the managers and the employees to equip them with relationship building skills with their clients.

Meanwhile, while both communication and commitment were found to be not significant in affecting company performance, customers’ perception at a very high level to the respective variable is worth to be taken into attention whereby customers still have high regard that communication and commitment delivered by the company as the important elements that sustain the quality of the relationship between the firm and the customers (Hur et al., 2018). Therefore, both communication and commitment should not be neglected. Managers should keep on encouraging the employees to maintain effective communication and high level of commitment to their client in order to not only retain the existing customer but also build a good rapport and word-of-mouth among the customer to gain new client base (Raina and Roebuck, 2016).

References


