

Internal Marketing: A Study of Selected Banking Organizations

***Dr. S. A. Mufeed**

****Qureshi Shazia**

Abstract

In the world tilted towards the passion for excellence, surpassing of contributions and customer delight, the only way to survive, is to adopt strategies for growth. With standardized techniques and automated equipment's, only resource used to acquire competitive advantage is human resource. Internal marketing practices have been generated in organizations where Internal marketing is not only concerned with treating the 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 employee's performance in the same way as external marketing plans and strategies are formulated to meet external customer demands. The study has identified constructs (job satisfaction, empowerment, employee motivation, employee development, strategic rewards) of internal marketing which are tested against business performance. The study will help organizations to design its own internal marketing plan by outlining the important elements so that it can improve the business performance of organizations.

Introduction

Internal marketing focuses on the concept of marketing and this concept is used internally in order to increase performance and provide a solution to the problem of delivering higher quality services. The term 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 organizations need to satisfy the internal customers in order 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.

*Dr.S.A.Mufeed is a professor in the Department of Management Studies and Director J&K State Resorce Centre, University of Kashmir.

**Qureshi Shazia is a Phd Scholar in the Department of Management Studies, University of Kashmir

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 the employee and the customer, but some organizations fail to deliver the standard as there is no appreciation for internal customers (employees). The 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 a 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 the 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 banking organizations in Kashmir 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).

Objectives of the Present Study:

Based on past studies, this study has two main objectives;

1. to identify the most applicable internal marketing dimensions within the banking organizations in Kashmir and
2. to examine various dimensions of internal marketing and its effect on the business Performance of the organization.

Research Methodology and Approach:

In order to achieve the laid down objectives of the study, four banks were chosen for study purposes with special reference to J&K state. The sample study, organizations are- 1)HDFC Bank 2)Axis Bank 3)Yes Bank 4)ICICI Bank.

A quantitative survey methodology was adopted to collect data from banks' employees in Kashmir. A sample of 250 employees within four banks was used.

The questionnaire is divided into 3 parts. Part A is on the 04 internal marketing dimensions. For each dimension, items are measured on a seven-point Likert scale, with 1 for "Strongly Disagree" and 7 for "Strongly Agree". Part B is meant to test on the business performance and the items concerned both financial and non-financial performance. Part C is on the organization's profile.

Factor analysis is used to identify which of the 04 internal marketing dimensions are being applied in banking organizations in Kashmir. It is done by summarizing the patterns of correlation where the items will be grouped together based on its relation with each other. According to Tabachink & Fidell (1996), the minimum value for a good factor loading analysis is 0.5. This is followed by multiple regression analysis is used to test the propositions. Aiken & West (1991) asserted that the relationship exists when r value is more than 0.3 ($r > 0.3$).

Brief Profile of Study Organizations:

In order to adequately represent the overall banking setup, four banking organizations (HDFC, Axis Bank, Yes Bank & ICICI Bank) were selected for the study. The banking organizations having more than 6 years of operational age and fully functional are selected for the present study. Moreover, very few studies in the past have taken these banks under consideration

The housing development finance corporation limited (HDFC) was amongst the first to receive an 'in principle' approval from the Reserve Bank of India to set up a bank in the private sector, as part of RBI's liberalization of the Indian Banking Industry in 1994. The mission of the bank is to be a world class Indian bank. As of march 31st 2016 the banks distribution network was at 4,014 branches in 2,464 cities and a network of 11766 ATMs across India.

Axis bank is the third largest private sector bank in India the bank offers a wide range of financial services to customer segments covering large and Midcorporates, MSME, Agriculture and Retail business. The bank has a large network of 2904 domestic branches and 12743 ATMs across the country as on 31st march 2016. Axis bank is one of the first new generation private banks to have begun operations in 1994.

Yes bank is fifth largest private sector bank in India. It has been recognized among the top and fastest growing banks in various INDIAN BANKING LEAGUETABLES by prestigious media houses and global advisory firms and has received National and International awards. Yes bank is steadily evolving as the professional bank of India with the long term mission of "Building the finest quality bank of the world in India" by 2020.

ICICI bank is India's largest private sector bank and currently has a network of 4450 branches and 14393 ATMs across India, ICICI bank was originally promoted in 1994 by ICICI Limited, an Indian financial institution and was its wholly-owned subsidiary.

In order to adequately represent the overall banking setup, four banking organizations were selected for the study. The banking organizations having more than 6 years of operational age and fully functional are selected for the present study. Moreover, very few studies in the past have taken these banks under consideration

Literature Review

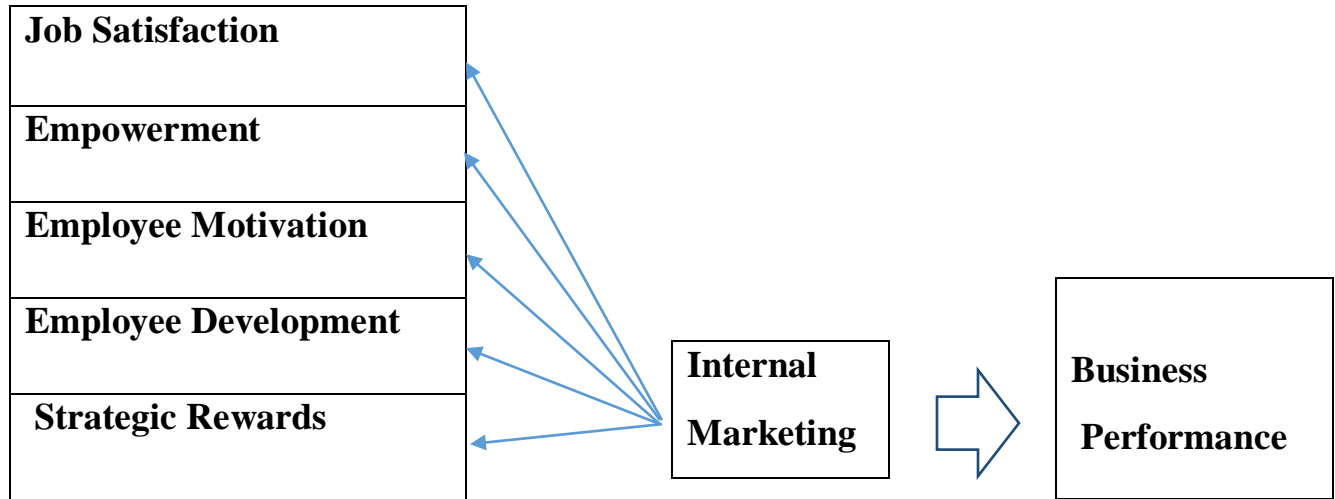
Progressive organizations worldwide has treated their employees/people as their most important assets and probably have therefore become what they are today. Human resource is the first market of any organization, irrespective of its size, nature of ownership and control, be it government, public, private, 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 at 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 (Groenroos, 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) criticized the notion of “employee as customer” since it raises the question of whether the needs of external customers have primacy over those of employees.

The theoretical framework as follows:

Theoretical Framework



Source: Based on linking the internal marketing to business performance (Che Ha, Abu Bakar & Jaafar, 2007)

Job Satisfaction

Job satisfaction is characterized as a show content an individual is with his or her job. The basic perspective of internal marketing depends on the idea that for a service organization to have satisfied customers, it should first have fulfilled the needs and wants of employees (George, 1977). Job satisfaction is critical as inner promoting will likewise fill in as an apparatus for association to motivate, retain and attract its employees. In this way, it is basic that employees must have the capacity to relate emphatically to its job and are "fulfilled" clients of the inward item, which is the job itself.

P1: There is a positive relationship between job satisfaction and business performance of Banking organizations in Kashmir.

Empowerment

In order for employees to fully appreciate their job (i.e. the internal product), they must be allowed more latitude in dispensing their duties (Gronroos, 1981). Berry & Parasuraman (1991) believe that empowerment should be an essential aspect of internal marketing. Empowerment is the process of enabling or authorizing an individual to think, behaves, take action, and control work and decision making in autonomous ways (Rafiq & Ahmed, 1998). By allowing empowerment, employees can make faster decisions which in turn increase productivity and enhance the service experience and improve performance.

P2: There is a positive relationship between empowerment and business performance of banking organizations in Kashmir.

Employee Motivation

In most organizations, the situation is that the customers are highly demanding of employees whilst the employees in turn hold high expectations from their jobs as sources of self-actualization and self-development (Rafiq& Ahmed, 1998). Here, internal marketing sought to increase employee motivation by focusing on treating the job as an internal product and try to “sell” it to the employees. This inward-looking philosophy is enhanced by steps which motivate employees to try out the product first. This logic is behind the importance of addressing employee motivation as an important aspect of internal marketing.

P3: There is a positive relationship between employee motivation and business performance of banking organizations.

Employee Development

Foreman & Money (1995) defines employee development as a strategic investment by an organization in training its members. If employees are required to perform their tasks well, they must be armed with the necessary skill and knowledge that is required of them. Piercy & Morgan (1991) say that in order for internal marketing to be effectively employed within an organization, employees must be trained and properly developed to fulfill its service role. With a well-developed workforce, an organization will exploit the full potential of its resource (the employees) thus improving business performance.

P4: There is a positive relationship between employee development and business performance of banking organizations in Kashmir.

Strategic Rewards

Hale (1998) defines strategic reward as a system designed to motivate behaviors, actions and accomplishments that help advance the organizations towards specific business goals. Ahmed et al (2003) believes the inclusion of strategic reward in implementing internal marketing is important as it will help in accomplishing other goals of internal marketing such as motivation and employee satisfaction. They add that in order for strategic reward to work within the ambit of internal marketing, employees must be informed about how and why they are rewarded. This is important because such openness will create a sense of empathy by the employees towards their job thus improving productivity and improve the performance.

P5: There is a positive relationship between strategic reward and business performance of banking organizations in Kashmir.

Internal Marketing and Business Performance

Internal marketing can improve employee routines through internal motivation. Internal marketing ensures that the entire organization understands each department’s function within the organization. The internal marketing markets the organizations product or services to customers Business performance is broader concept that covers both financial performance and operational performance indicators (Venkatraman & Ramanujam, 1986). It is defined in both financial and non-financial context as Panigyrakis and Theodoridis (2009) discussed that financial indicators of the performance of an organization are the return on investment (ROI) and Return on Assets

(ROA). Mehra, Joyal, and Rhee (2011) used return on asset and return on equity as financial indicators for computing the retail banking performance. Performance measures based on mere financial indicators are not enough so non-economic indicators including market share, product development, or production efficiency are used for business performance (Helgesen, Nettet & Voldsund, 2009). Further Venkatraman & Ramanujam (1986) quoted in Panigyrakis & Theodoridis (2009) examined non-financial indicators like product or service quality, market share, customer loyalty and customer satisfaction influencing the overall performance of the firm.

Data Analysis and Interpretations

To determine the degree of relationship and to prove communalities among the constructs the analysis applies the extraction method of Kaiser-Meyer-Olkin (KMO) and Bartlett’s Test of Sphericity. The criterion that must be met is that the KMO value must be more than 0.6, the factor loading for each dimensions must be more than 0.5 and Bartlett’s Test must yield a significant level of less than 0.05 (Sureshchandar et al, 2001). Based on the result, the KMO value is 0.879 and Bartlett’s test yields a significant level of 0.0000 which meets the above mentioned standard. Based on Table 1, one dimensions (empowerment) must be excluded because of low factor loading (<0.5).

Thus, to answer **Objective 1**, the internal marketing dimensions that are applicable for Kashmir banking organizations are employee development, employee motivation, job satisfaction, and strategic rewards.

Table 1: Extraction Method of Internal Marketing Dimensions (Factor Loading)

Internal Marketing	Ranking	Extraction
Employee development	1	0.719
Employee motivation	2	0.709
Job satisfaction	3	0.698
Strategic reward	4	0.526
Empowerment	5	0.384

Multiple Regression

R² must have a value of more than 0.3 according to Pallant (2001), for us to see the relationship between independent and dependent variable. In this study R² value is 0.354 with a significant value of 0.000. Here, the internal marketing explains 35.4 percent of the variance in business

performance. Thus, on the whole, there is positive relationship between internal marketing and business performance of banking organizations in Kashmir.

Further analysis below will explain more on **Objective 2**. For the proposition testing, only four propositions will be tested as one dimension has been dropped by the factor analysis. Please refer to Table 2 and 3. The study looks at the Pearson Correlation. Tabachnick and Fidell (1996) suggest that a construct can significantly predict an independent variable if it has a correlation value of more than 0.3, and a coefficient significance value of less than 0.05.

Table 2: Internal Marketing and Business Performance Coefficients Summary

Internal Marketing	Beta	Sig.
Job satisfaction	-0.095	0.376
Employee motivation	0.016	0.885
Employee development	0.009	0.930
Strategic reward	0.516	0.000

Table 3: Internal Marketing and Business Performance Correlations

Internal Marketing	Total Business performance
Job satisfaction	0.162
Employee motivation	0.268
Employee development	0.155
Strategic reward	0.492

According to Table 2, only one out of the four dimensions have a statistically significant relationship with business performance which is strategic reward (sig. value = 0.000). Further, we can see that in terms of its correlations, strategic reward has a correlation value of 0.492.

Conclusions

In this study, we have found that there is a relationship between internal marketing and business performance, this study is consistent with results from research by Foreman & Money (1995) and Ahmed et al (2003). It recommends that banking organizations in Kashmir must create a

focused internal marketing strategy. The idea behind this is that organizations must treat the job as products, and try to effectively market the job to employees that will create a synergy between how an employee feels about the organization and vice-versa. This is then reflected in the way they deliver their services to the customers. Gronroos (1985) and Kotler (1999) have reiterated the point that internal marketing can prove to be more valuable than external marketing as there is a reciprocal relationship between internal marketing and external marketing.

The service industry is a big challenge for managers to handle due to the human element in delivering the best services. After a detailed analysis of the study, it is therefore suggested that in order to achieve competitive advantage managers need to focus on internal marketing programs. Secondly, the emphasis should be on attracting and retaining employees by satisfying their needs and wants. Thirdly, dissemination of information, employees need to be properly updated about the needs and wants of customers and competitors' move must be communicated. Lastly, results suggested that implementation of internal marketing programs also improve performance of banks.

However, when each internal marketing dimension relationship is examined with business performance, only one dimension (strategic reward) has a significant relationship with business performance. Strategic reward is an important concept because it is the rewards given to acknowledge the efforts taken to help an organization achieve specific strategic goals (Ahmed et al, 2003). By having such a system in place, it motivates employees to push themselves to accomplish the goals stated. An important element here is that employees are informed on how and why they are rewarded, thus giving them not only monetary or physical rewards, but also a sense of accomplishment and help to improve their self-actualization level.

Overall, this study proves that internal marketing can be applied to banking organizations in Kashmir. Managers and policy makers should open up their minds to new concepts like internal marketing that serves as a link between organizations external marketing strategies and employees.

References

Berry, L.L. (1981), "The Employee as Customer", *Journal of Retail Banking*, Vol. 3, March, pp.25-80.

Che Ha, Abu Bakar&Jaafar (2007) "Internal Marketing Issues in Service Organizations in Malaysia", *International Review of Business Research Papers*, Vol. 3 No. 5, Pp. 134-145.

Czaplewski, A.J., Ferguson, J.M. &Milliman, J.F. 2001., "Southwest Airlines: How internal marketing pilots success", *Marketing Management*, 10(3): 14-18.

Das, S (2003). "Vacant or engaged?" *Employee Benefits*, March:24 -28.

Grönroos, C. (1985) "Internal Marketing Theory and Practice in Services Marketing In a Changing Environment". Bloch, T.M. et.al. (EDS). *American Marketing Association*: Chicago, 42-47.

Karthikeyan, K, Karthi, R. and Shyamala, D. Graf (2010). "Impact of Training in Indian Banking Sector – An Empirical Investigation", *International Journal of Business and Management*, Vol. 5, No. 7; July 2010.

Masroor A.M., Fakir M. J. (2009) "Level of Job Satisfaction and Intent to Leave among Malaysian Nurses", *Business Intelligence Journal*, January, pp.123 – 137.

MichèlePaulin, Ronald J. Ferguson and Jasmin Bergeron (2006). "Service climate and organizational commitment: The importance of customer linkages". *Journal of Business Research*, vol. 59, pp. 906– 915.

Mitchell, C. 2000. „Selling the brand inside“, *Harvard Business Review*, 80(1):99-105.

Muhammad Asif Khan, Kashif-Ur-Rehman, Ijaz-Ur-Rehman, NadeemSafwan and Ashfaq Ahmad (2011), "Modeling link between internal service quality in human resources management and employees retention: A case of Pakistani privatized and public sector banks"; *African Journal of Business Management* Vol.5; No. 3, pp. 949-959, <http://www.academicjournals.org/AJBM>.

Mullich, J (2003). "Get in line", *Workforce*, 82(13):43-46.

Panigyrikis G.G and Theodoridis P.K (2009), "Internal marketing impact on business performance in a retail context" *International Journal of Retail & Distribution Management*; Vol. 37 No. 7, pp. 600-628.

Sergeant, A and Frenkel, S. (2000) "When do customer contact employees satisfy customers?" *Journal of Services Research*, Vol. 3, No. 1, pp. 18-34.

Thomas Acton, Willie Golden, (2003). "Training the knowledge worker: a descriptive study of training practices in Irish software companies", *Journal of European Industrial Training*, Vol. 27 Iss: 2/3/4, pp.137 – 146). <http://dx.doi.org/10.1108/03090590310468958>

Wikipedia.*Responserate*. Available from: http://en.wikipedia.org/wiki/Response_rate.