

Determinants in Internal Customer Satisfaction- an Empirical study

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Abstract

Any modern economy gets its contribution mainly from three sectors. The service industry which forms the tertiary sector is now the leading contributor towards GDP of developed economies and most developing ones. This leaves this sector with maximum competition to deal with. The increased development of service sector makes its essential for the companies to go for betterment of service being rendered.

“Placing employees ahead of customers” and treating “employees as customers” are key to attain better service quality and hence enhanced customer satisfaction with the latter leading to customer loyalty and eventually repeated purchase intention and most importantly a positive word of mouth. With every company striving hard to earn a place which is more sustainable in this highly vulnerable environment, little it can do to ignore the fact that employees are the backbone to attain the much needed competent advantage.

This article has come out with an empirical study on the factors which impacts the employee satisfaction and has an indirect relationship towards satisfaction of customers. The study area was a leading retail store in Pondicherry region. The findings suggest that its empowerment and benefits (monetary and non-monetary) which has strong relationship with that of internal customer satisfaction. While training has a moderate relationship and supervisor relationship has a weak relationship with that of the internal customer satisfaction.

Key words: *Internal marketing, customer satisfaction, repeated purchase intention, service quality*

Introduction:

Internal marketing – a much spoken topic in recent past has so many definitions originating from different researchers. The term internal marketing was first used by berry and then by many others (Barbra Lewis, 2012). Berry L.L (1981) described internal marketing as “The Employees as Customers”. Berry first proposed internal marketing as a solution to the problem of delivering higher quality of service.

With the significant growth of service sector and the knowledge-based economy, internal marketing is increasingly important to organizations. The increasing recognition of employee’s role in the service industry has led organizations to adopt the internal marketing concept and hence, treat their employees as internal customers. In earlier days the internal marketing approach had a Uni- dimensional focus. Putting customers first and everything behind it was the preferred approach among various service sectors of the past. Authors such as Gronroos (1990), Vary (2001) and Tsai (2008) came out with an opinion that internal marketing is just a supplementary to Human resources management. As per Gronroos (1990) internal marketing is a management philosophy that provides managers with an understanding and appreciation for the role of employees requiring that they have a holistic view on their jobs (Sincic, 2009).

Service is described as “Anything which is of some consideration” (Kenneth E and David L, 2003). As, much service marketing text books describes, a service generally has a technical as well as a functional part attached to it. It is the function of two which determines the service quality in any service sector. The functional part solely relies on the customer contact employees who deliver the service to the particular customer. Internal customers generate goods and services for the end customer and, as such, are crucial for providing customer satisfaction (Mohr-Jackson, 1991). In early development phase the majority of the work on internal marketing focused upon the issue of employee motivation and their satisfaction. The major reason lies behind in these efforts is to improve the customer service quality.

Internal marketing requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing and communicating customer value (Kotler and Keller 2006). In current scenario enhancing customer’s experience with the service offered is a collective effort of each and every employee working in the organization though the degree to which they are associated with the particular service varies.

To improve the quality of service rendered by an organization the employee’s contribution towards enhancing it is a must and most important one. From where do the employees get their much needed motivation? A very big part of it relies on the part of management to provide them the necessary intrinsic and extrinsic motivating factors.

Internal marketing literature:

(D. Helman Apayne, 1992) Casted four different views about internal marketing from different authors:

1. Gronroos (1981) – Conventional view that internal marketing is linked with service quality.

The idea behind the adoption of internal marketing is that it leads to higher employee satisfaction and subsequently, to the development of a more customer-conscious, market-oriented, and sales-minded work force.

2. Flipo's(1986) – for external marketing to succeed internal marketing should accompany the former one.

3. Berry (1981) – the quality management in any organization has its root in internal marketing. He acknowledged the importance of employees in dealing with the external customer, recognizing that employees' satisfaction and support of the overall marketing strategy was essential for external customer satisfaction.

4. Piercy and Morgan (1990) – Internal marketing as a medium to implement better marketing strategies.

(Pervaiz K.Ahmed and Mohammed Rafiq, 2002) states the importance of internal marketing as a way of achieving consistent service quality. Even though there are enough definitions proposed by many scholars there is no unified concept with respect to internal marketing.

International marketing: a Human Resource Management subsidiary

Human resource policies designed to attract, retain and reward personnel for appropriate behaviors, should advocate market orientation and internal customer orientation (Gronroos, 1990). Customer-focused employees are an asset to the organization, therefore, it is critical to retain these employees by maintaining satisfactory human resource policies. Ruckert advocates that instead of recruiting a person and train him to acquire characteristics such as commitment towards a market orientation, it's more efficient to employ someone who already possess these skills (Ruckert, 1992). According to him efficient recruitment and selection practices have been found to have a strong association with the level of market orientation within an organization. Canhill too came with a definition which relates internal marketing more towards human resources management. According to him internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as customer indeed wooing employees and is the strategy of shaping job products to fit the human needs (canhill, 1996).

Internal marketing: a branch of marketing:

Employees who are satisfied do invest more in their performance orientation and can produce productive results. They develop themselves as part-time marketers for the organization they work, ending in increased customer satisfaction and which in turn attracts new customers and prospective candidates for employment (Varey & Lewis, 2000). Internal marketing depends on a variety of individual activities throughout the organizations and it attempts to inform and educate the employee regarding the organizations mission the benefits of the product or service being sold, and the expectations of the organizations customers (Vary and Lewis, 2000). Internal marketing is used as a tool to improve the service offered by the organizations (Gilmore, 2000).

Bateson & Hoffman (1996) brings out to notice that the internal marketing requires additional dimensions such as understanding internal customers' requirements in order to fulfill the external customers' needs and preferences. Thus full filling what internal customer needs will be a precursor for external customer satisfaction. Bateson & Hoffman also emphasized the need of effective internal communication to obtain information regarding external customer needs and coming out with ways and means to fulfill their needs.

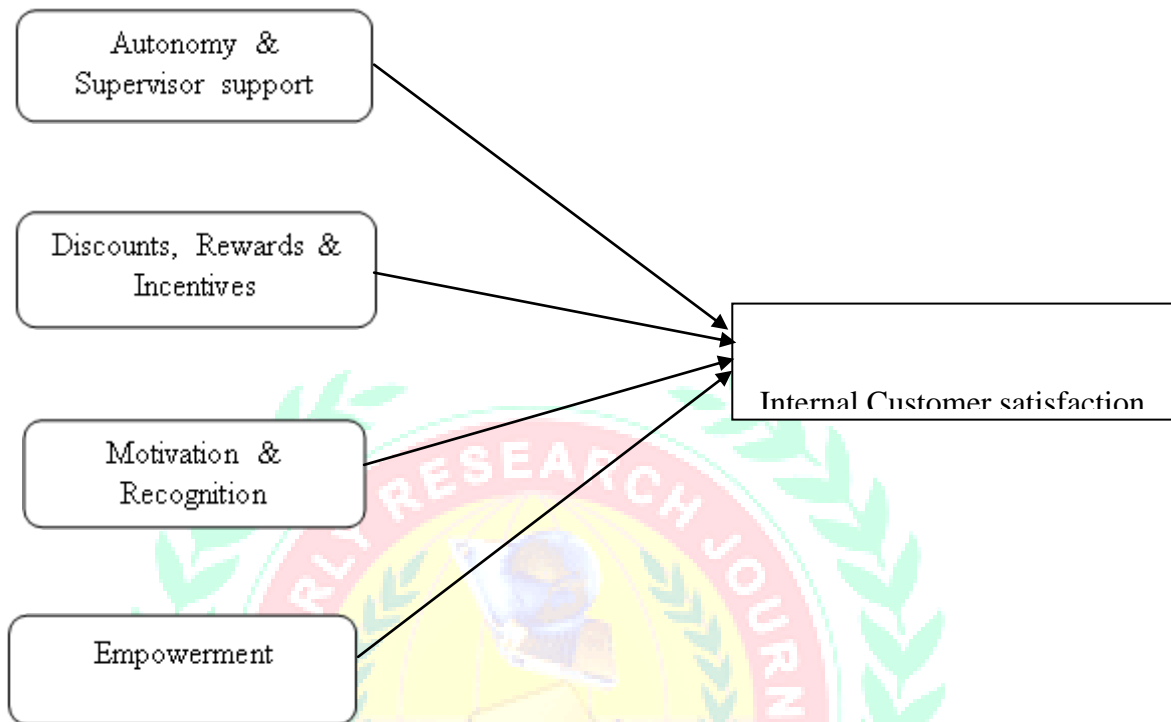
Internal marketing as a source of competitive advantage:

Internal marketing is any form of marketing within an organisation which focuses staff attention on the internal activities that need to be changed in order to enhance external market place performance (Ballantyne, 1995). Robert and Patrick D (2012) in nordstrom way of customer service excellence speaks out the importance of internal marketing measures in bringing not only a competitive advantage but also to make the advantage a sustainable one in the future. To gain a sustainable advantage the customers should first value the concept. An advantage that is not valued by customers will not result in extra earnings. Nordstrom stores shows the way of treating customers and fulfilling their needs upfront by having satisfied internal customers.

Robert and Patrick D claims that nordstrom have effective customer service, because of a strong internal marketing measures followed. They feel that Identification of right type of talent and hiring them also helps in increasing customer satisfaction as these employees need much lesser training to perform their job perfectly.

Conceptual model :

Fig:1 Determinants of internal customer satisfaction:



Based on theoretical frame work model adopted by (prathibha A & Kristie A, october 2007)

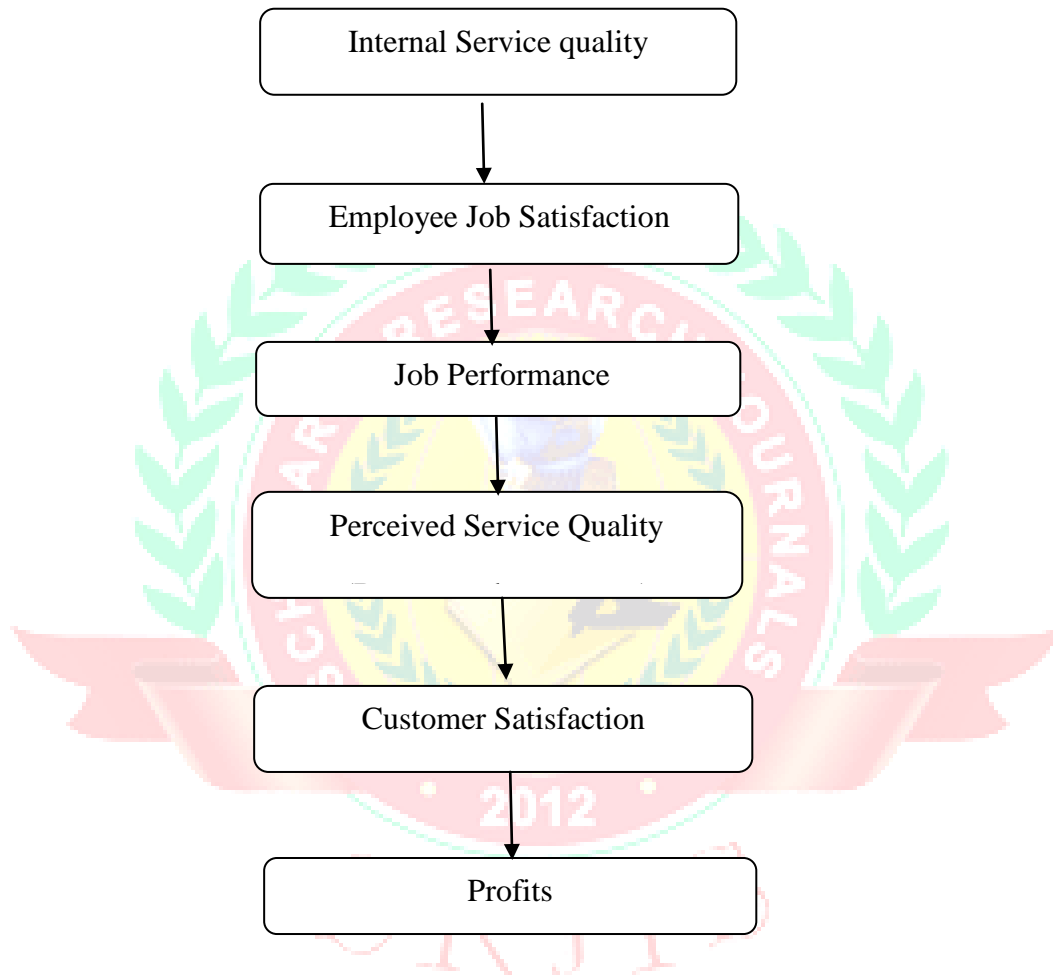
There are so many factors which play an important role in employee satisfaction and there by resulting in external customer satisfaction. Many authors have grouped them mainly under three categories they are 1. Organizational factors 2. Financial factors 3. Non-financial factors. It is the function of these three factors that determine the degree of internal service quality. When the internal customers are satisfied this will lead to the increased performance of employees towards their customers. This will have an impact on the final service quality perceived by the customers

1. Employee empowerment:

As discussed earlier in the literature segment, empowerment of employee in their work is directly linked to their satisfaction. Empowerment is one among the non-monetary motivation tools which can satisfy the employee's intrinsic quest. Instead of taking each and every decision making situation to the supervisor or to the authorities concerned, if the employees themselves are empowered to decision making based on the circumstances the customer is in, the employee will be able to provide better customer satisfaction. The ability to practice internal marketing is closely linked to employee empowerment. Payne (1993)

claims that a formal marketing plan for an internal market is of little value if customer contact staff are not motivated and empowered to deliver the level of service quality required.

Fig: 2 internal service quality – Organizational profit flow chart:



Based on theoretical frame work model adopted by (prathibha A & Kristie A, October 2007)

2. Supervisor relationship:

The relation with the supervisor is one among the key factors that affects the employee's behavior (prathibha A & Kristie A, October 2007). It has been revealed in several studies that an employee who has a smooth relationship with the supervisor tend to be positive and carry the same energy while dealing with the customer. On the other an employee who has disturbed relationship with the supervisor who often engages in confrontation, who hesitates

to have a conversation with his supervisor tend to show his disgust to the most valued partner of the firm i.e., the customer.

3. Effect of financial and non-financial measures:

Non-financial internal marketing includes recognition programs, motivational practices, and empowerment. Recognition has long been considered a contributing factor for job satisfaction. Financial factors such as monetary benefits, cash rewards, ESOP said to have positive effect on internal customer satisfaction.

4. Training:

Training can assist employees in developing a holistic view of a service strategy by providing them with an understanding of the role of each individual in relation to other individuals, the various functions within the firm, and the customers (Gronroos, 1990).

Based on these inputs a study was performed to analyze the importance of the above stated factors in internal marketing and their link with internal customer satisfaction.

Sampling procedure:

The sampling technique followed for the study is snow ball sampling. As the employees tend to provide favorable results in the presence of supervisors, the questionnaires were provided to few known employees initially and then to others based on the link they provided. The questionnaires were handed over in person and clarifications regarding questionnaire were done at a common refreshing point after their working hours.

Sample size:

The total number of employees working in the particular retail outlet is over 45, but only 29 could be contacted and information were gathered from them.

Construct development:

A questionnaire was developed with 10 Geographic and Demographic variables. 15 questions were administered on a 5 point likert scale which includes 4 major factors contributing to internal customer satisfaction and total employee satisfaction. The four main factors were identified based on past studies done in internal marketing segment.

Study Objectives:

1. To analyze whether the overall satisfaction of employees are gender specific or not.
2. To understand which factor contributes in highest terms towards internal customer satisfaction.

Analysis:

Reliability

Scale: ALL VARIABLES

Reliability Statistics

Cronbach's Alpha	N of Items
.699	15

The Cronbach's Alpha value obtained from reliability statistics is around .699, which is sufficient to state that the scale is reliable.

Based on the literature review 4 hypothesis were framed and analyzed using statistical tools with the help of SPSS version 20.

H0 1: There is no significant difference in supervisor relation with respect to experience.

H0 2: There is no significant association between gender difference and overall satisfaction.

H0 3: There is no significant difference between years of experience and overall satisfaction.

H0 4: There is no significant association between the factors and the overall satisfaction.

H0 1: There is no significant difference in supervisor relation with respect to experience.

ANOVA TABLE

Experience

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	.321	2	.160	.206	.815
Within Groups	20.231	26	.778		
Total	20.552	28			

The P value obtained is .815 which is higher than .05 (for 5% level of significance). Hence H0 1 is accepted. From this it is concluded that there is no significant difference in supervisor relation with respect to experience.

H0 2: There is no significant difference between gender difference and overall satisfaction.

Independent Samples Test

		Levene's Test for Equality of Variances		t-test for Equality of Means		
		F	Sig.	t	df	Sig. (2-tailed)
overall satisfaction	Equal variances assumed	.444	.015	.114	27	.035
	Equal variances not assumed			.108	13.785	.041

Independent T test is carried out to check whether there is significant difference between the gender and overall satisfaction level. The Levene's test significant value (.015) is

less than .05 which suggest that there is no assumption of equal variance. The p value of .041 is less than .05 and hence H0 2 is rejected. There is significant difference between gender classification and overall satisfaction level.

Group Statistics

	Gender	N	Mean	Std. Deviation	Std. Error Mean
overall satisfaction	male	9	2.89	.928	.309
	female	20	2.85	.813	.182

The mean value of male is 3.11 which is slightly higher than the female mean value of 2.80. The men are comparatively more satisfied with internal marketing efforts than the female counterparts.

H0 3: There is no significant difference between years of experience and overall satisfaction.

To determine whether any significant difference is there with respect to satisfaction level based on experience one way anova analysis is performed. The p value is .281 which is greater than .05 hence H0 3 is accepted. There is no significant difference between the years of employee experience and overall satisfaction

ONE WAY ANOVA:

Experience

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	1.913	2	.956	1.334	.281
Within Groups	18.639	26	.717		
Total	20.552	28			

H0 4: There is no significant association between the factors taken for study and the overall satisfaction.

	Pearson Correlation	p value
Empowerment	.674**	.004
Supervisor relationship	.504**	.002
Benefits	.732*	.015
Training programs	.440*	.035

*. Correlation is significant at the 0.05 level (2-tailed).

**. Correlation is significant at the 0.01 level (2-tailed).

Correlation analysis was performed to understand the relationship between the 4 factors namely Empowerment, Supervisor relationship, Benefits and Training programs with the overall employee satisfaction. The output states that the association between overall employee satisfaction and factors such as Empowerment and Supervisor relationship are significant at 1% level of significance (p value is <.01). while the association between Benefits received and training programs with overall employee satisfaction is significant at 5% level of significance (p value is <.05).

When we look at the r value i.e., the Pearson correlation coefficient the r value between Empowerment and Monetary benefits received with that of Overall employee satisfaction are .674 and .732 indicating a strong correlation between these 2 factors with that of overall employee satisfaction. The r value of other 2 factors namely the supervisor relationship and Training programs are .504 and .440 respectively indicating a moderate association of these 2 factors with that of overall employee satisfaction.

Study findings:

The study was conducted with a main objective of finding the relationship that surrounds the 4 main factors taken for the study and the overall employee satisfaction. The results showed that all the 4 factors have positive relation with that of the overall employee satisfaction. The study points out that empowerment and monetary benefits the employee receives are highly associated with the overall employee satisfaction with high r values. The

employees pursue autonomy in decision making and the monetary and non-monetary benefits they receive provides them higher satisfaction levels.

The gender difference also plays a role in overall employee satisfaction with male employees more satisfied than their female counterparts. There is no significant change in overall satisfaction level as the employee gets more experienced.

Study limitations:

The study was performed only with a small set of samples (<30) in one particular retail market in puducherry region. The extension of findings may not be possible but this can trigger much bigger research on Internal marketing particularly in Indian context.

Conclusion:

The study findings are consistent with the prior studies made in internal marketing area. All the major four factors taken for the study have an impact on the overall employee satisfaction, only the degree of their relationship differs. In the past decade lot of research has been done to identify the relationship between internal marketing factors and their impact in internal as well as external service quality. Rafiq and Ahmed, Helman and Payne with their research concluded that internal marketing in all its forms is recognised as an important activity in developing a customer focussed organisation (Steve & Kim, 2003). Internal marketing does make a positive effect in enhancing customer satisfaction and subsequently customer loyalty and repeated purchase behavior.

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