IMPACT OF INTERNAL MARKETING ON EMPLOYEE & CONSUMER SATISFACTION: A STUDY OF BANKING ORGANIZATIONS IN KASHMIR

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Abstract: This paper aims at analyzing the impact of internal marketing on employees’ job satisfaction & consumer satisfaction based on the survey of four major private banks of Srinagar, Jammu and Kashmir. Internal marketing practices have been generated in organizations where Internal marketing is not only concerned with treating employee as a customer; it is about that the organization should continuously develop Programs and strategies for enhancing employee competencies that will have an effect on the employees performance in the same way as external marketing plans and strategies are formulated to meet external consumer demands. Questionnaires were used for this study. The first one measured internal marketing while the second one contained questions on employee job satisfaction & third one measuring customer satisfaction level. Survey data has been analyzed using one sample statistics and Pearson Correlation. Empirical analysis reveals a varied response on internal marketing and employees’ satisfaction & consumer satisfaction. The analysis of correlation coefficient indicates a positive relationship between internal marketing, employee satisfaction & consumer satisfaction. This analysis provides an opportunity to banking administration in using internal marketing concept in improving employee satisfaction & consumer satisfaction.

Keywords: internal marketing, employee satisfaction, consumer satisfaction, banking organizations.

Introduction:
Internal marketing is defined as viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm (Berry, 1981).

The objective of internal marketing is to get motivated and customer conscious employees in order to deliver better services that will improve the company’s reputation, market share, and customer retention over the long term. According to Fisk et al. (1993) there are two main issues in internal marketing. Firstly, the idea of the employee as the internal customer and secondly, the organizational need to satisfy the internal customers so that s/he best prepared to serve the external customer. Although, external marketing is the most important task, it is essential to sell inwardly toward a company people. When employees understand and commit value proposition of the company, external marketing becomes more effective because the employees become product campaigners.

Internal marketing is a means of involving employees at all levels in effective marketing programs and enabling them to understand their role within the marketing processes. Internal marketing program consists of training and development, effective internal communication, and integrated schemes designed to enhance understanding of the overall marketing orientation within the organizations. Service orientation has become a key source of competitive advantage and only a ‘service attitude’ among staff can lead to the delivery of outstanding customer service and increased market share (Varey and Lewis 1999). Internal marketing is now becoming more and more important to all organizations striving for the success of their businesses.

Internal marketing takes into account a holistic approach in which the satisfaction of external customer is not only associated with the product or service of an organization but the overall experience with purchasing that service or product i.e., whenever an external customer interacts with the employee of an organization it affects the overall satisfaction. Organizations have high expectations of performance when there is an interaction between employee and the customer but some organizations fail to deliver the standard as there is no appreciation for internal customers (employees). Employees that understand their organizations vision, mission, values produce more and represent the organization more effectively to the markets. Internal marketing is beneficial for both organizations as well as for employees, for organizations; when employees are satisfied and stay longer, the organizations save money on training and recruitment. The companies have customer oriented workforce, excellent external business relationships, empowered employees, improved brand reputation and profits. For employees; when they are highly satisfied and motivated, when they take part in organizations decision-making, they feel more respected and valued. This creates a sense of belongingness. This study will show how internal marketing concept is applied in Kashmir. By explaining the concept we will be able to design internal marketing strategies to get best out of our employees and this will also help managers to realize the importance of this concept which can be essential for Kashmiri banking organizations to improve its performance. Further, there is not much research being done in the field of internal marketing, specifically in Kashmir. This fact justified why this subject is chosen for the study. Proponents of this concept believed that having a sound internal marketing strategy is more important than external marketing strategy (Kotler & Armstrong, 2004)

Banking employees must deliver high quality services that generate highly satisfied customers. Therefore, the focus of the present study is banking industry where we aim to combine various factors to propose a conceptual framework governing employee satisfaction in this industry. The study would help to understand the Internal Marketing, Employee satisfaction, Consumer Satisfaction and the relationship between Internal Marketing and Employee Satisfaction and consumer satisfaction; and their various dimensions; further it helps to understand how IM concept can complement the organization’s marketing philosophy in the long run so as to improve employee satisfaction and consumer satisfaction. In addition, the study will help in evolving strategies for strengthening existing programs.

Progressive organizations worldwide have treated their employees/people as their most important assets and probably have therefore become what they are today. Human resource is the first market of any organization, irrespective of its size, nature of ownership and control, be it...
government, public, private, educational or service company. Berry, Hensal and Burke (1976) who suggest that “it is imperative to give importance to understanding employees needs and increase their job satisfaction so that customers can obtain better services.” There are others who consider employees as internal customers, Berry (1981) has Implicitly defined internal marketing as “considering employees as internal customers, and jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization.” “Employees” are the backbone of any business success and therefore, they need to be motivated, educated and maintained in organizations at all costs to be globally competitive. Employees are critical to the success of the organizations as they are in direct contact with the external customers. Accordingly, these employees can have an elevated impact on the quality of products and services delivered by the firm and this influence should be fully leveraged by supervision (Hartline and Ferrell, 1996). The increasing recognition of the importance of the employee’s role in the organizations has led them to adopt internal marketing and hence, treat their employees as ‘internal customers’. The approach basically puts the organizational pyramid inverted where customers are on the top and divides employees into two categories, viz., (i) those who serve customers and (ii) those who serve those serving the external customers. Internal marketing is becoming important for both academic and practitioners. Snell (2009) indicated that internal marketing is practiced with professional services, albeit with varying degrees of sophistication, in order to execute wide ranging projects related to marketing and human resource. Internal marketing can refurbish the face of a company (George 1990).

People are critical to the success of organizations. Organizations that select, develop, manage and motivate their workforce to produce outstanding business results have an extraordinary competitive advantage that others cannot copy (Nalbantian et al., 2004). The objective of internal marketing is to get motivated and customer conscious employees in order to achieve service excellence. The use of marketing in the IM context suggests an emphasis on the application of marketing techniques, approaches, concepts, and theories aimed at achieving customer satisfaction in the context of internal customers, in order to achieve success in the external market (Gro¨nroos, 1985). Drake et al. (2005) suggest that the effective implementation of marketing techniques internally can create significant bottom-line results. The IM perspective holds that, by treating both employees and customers with the same total dedication to satisfy their needs, the organization can inspire employees to do extra work beyond the call of duty and help to build and sustain a great organization. IM can perhaps be defined as a mechanism for instilling a “people” orientation within an organization as a prerequisite for instilling and strengthening the service, customer, and marketing orientation among organizational personnel. Ahmed and Rafiq (2004) criticised the notion of “employee as customer” since it raises the question of whether the needs of external customers have primacy over those of employees.

Taking into consideration the limited number of research studies in the field, the present study intends to fill this research gap with a study majorly emphasized on Internal Marketing, and Employee Satisfaction. In this emerging scenario, research focused on the banking sector in emerging economies holds importance and confirms the relevance of the present study.

**Fig. 1: Conceptual Research Framework and Hypotheses**

**Internal Marketing, Employee Job Satisfaction & Consumer Satisfaction:**

From the review of literature, it is implicit that employees are the objects of internal marketing. Internal marketing is treating employees as internal customers satisfying their needs [6]. Bak el al. [9] state internal marketing is to treat employees as customers in an effort to generate satisfied internal customers. Berry and Parasuraman [8] define internal marketing as the process of “attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs.”

Berry’s [6] “employees as customers” concept in IM is that just like external customers, internal customers also have a desire to have their needs satisfied. Fulfilled employee needs enhances employee motivation and retention, and as a consequence there is a higher degree of employee satisfaction [40]. Studying the relationship between internal marketing and job satisfaction has been a concern of many researchers [41]. As internal marketing treats employees as customers and their works as products in order to satisfy internal customer’s demands and needs [42], it is reasonable to accept that internal marketing could lead to job satisfaction [43]. Researchers mention that internal marketing upgrades employees’ job satisfaction [44], [45], [7], [46], [47]. In an empirical study Tansuhaj, Randall, and McCullough [44] found out that internal marketing enhances employees’ job satisfaction. Ahmed el al. [48] investigated the impact of Internal marketing practices on employee satisfaction. The findings revealed a positive relationship between the Internal marketing practices and employee job satisfaction. Hwang and Chi’s [49] research on international hotels in Taiwan also support internal marketing’s “positive impact on employees” job satisfaction. Chang and Chang [50] in their study on hospitals observe that internal marketing has a positive influence on employees’ job satisfaction. Gounaris [51] in his study on observes that employee job satisfaction is partially a function of internal-marketing actions like empowerment, participative decision making and informality of communication. Iliopoulos and Priporas [52] also observe a positive effect of internal marketing on job satisfaction in their study on hospital staff. An empirical study on retail stores in India, by NitallaRajyalakshmi and Kameswari [41], showed a strong impact of internal marketing factors on job motivation and job satisfaction. Ahmad and Al-Borie [53] studied the impact of internal marketing on job satisfaction in hospitals in Saudi Arabia; his research findings revealed that internal marketing had a positive effect on job satisfaction. Al-Hawary et al. [54] with their study on banks in Jordan empirically proved that internal marketing practices were positively correlated with job satisfaction.

**Research Objectives and Hypotheses**

The purpose of this study is to examine the relationship between IM, employee satisfaction and to explore the effect of internal marketing on employee satisfaction in banking organizations, particularly of Kashmir.
This research seeks to achieve the following objectives:
(i) to determine the relationship between Internal Marketing and Employee Satisfaction;
(ii) to measure the impact of Internal Marketing on Employee Satisfaction;
(iii) to measure the impact of Internal Marketing on Employee Job Satisfaction and Consumer Satisfaction.

Based on the research objectives, following hypotheses have been formulated and tested in the study:

H1: Internal marketing has a positive relationship with employee satisfaction.
H2: Internal marketing has a positive relationship with consumer satisfaction.
H3: Employee job satisfaction has a positive effect on consumer satisfaction.

Research Approach & Methodology

Sample Features

In order to achieve the objectives set out above, a non-probabilistic convenience sample was chosen in which four private banking institutions were selected. Following categories of respondents have participated in Internal Marketing Survey - Top management comprising of directors, senior executives. For measuring Employee Job Satisfaction – associate executive, executive, senior executive and executive manager working in private banks participated whereas, for measuring Consumer Satisfaction, consumers from selected banking organizations participated in the survey. From each bank, forty respondents were chosen, comprising of five respondents from top management, twenty from employees of various levels and twenty from consumers. Total number of respondents for this study was one hundred sixty.

Survey instruments

Three different questionnaires were administered in this study. Internal marketing was measured using the 15-item scale developed by Money and Foreman (1995), while the second one contained questions on employee satisfaction taken from Sarah May Lubbe’s work (2013), that is based on a tool developed by Jou, J., Chou, C., Fu, F. (2008) The third questionnaire measured consumer satisfaction level using consumer Satisfaction Questionnaire developed by General Medical Council (a charity registered in England, Wales and Scotland); St. Joseph’s General Hospital Elliot Lake; and East Care Accident & Medical Centre, New Zealand. All questions used a 5-point scale ranging from 1 = strongly disagree to 5 = strongly agree.

After the data collection tool was defined, a pre-test was given to fifteen employees in order to test the tool understanding and eliminate possible mistakes. The enquired who did the pre-test stated that the questionnaires were clear and easy to understand.

Research variables

The variables of the study are internal marketing, employee satisfaction. Internal marketing is the independent variable, whereas, employee satisfaction is dependent variables.

Fig. 2: Internal Marketing Variables

Fig.2 Source: Adapted from Foreman and Money’s scale (1995).
Results and Discussion

Response on Internal Marketing

Table 1: Sample Statistics of Internal Marketing

<table>
<thead>
<tr>
<th>Internal Marketing Variables</th>
<th>N</th>
<th>Mean</th>
<th>T</th>
<th>Df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employee motivation</td>
<td>5</td>
<td>3.670</td>
<td>45.051</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Employee Development</td>
<td>5</td>
<td>3.590</td>
<td>32.149</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Reward</td>
<td>5</td>
<td>3.290</td>
<td>36.895</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Overall IM</td>
<td>5</td>
<td>3.500</td>
<td>49.497</td>
<td>4</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 1 reveals that the result of the mean score of all the four banks surveyed indicates that Internal Marketing is an important area of concern with the mean value of 3.5. However, more importance is given to employee motivation (3.670) and employee development (3.590) than reward component (3.290) of Internal Marketing. This analysis clearly indicates that banking administration value employee motivation and employee development more than rewarding their employees in better positioning their banks. The analysis of one sample statistics indicates that banks significantly vary with the mean score of Internal Marketing.

Response on Employees’ Job Satisfaction

Table 2: One Sample Statistics of Employee’s Job Satisfaction

<table>
<thead>
<tr>
<th>Employee Satisfaction Variables</th>
<th>N</th>
<th>Mean</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salary, advancement opportunities and relationship with other employees</td>
<td>5</td>
<td>2.960</td>
<td>58.050</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Empathy and consideration</td>
<td>5</td>
<td>3.380</td>
<td>30.353</td>
<td>4</td>
<td>.000</td>
</tr>
</tbody>
</table>
Table 2 states that a mean score of 3.020 for Employee Job Satisfaction among the banks surveyed. Among all the dimensions covered, employees responses reveal higher scores among empathy and consideration (3.380); overall satisfaction and referral (3.360); than salary, advancement opportunities and relationship with other employees (2.960); job quality and reward (2.740); communication (2.640) of Employee Job Satisfaction. This indicates that employees perceive factors such as empathy and consideration having more impact on their satisfaction level than salary, advancement opportunities and relationship with other employees; job quality and reward; communication. The analysis of one sample statistics implies that satisfaction level varies with the mean score of employee job satisfaction across surveyed banks.

Response on Consumers’ Satisfaction

Table 3 reveals the result of the mean score of 3.440 for consumer satisfaction among all the four private banking organizations surveyed. It emphasizes more on accessibility (3.960), followed by consumer assessment, that is succeeded by consumer focused services (3.140) and ambience satisfaction/facilities/fees (2.740). It reveals customers highly value accessibility across various banking institutes rather than consumer focused services and ambience satisfaction/facilities/fees. The analysis of one sample statistics indicates that satisfaction levels vary with the mean score of surveyed banking organizations.

<table>
<thead>
<tr>
<th>Patient Satisfaction Variables</th>
<th>N</th>
<th>Mean</th>
<th>T</th>
<th>df</th>
<th>Sig. (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Focused Services</td>
<td>5</td>
<td>3.140</td>
<td>27.973</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Accessibility</td>
<td>5</td>
<td>3.960</td>
<td>21.932</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Ambience Satisfaction/Facilities/Fees</td>
<td>5</td>
<td>2.740</td>
<td>25.440</td>
<td>4</td>
<td>.000</td>
</tr>
<tr>
<td>Overall consumer satisfaction</td>
<td>5</td>
<td>3.440</td>
<td>30.646</td>
<td>4</td>
<td>.000</td>
</tr>
</tbody>
</table>

Table 4, the results of correlation analysis showed a positive relationship between Internal Marketing and Employee Satisfaction that is not significant (r = 0.305, p > 0.1). Therefore, Hypothesis H1, which assumes that Internal Marketing has a positive relationship with Employee Job Satisfaction, is accepted. Therefore, Hypothesis H2, which assumes that Internal Marketing has a positive relationship with consumer Satisfaction, is not true. The analysis of correlation coefficient depicts negative and non-significant correlation between Employee satisfaction and consumer satisfaction.

**Fig. 5: Bank wise comparison of Internal Marketing and Employee Satisfaction**

<table>
<thead>
<tr>
<th>Bank</th>
<th>Average Employee Satisfaction Level</th>
<th>Average Internal Marketing Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>ICICI Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>YES Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>HDFC Bank</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Axis Bank</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Relationship between Internal Marketing, Employee Job Satisfaction & Consumer Satisfaction**

In Table 4, the results of correlation analysis showed a positive relationship between Internal Marketing and Employee Satisfaction that is not significant (r = 0.305, p > 0.1). Therefore, Hypothesis H1, which assumes that Internal Marketing has a positive relationship with Employee Job Satisfaction, is accepted. Therefore, Hypothesis H2, which assumes that Internal Marketing has a positive relationship with consumer Satisfaction, is not true. The analysis of correlation coefficient depicts negative and non-significant correlation between Employee satisfaction and consumer satisfaction.
and Consumer Satisfaction ($r = -0.326, p > 0.10$). Therefore, Hypothesis H3, which assumes that Employee Job Satisfaction has a positive effect on consumer satisfaction, is not true. We assume the negative relationship among variables, such as Internal Marketing and Consumer Satisfaction because of insufficient data. However, when the data for different banks were analyzed separately, some banks showed a significant positive correlation while as others showed no significant correlation. This highlights an important observation that the relationship may vary among different types of banks that may be segregated based on size (i.e., the number of employees) for conclusive observations.

<table>
<thead>
<tr>
<th>Correlation Matrix</th>
<th>Overall Internal Marketing</th>
<th>Overall Employee Job Satisfaction</th>
<th>Overall Consumer satisfaction</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Internal Marketing</td>
<td>Pearson Correlation</td>
<td>1</td>
<td>.305</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.617</td>
<td>-.945*</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Overall Employee Job Satisfaction</td>
<td>Pearson Correlation</td>
<td>.305</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.617</td>
<td>-.362</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td>Overall consumer satisfaction</td>
<td>Pearson Correlation</td>
<td>-.945*</td>
<td>-.362</td>
</tr>
<tr>
<td></td>
<td>Sig. (2-tailed)</td>
<td>.015</td>
<td>.550</td>
</tr>
<tr>
<td></td>
<td>N</td>
<td>5</td>
<td>5</td>
</tr>
</tbody>
</table>

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

Conclusion and Suggestions

The banking industry unique industry that is people oriented. Thus, includes several matters like quality, employee satisfaction, and employee loyalty determine its success. Notably, the branch managers face a great challenge in the delivery of quality service due to the involvement of human element.

In today's dynamic world, every banking organization aims at achieving and maintaining the best possible employee satisfaction scores. Undoubtedly, employees may face difficulties in catering to the needs of their customers if their own needs are not met. Therefore, branch managers have responsibilities to staff. Job satisfaction is a primary component of banking employees' lives that can influence performance, quality, retention, motivation and commitment to the organization and the profession.

Employees are key players in the proper functioning of complex banking organizations, and their ability to provide quality services. If employees are satisfied, the organization will most likely experience fewer lawsuits, repeated visits by customers, and lowered costs in the management of employees. In addition to this, the organization can expect positive word of mouth, thus; the managers of banks have to employ an approach which is proactive to enhance the experiences of the clients, by making sure that the workers are satisfied with their work experience (Larson, 2012). In addition, the managers have to take various factors into consideration that affect the employees' well-being in order to foster an improved performance from the employees of the banks.

Our study is one of the few studies carried out in the banking sector and specifically in Kashmir, leading to the need for further investigation in order to confirm the conclusions reached. It is recommended that further studies should be done in more banks from all parts of Jammu and Kashmir. More questions should be included by researchers measuring other facets related to Internal Marketing and Employee Job Satisfaction. Assuming that internal marketing practice is still in its initial stage, especially in Kashmir, it would be in the best interest to conduct comparative studies on internal marketing between public and private banks of the Valley.

Limitations and Future Research

Time and cost issues are the limitations of the study that forced us to go for convenience sampling that may not give results with greater generalizability. The study was limited to examine interrelationship amongst Internal Marketing and Employee Job Satisfaction. Further researchers can incorporate additional variables. The study includes four private banks from district Srinagar only. Other banks were not considered due to the less time. Also, banks from other districts have not been included. This limitation can result into lack of literature review and conceptual background of each construct of the study.

Moreover, other personal factors of the respondents could have influenced the answers that were given in our questionnaires. The results can provide different results in other industries such as manufacturing, hospitality, entertainment and the like. It is therefore suggested to add more variables of internal marketing and conduct a study in other cultures as well.

References


