



**ADDIS ABABA UNIVERSITY SCHOOL OF  
COMMERCE DEPARTMENT OF MARKETING  
MANAGEMENT**

**THE EFFECT OF INTERNAL MARKETING ON  
CUSTOMER SATISFACTION: THE CASE OF  
PRIVATE UNIVERSITIES IN BISHOFTU TOWN**

**BY  
HABTAMU WONDOSSEN  
GSD/6299/09**

**May 2019**

**THE EFFECT OF INTERNAL MARKETING ON  
CUSTOMER SATISFACTION: THE CASE OF  
PRIVATE UNIVERSITIES IN BISHOFTU TOWN**

**BY**

**HABTAMU WONDOSSEN**

**Advisor: Mesfin Workineh (PhD)**

**A Research Project Submitted to Addis Ababa  
University, School of Commerce Department of  
Marketing Management, in partial fulfillment of the  
requirements for the Degree of Master of Arts in  
Marketing Management.**

**May 2019**

**Addis Ababa**

**ADDIS ABABA UNIVERSITY SCHOOL OF COMMERCE  
DEPARTMENT OF MARKETING MANAGEMENT**

**THE EFFECT OF INTERNAL MARKETING ON CUSTOMER  
SATISFACTION: THE CASE OF PRIVATE UNIVERSITIES IN  
BISHOFTU TOWN**

**BY**

**HABTAMU WONDOSSEN**

**Approved by Board of Examiners**

.....

**Thesis Advisor**

.....

**Signature**

.....

**Internal Examiner**

.....

**Signature**

.....

**External Examiner**

.....

**Signature**

### **Statement of Certification**

This is to certify that Habtamu Wondossen Belayhun has carried out his research work on the topic entitled “The effect of Internal Marketing on customer Satisfaction: the case of Private Universities in Bishoftu Town” The work is original in nature and is suitable for submission for the award of Masters Degree in Marketing Management.

**Advisor’s Name: Mesfin Workineh (PhD.)**

**Signature:** \_\_\_\_\_

**Date:** \_\_\_\_\_

## **Statement of Declaration**

I, Habtamu Wondossen, declare that the thesis entitled “The effect of Internal Marketing on customer Satisfaction: the case of Private Universities in Bishoftu Town” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Mesfin Workineh (PhD.). Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

**By: Habtamu Wondossen**

**Signature**\_\_\_\_\_

**Date**\_\_\_\_\_

## **ACKNOWLEDGEMENTS**

First and foremost, I would like to express my gratitude to Almighty God for helping me in every moment. Next, I would like to express my sincere gratitude and appreciation to my advisor Mesfin Workineh (PhD) for his invaluable, constructive comments and professional advice in the preparation of this thesis.

I would also like to express my deepest thanks to all my family and Friends for their valuable support in diverse ways in ensuring the successful completion of this study.

Last but not the least, I would like to extend my deepest appreciation and gratitude to respondents of the research questionnaire and all other people who in one way or another contributed to the completion of this research work.

## Table of Contents

Contents	Page
CHAPTER ONE .....	1
1. INTRODUCTION .....	1
1.1 Background of the study .....	1
1.2 Statement of the Problem .....	3
1.3 Research Question.....	4
1.4 Research Objective.....	5
1.4.1 General Objective .....	5
1.4.2 Specific Objective .....	5
1.5 Significance of the Study .....	5
1.6 Scope of the Study.....	6
1.7 Limitation of the Study .....	6
1.8 Definition of Terms .....	7
1.9 Organization of the Study .....	7
CHAPTER TWO .....	8
2. REVIEW OF RELATED LITERATURE .....	8
2.1 Theoretical Review .....	8
2.1.1 The Origins of the Internal Marketing .....	8
2.1.2 Services marketing triangle.....	9
2.1.3 Phases of IM concept development .....	10
2.1.4 Internal Marketing Models .....	13
2.1.5 Internal Marketing Mix.....	15
2.1.6 Challenges of Internal Marketing .....	16
2.1.7 Implementation of Internal Marketing Activities .....	17
2.1.8 Customer Satisfaction .....	17
2.1.9 Internal Marketing in Universities .....	18
2.2 Empirical Review and Hypothesis Development.....	19
2.2.1 Internal Marketing and Customers' Satisfaction .....	19

2.2.2	Empathy & Consideration and Customers' Satisfaction .....	20
2.2.3	Benchmarking and Customer Satisfaction.....	21
2.2.4	Job Quality & Reward and Customer Satisfaction .....	21
2.2.5	Upward Communication and Customer Satisfaction.....	22
2.2.6	Value & Information sharing and Customer Satisfaction.....	23
2.2.7	Promotional activities and Customer Satisfaction .....	23
2.3	The Conceptual Framework for the study.....	24
CHAPTER THREE .....		25
3. RESEARCH METHODOLOGY.....		25
3.1	Description of the Study Area.....	25
3.2	Research Approach .....	26
3.3	Research Design.....	26
3.4	Population and Sampling Design .....	26
3.4.1	Population of the study .....	26
3.4.2	Sampling Size .....	27
3.4.3	Sampling Technique .....	28
3.5	Source of Data.....	28
3.6	Data Collection Procedures.....	29
3.7	Ethical Consideration .....	29
3.8	Data Analysis .....	30
3.9	Validity and Reliability .....	30
CHAPTER FOUR.....		32
4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION .....		32
4.1	Sample and Response Rate .....	32
4.2	Reliability and Validity .....	32
4.2.1	Measure of Reliability for IM Constructs.....	32
4.2.2	Measure of reliability for Customer Satisfaction Constructs .....	33
4.3	Descriptive Statistics .....	33
4.3.1	Characteristics of Employees .....	33

4.3.2 Characteristics of Customers .....	36
4.4 Descriptive Analysis of the Variables .....	37
4.4.1 Internal Marketing Dimensions .....	37
4.5 Inferential statistics .....	42
4.5.1 Correlation Analysis.....	42
4.5.2 Regression Analysis .....	44
4.5.2.1 Assumption Testing for Regression Analysis .....	44
Multi-collinearity .....	44
Normality Test.....	45
4.5.2.2 The multiple regression analysis result of this study.....	47
CHAPTER FIVE .....	52
5. SUMMARY, CONCLUSION AND RECOMMENDATION .....	52
5.1 Summary of major findings .....	52
5.2 Conclusion of the study.....	54
5.3 Relating the Findings with Literature.....	55
5.4 Recommendation.....	55
5.5 Future Researches and Limitations .....	56
List of Reference.....	58
Appendix 1.....	x
Employees Survey Questioners .....	x
Appendix 2.....	xv
Customer Survey Questioners.....	xv
Appendix 3 –SPSS output.....	xviii

## List of Figures

Figure 2.1 Three Types of Service Marketing .....	10
Figure 2.2 Phases of Internal Marketing.....	12
Figure 2.3 Model of Service Marketing Management.....	14
Figure 2.4 Conceptual Frame Work.....	24
Figure 4. 1 Age of Respondents –employees.....	34
Figure 4. 2 Employees Educational Level.....	35
Figure 4.3 Customer Educational Level.....	37
Figure 4.4 Normal p-plot of Regression Standardized Residuals.....	46

## **List of Tables**

Table 1 Number of Total Populations.....	27
Table 2 Reliability Test for IM scales.....	31
Table 3 Reliability Test for Customer Satisfaction.....	31
Table 4 Response Rate of Questionnaire.....	32
Table 5 Number of Employees by Gender.....	33
Table 6 Employees Age Category.....	34
Table 7 Employees Years of Experience.....	35
Table 8 Customers by Gender.....	36
Table 9 Age of Customers.....	36
Table 10 Descriptive Statistics of IM Variables.....	38
Table 11 Descriptive Statistics of Empathy and Consideration.....	39
Table 12 Descriptive Statistics of Benchmarking.....	39
Table 13 Descriptive Statistics of Job Quality and Reward.....	40
Table 14 Descriptive Statistics of Upward Communication.....	40
Table 15 Descriptive Statistics of Value and Information Sharing.....	41
Table 16 Descriptive Statistics of Promotional Activities.....	42
Table 17 Correlation Analysis between Internal Marketing Dimensions and Customer Satisfaction.....	43
Table 18 Collinearity Statistics Result.....	45
Table 19 Normality Statistics Result.....	46
Table 20 Regression model Summary.....	47
Table 21 ANOVA of Customer Satisfaction.....	48
Table 22 Coefficient Result of Multiple Regressions.....	49

## **List of Appendices**

Appendix 1 Employees Survey Questions.....	X
Appendix 2 Customers Survey Questions .....	XV
Appendix 3–SPSS output .....	XVIII

## **Acronyms**

<b>IM=</b>	<b>Internal Marketing</b>
<b>SPSS=</b>	<b>Statistical Package Software for Social Science</b>
<b>CS=</b>	<b>Customer Satisfaction</b>
<b>RVU=</b>	<b>Rift Valley University</b>
<b>EMPC=</b>	<b>Empathy and Consideration</b>
<b>BENC=</b>	<b>Benchmarking</b>
<b>JQR=</b>	<b>Job Quality and Reward</b>
<b>UC=</b>	<b>Upward Communication</b>
<b>VIS=</b>	<b>Value and Information Sharing</b>
<b>PA=</b>	<b>Promotional Activities</b>

## **Abstract**

*The purpose of this paper is to explore the effect of internal marketing on customers' satisfaction the case of Private Universities in Bishoftu Town. The study was Explanatory and quantitative in its approach. A structured questionnaire was developed. The hypotheses were simultaneously tested on a sample of 267 out of 316 questioners distributed to customers and employees of the universities by selecting convenience sampling technique, giving a valid response rate of 84 percent. Several analytical techniques were used to assess the relationships among the variables under investigation such as Pearson correlation, multiple linear regressions. The application used to analyze and examine the hypotheses is the SPSS V20. The findings of this study have shown a significant effect of internal marketing dimensions on customer satisfaction at the level of ( $\alpha \leq 0.05$ ). The entire IM dimension in this study is positively correlated with customer satisfaction. The regression result shows that the adjusted R Square value was .622 and this implied that IM dimensions (predictors) accounts for 62.2% of the variation in customer satisfaction which is significant and 37.7% are other extraneous variables that can affect customer satisfaction. Only upward communication, job quality and reward, promotional activities and benchmarking of benefit packages are predictors of customers satisfaction with beta value of .272, .439, .186, and .259 respectively that have positive contribution for variation in customer satisfaction. The results are useful in identifying areas for strategic focus to help private universities to implement internal marketing programs for the satisfaction of its customers to increase their market share in the industry. As evident from the finding section that the study was conducted in Ethiopia only, applicability of the results in other countries may result differently. Further, as the study is conducted in the education sector, application of the same in other industries, like; finance and health may not come up with the same findings.*

*Key Words: Internal Marketing, Customer Satisfaction, Internal Marketing Dimensions, Internal marketing perception, Employees satisfaction.*



# CHAPTER ONE

## INTRODUCTION

In this section the background information about the general service sectors progress was discussed. Particularly issues related with the growing importance of IM (Internal Marketing) in service sectors which undergone a rapid internal restructuring and experiencing ever changing external business environment is entertained. Next parts is contend and describe statement of the problem, basic research questions and objectives of the study, significance, scope and limitation sections is put in place briefly.

### **1.1 Background of the study**

The marketing concept emerged in the mid 1950s while the application of marketing within a company and organization was being activated. This concept should be performed with a holistic marketing approach covering an integrated marketing, performance marketing, relationship marketing and internal marketing. (Kotler and Keller, 2009, p6)The holistic marketing concept is based on the development, design, and implementation of marketing programs, process, and activities that represent the breadth and interdependences. Holistic marketing recognizes that “everything matters in marketing”, so integrated perspectives is often necessary.

Internal marketing concept was first made known in service marketing literature by Berry (1976). Thereafter, for the past several years, researchers have been studying the concept of internal marketing. Today, internal marketing has come to attract attention and become more broadened on the realization that services offered by employees in an organization are the key differentiating factor that enables organizations to obtain a competitive advantage. It has also become one of the best marketing practices known to improve service orientations and organizational management (Greene 1994).

Now-a-days, the employees play a critical role in the fulfillment of the organizational goals, especially in promoting the quality of services. Due to the importance of the employees’ outputs in organizations in general and service organizations in particular, wide researches have been done on these sorts of the outputs and their effective factors. Thus in recent decades, the related subjects of the internal marketing and the attitude toward the employees as the internal customers have been proposed seriously.

According to Kotler (2000), internal marketing should be as a priority before external marketing. IM starts with the organization recruiting the right people in the position to reach the point where these employees are satisfied and willing to do their job and accomplish customer satisfaction (Al-Hawary, Al-Qudah & Abutayeh, 2013).

In addition, Greene (1994) suggests that internal marketing orientation is the key to excellent service and success of external marketing. Both views justify the exploration of the concept of marketing, i.e. internal marketing orientation, within a business organization in the service sector. On the other hand maintaining a high level of customer service quality is necessary for success, particularly for firms in service industries. Internal marketing is a planned effort using a marketing-like approach to overcome organizational resistance to change and to align, motivate and inter functionally co-ordinate and integrate employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer oriented employees (Ahmed & Rafiq, 2003).

It is common knowledge that customer satisfaction mainly depends on the process of service delivery and less on its outcome and this highlights the importance of the initiation of Internal Marketing higher Education sector. Internal marketing was first proposed within the services literature in the 1970's as a solution to the problem of delivering high quality service (Varey & Lewis, 1999).

Internal marketing was a new discipline in holistic marketing with the principle that satisfied customers come from satisfied employees. In addition, satisfied employees are those who have a high commitment to roles within the organization in terms to meet organizational goals. By those facts, it is known that implementation of internal marketing will be difficult if the internal customers are not satisfied. Internal customers who are not satisfied to have the same symptoms with external customers who are not satisfied, it is difficult to provide good service to external customers and will impact the organization or company's decline in productivity (Kotler, 2009).

Due to scarcity of local studies that deal with internal marketing, and its relation with customers satisfaction, this study covers this gap from all sides whether from the point of view of higher education's establishments represented by workers, or the point of view of customers concerning their satisfaction about service quality provided to them by Admas University and Rift valley university (RVU).

## **1.2 Statement of the Problem**

Service sector is the largest and fastest growing sector, globally contributing more to the global output and employing more people than any other sector. The nature of services being intangible, heterogeneous, perishable, produced and consumed at the same time makes it peculiar to deliver, and challenging to organizations to achieve differentiation from their competitors. Under such circumstances, employees become a critical resource with a vital role in long-term success (Dunne & Barnes, 2000), through their involvement and contribution in serving customers and achieving customers' satisfaction.

The researchers pay more attention and highlight the importance of internal marketing as a pre-requisite for external marketing. With an internal marketing strategy, employees are treated as "internal customers" who must be convinced of a company's vision and worth just as aggressively as "external customers." The goal of internal marketing is to align every aspect of a company's internal operation to ensure they are as capable as possible of providing value to customers. If a company can operate in a coordinated and standardized way, that company can provide a more consistent experience to their customers. From this perspective, there is an interest to investigate internal marketing applications. The importance of the employees' role has led service organizations to adopt internal marketing and hence, treat their employees as internal customers (Mishra, 2010). Even though, internal marketing play a vital role for the long success of companies, this area has not been well researched in our country and needs much more investigation.

Limited research has been conducted in the field of internal marketing in our country. Prior research done locally includes studies conducted for the purpose of investigating internal marketing in an airline industry, Ethiopian Electric Power Corporation, and the banking industry (Mengistu, 2017, Yohannes, 2016). The education sector in Ethiopia is dynamic and becoming competitive in nature. Due to the challenging business environment in which Private Universities are operating, it need to be determined to retain their employees, which can only be achieved through the successful implementation of internal marketing strategies. The employees of a business want their employer to understand their emotions and intellect, be treated as individuals, require open communication channels with the management of the business and desire the establishment and management of a long-term relationship with their employer. If these requirements are not met, employees will become less loyal towards their employer, which could eventually influence their satisfaction and productivity levels within the business. Therefore, it becomes important for private universities to implement internal

marketing strategies which could be to the benefit of both the employees and the business in the long term. All these factors have forced those private universities to find a new basis for competition in order to build and protect their competitive position by satisfying their customers.

As the goal of internal marketing is to identify and satisfy employees' needs so that employees can be retained and provide superior service to external customers (Berry 1984; Johnson. 1986; Kotler and Armstrong 1991). This study attempt to investigate the relationship between internal marketing practice and customer satisfaction in private owned universities from the view point of employees and customers. The researcher interested to study the relationship b/n internal marketing practice & customer satisfaction because there is no research conducted regarding the effect of internal marketing on customer satisfaction in the case private universities and to evaluate the importance of internal marketing and employees satisfaction on educational quality and external customer satisfaction. By doing so, the researcher try to fill the empirical gap that exists in this area and support researchers who want to study further about internal marketing and customer satisfaction.

### **1.3 Research Question**

The study tried to analyze and answer the following main research questions and six sub-research questions:

#### **I. Main Research Question**

How Internal Marketing programs affect customer satisfaction in Private owned Universities?

#### **II. Sub-Research Questions**

1. Which IM elements significantly affect external customer's satisfaction?
2. Does empathy and consideration have a relation with external customers' satisfaction?
3. Does benchmarking of competitors benefits package have an impact on external customers' satisfaction?
4. Do job quality and reward have an effect on external customers' satisfaction?
5. In what way upward communication has an impact on external customers' satisfaction?
6. How value and Information sharing has an effect on external customers' satisfaction?
7. Could promotional activities have an influence on external customers' satisfaction?

## **1.4 Research Objective**

### **1.4.1 General Objective**

The present study is aimed to assess the effect of IM practices in case of Private owned Universities that is playing a key role in influencing customer satisfaction.

### **1.4.2 Specific Objective**

The specific research objectives of the study were to;

- Identify which IM elements significantly affect external customer satisfaction.
- Assess the relationship between empathy and consideration and external customer satisfaction.
- Access the association between benchmarking of competitors benefit package and external customer satisfaction.
- Investigate the relationship between job quality and reward and external customer satisfaction.
- Check whether upward communication has an impact on external customer satisfaction.
- Examine the relationship between value and information sharing and external customer satisfaction
- Attest if promotional activities have an impact on external customer satisfaction.

## **1.5 Significance of the Study**

Any kind of research has something to add to the accumulated body of knowledge of mankind but it is also used to solve particular problem at hand such as in our case.

A substantial amount of research has been conducted on IM and most of them focused on its relation with employee satisfaction that hinders to some extent its acceptance by organization to fully implement the practice. Therefore, the first benefit of this study is to provide a better understanding of IM as determinant of external customers' satisfaction at Private owned universities in particular. Secondly, the researcher aims to provide an understanding in terms of the elements of IM and the extent to which each of them explains customer satisfaction. Thirdly, to investigate how internal marketing on educational sectors affect the quality of education. Finally, it paves the way for academicians, who are interested to make further investigation on the topic.

## **1.6 Scope of the Study**

Studies which related to internal marketing to customer satisfaction in Ethiopia are very few and limit the researcher understanding of the internal marketing in higher education industry in Ethiopia. Therefore geographically, the study is delimited to the education sector and specifically on privately owned University (Admas University and Rift Valley University) , under Oromia region bishoftu area only due to the homogeneity of service provision, policy formulation and circulation and human resource strategy implementation of the Universities over its all campus in the country. The study also targets employees working at all level due to the fact that they have frequent interactions with customers to investigate the IM practice of the universities. In addition, perception of external customers regarding the satisfaction is used in studying the relationship among the constructs.

In addition to this, Internal marketing has various and different dimensions which are training and development, Communication, Empowerment and Motivation strategic reward, empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing and promotional activities and incentive system, knowledge management, etc, nevertheless the study is conducted on only (empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing and promotional activities).

## **1.7 Limitation of the Study**

The major limitation of this study is that it focuses on only privately owned universities in bishoftu town i.e. Admas University and Rift Valley University. The study use only quantitative approach to examine the relationship between the internal marketing and customer satisfaction. The researcher was collect the data from both the internal customers (employees of the organizations) and external customers by using non-probability sampling .Non-probability sampling is used for collecting data from the external customers through convenience sampling technique because of the vast number of the external customers. The use of non-probability sampling such as convenience (accidental), quota, purposive and network sampling procedures implies that not every element of the population has an opportunity for being included in the sample, (Burns & Grove ,2001).So, this can limit the generalizability of the finding.

## **1.8 Definition of Terms**

**Marketing**– “is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders” (American Marketing Association, 2004).

**Service marketing**- the marketing actions undertaken to present a service to consumers with the aim of creating a desire within the consumer to use that service.

**Internal Marketing** – “is attracting, developing, motivating, and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating customers – indeed, “wooing employees ... - and is the strategy of shaping job products to fit human needs” (Parasuraman, 1991, p. 151).

**Service Quality** - is a critical element of customer perception which influence both customers’ evaluation of a service as well as their satisfaction with the overall service delivery process (Zeithaml & Bitner, 2009:111)

**Customer Satisfaction**-“person’s feeling of pleasure or disappointment which resulted from comparing a product’s perceived performance or outcome against his/ her expectations” (Kotler and Keller, 2006, p.144).

## **1.9 Organization of the Study**

The study is organized into five major chapters. The first part is an introductory part composed of background of the study, research problem, research questions, research objective and significance of the study. The second chapter dealt with related literature reviews and conceptual framework and hypothesis development. The third chapter is about the research methodology used and research design, sampling techniques and others described. In the fourth chapter the findings and analysis are present and finally the last fifth chapter discussed the summary of major findings, the conclusion, recommendations, limitation of the study and future research.

## **CHAPTER TWO**

### **REVIEW OF RELATED LITERATURE**

In this section concepts like origins of internal marketing, internal marketing diagram, phases of IM concept development, IM mix, customer satisfaction, comparison customer satisfaction and service quality, customer satisfaction within the university, are being discussed.

#### **2.1 Theoretical Review**

##### **2.1.1 The Origins of the Internal Marketing**

Internal marketing was originally defined as making internal products (jobs) available to satisfy the needs of internal market (employees) so that it satisfies organizational objectives (Berry, 1981). The authors go on to add that a firm has to successfully hire, train and motivate employees to serve external customers since the needs of external customers can be satisfied partly because the needs of the firm's internal customers (employees) are satisfied. Marketing aimed at internal customers is called internal marketing (Gronroos, 2001). However, since then, there have been a number of definitions of internal marketing and there is no unifying notion (Rafiq & Ahmed, 1993). For instance, George (1977) and Berry (1980) state that in order to keep external customers happy and satisfied the company's internal customers (employees) should be happy in their jobs. Internal marketing's goal is to hire, train and motivate employees so that they serve their customers well (Kotler, 1991), and to treat employees as customers (Berry & Parasuraman, 1991).

A firm should be considered as a market and marketing inside the firm is internal marketing and therefore marketing tools that are used for external customers might be used for internal customers and the field of human resource management has started adopting appropriate marketing tools (Foreman & Money, 1995). Internal marketing has also been defined as a marketing technique within an organization which creates and communicates corporate values (Hogg & Carter, 2000) and it should be considered as part of the broader market orientation concept which was originally developed for marketing to external customers, however, the same concept can also be used for marketing to internal customers (Naude, 2002). However, Rafiq and Ahmed (1993) take issue with the concept of the employee as customer since employees may sometimes be coerced to do things in the organization whereas external customers have the freedom to buy or not buy from competing firms. To this end, Rafiq and Ahmed (1991) define internal marketing as a "planned effort to overcome organizational resistance to change and to align, motivate and integrate employees

towards the effective implementation of corporate and functional strategies”. Shiu and Yu (2010) propose five components of internal marketing – employees as internal customers, customer oriented employees, human resource management viewpoint, internal exchange, and the use of strategic tools.

The internal marketing concept emerged from service marketing and its main concern was ”to get everyone who was involved in service encounters – the front line or contact staff – to perform better in the interaction with customer” (Gummesson, 2000, p. 27). The usage of the concept has extended beyond its traditional field and is now accepted in all kinds of organizations. In internal marketing, the internal market consists of the employees in the organization and according to theories of quality management; employees are internal customers to one another. This is summarized by Gummesson (2000): “An employee’s ability to influence and satisfy the needs of others inside the organization is considered an antecedent to external customer satisfaction. Only if internal customer relationships work can the quality of the outcome be excellent, thus creating satisfied, or even better, delighted external customers” (Gummesson, 2000, p.28).

### **2.1.2 Services marketing triangle**

Internal marketing first emerged in the services marketing literature and later in other domains such as service management and relationship marketing (Voima, 2000). Three basic sub-processes and purposes of service marketing (service triangle); external, interactive and internal marketing (Gronroos, 1998).

#### **2.1.2.1 External marketing:**

The first type is external marketing which focused on building the relationship between companies and external customers. Several traditional marketing activities, like pricing strategy, promotion activities and all kinds of communication with company’s external customers, are implemented to attract customers and capture the attention of market. At this stage, the company will “set the promise” to its external customers in order to get the possibility to delivery services (Li, 2010).

#### **2.1.2.2 Interactive marketing:**

The second type of marketing is interactive marketing describes the moment of interactions between the front line employees and external customers (Gronroos, 1985). This kind of interaction was also defined by Paraskevas (2001) as service encounters in which employees have the responsibility of delivering the services to meet the requirements of external

customers. He argued that the front line employees who have the direct contacts with external customers are playing a very important role in this service encounter, because any failure from the employees will lead to losses of external customers. Furthermore, the effects of the other two marketing activities will be significantly damaged.

### 2.1.1.3 Internal marketing:

The last type in the service marketing triangle is called internal marketing, which is the marketing of building the relationship between company and its employees. It involves empowerment, trainings, internal communication and motivating (Li, 2010).

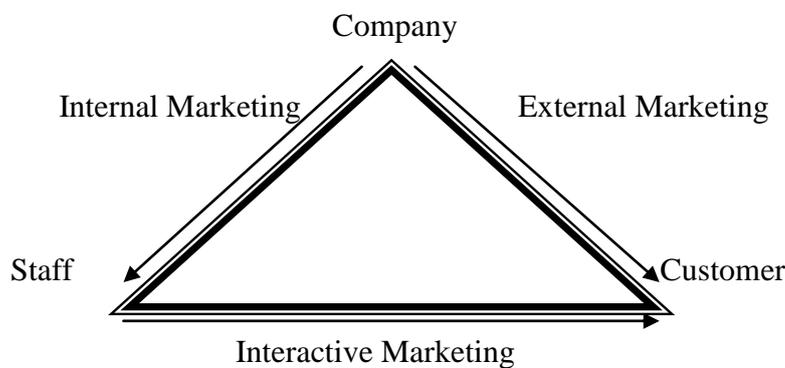


Figure 2.1: Three types of service marketing; Adapted from Gronroos (1998).

### 2.1.3 Phases of IM concept development

The development of theory on internal marketing can be broadly categorized into three phases. This credit of this categorization goes to Rafiq and Ahmed, who categorized the three phases as under:

- i) Employee Motivation and Satisfaction
- ii) Customer Orientation
- iii) Strategy Implementation and Change Management. A brief outline of the phases is given here-under:

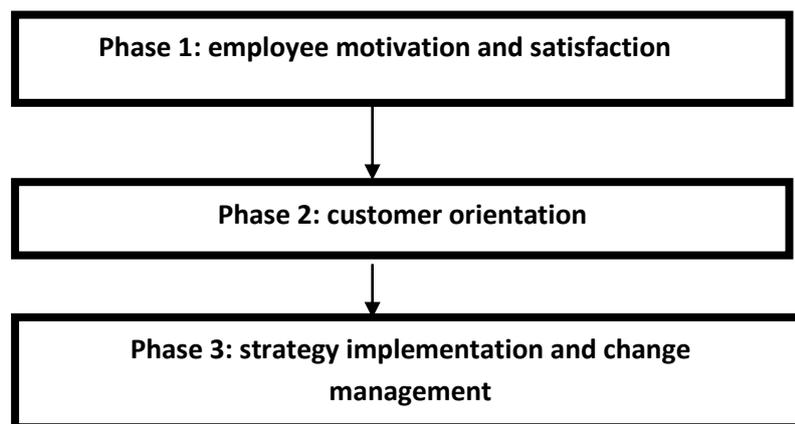
**Phase I:** Employee motivation and satisfaction early proponents of internal marketing consider employee satisfaction and motivation as the objective of internal marketing. Berry was amongst the first belonging to this school of thought. He considered internal marketing as “viewing employees as internal customers, viewing jobs as “ internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization”. Berry and Parasuraman, mention that “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 customers ..... And it is the strategy of shaping job-products to fit human needs”. Bak state that “Internal Marketing is to treat employees as customers and to manage human resources through marketing viewpoints to generate satisfied internal customers”. According to Papasolomou, there is logic of viewing employees as internal customers, a firm which first satisfies the needs of internal customers can successfully deliver the quality desired to satisfy external customers. Longbottom, indicate that internal marketing is treating the employee as an internal customer, regarding jobs as products, with the intention to satisfy the employee’s demands through products. Rafiq and Ahmed identified certain issues with the employee satisfaction approach of internal marketing. According to them the product being offered to the employee may be completely unwanted by them or may in-fact have negative utility. The employees are forced to accept whatever product is offered by the company and have no personal choice in the process. Another major issue is that the cost of having satisfied employees could be considerable taking into account the demands they would make upon the organization and its resources. A situation can also be created where focusing efforts on satisfying needs of employees would have a negative effect on efforts to satisfy the needs of the customers.

**Phase II:** Customer orientation, this phase was initiated by Gronroos, He stressed that the quality of interaction between customers and employees could be enhanced by having customer-oriented employees. He considered Internal marketing as a means for developing “motivated and customer conscious employees”. Gronroos , advocated that “an organization’s internal market of employees can be influenced most effectively and hence motivated to customer-consciousness, market orientation and sales-mindedness by a marketing-like internal approach and by applying marketing-like activities internally”. Johnson and Seymour, state internal marketing deals with creating customer-oriented behaviors among employees. Kotler mentions that internal marketing is about building customer orientation among employees by training and motivating both front-line and support staff to work as a team. Cahill, states “employees should treat each other as customers, so that they can then provide better services to external customers through continuous instillation of customer orientation”. Internal marketing seeks to develop client-consciousness among employees via the application of marketing methods, the aim is to “create an internal environment wherein customer consciousness proliferates among

employees” (Caruana and Calleya). The key difference between the theories of the two phases is that “Gronroos” customer orientation conceptualization focuses attention on creating customer orientation in employees through a process of influencing, rather than satisfying and motivation employees (Rafiq and Ahmed).

**Phase III: Strategy implementation and Change management:** Winter, was the first to give direction to the third phase of development of internal marketing theory; he recognized the role of internal marketing as a technique for managing employees towards achievement of organizational goals. Winter, mentions that the role of IM is that of “aligning, educating and motivating staff towards institutional objectives ... the process by which personnel understand and recognize not only the value of the program but their place in it”. George, states that internal marketing is a holistic management process which can be used to integrate the multiple functions. Internal marketing is a planned effort to overcome organizational resistance to change and to align, motivate and integrate employees towards the effective implementation of corporate and functional strategies according to Rafiq and Ahmed. Christopher, mention the objective of internal marketing is to improve cross-functional co-ordination and co-operation. The role of Internal Marketing is to integrate the function of marketing and human resources and to view personnel as a resource for the marketing function (Glassman and McAfee). Piercy, states that internal marketing is a critical tool which can aid in the implementation of strategic change. Roberts Lombard considers internal marketing as an excellent tool which helps in the implementation of strategic plans.



**Figure 2.2 phases of internal marketing**

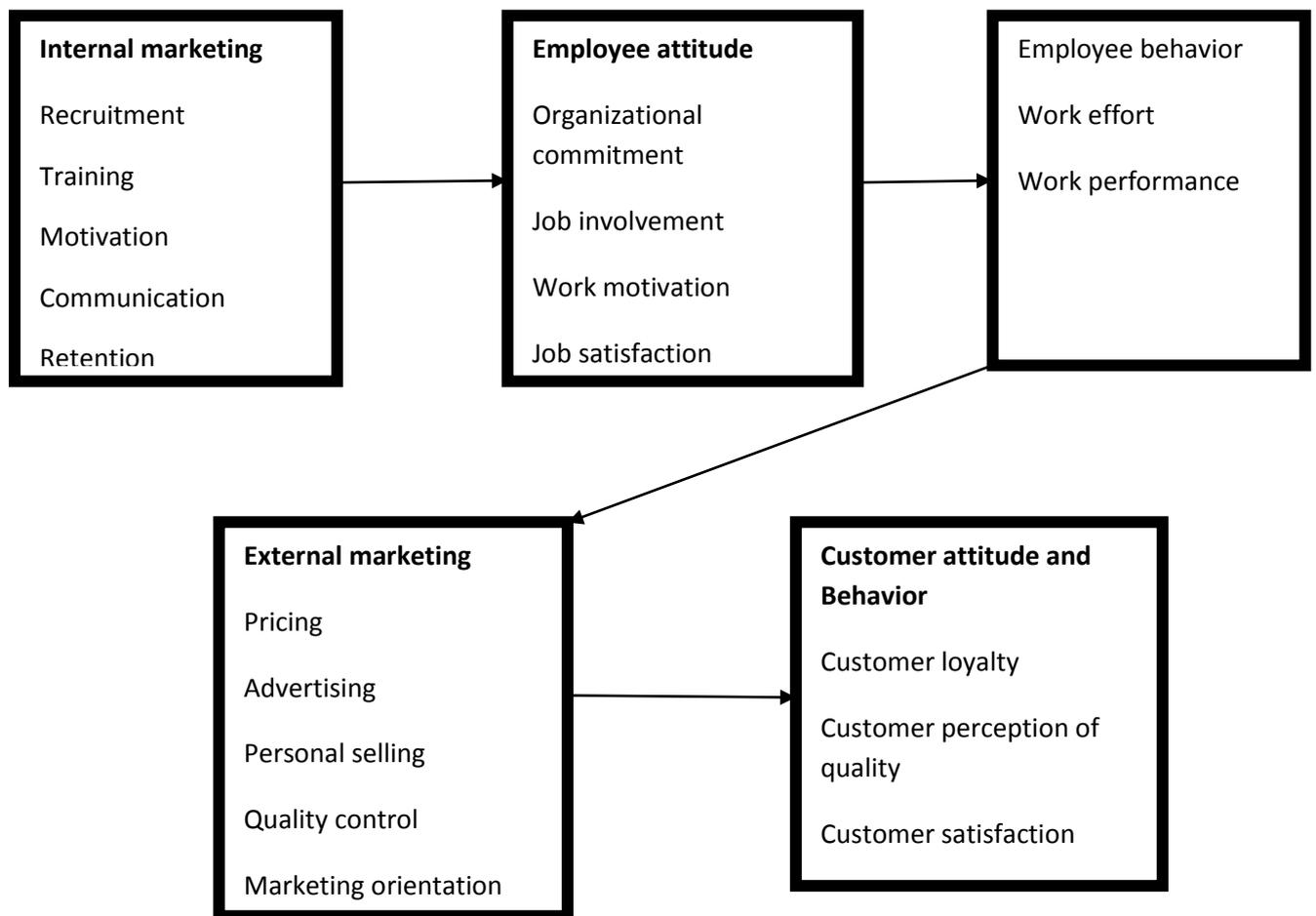
**Source: Rafiq and Ahmed (2002)**

#### **2.1.4 Internal Marketing Models**

Rafiq and Ahmed (2000) identified the main elements of IM from the analysis of the key literature. Figure 2.1 shows the interrelationships between the criteria for IM and the implementation of one particular organizational strategy that is at the heart of service organizations, namely, service quality. At the centre of this framework is customer orientation which is achieved through marketing- like approach to the motivation of employees, and inter-functional coordination (Lambert, 2002; Ho, 2006). The centrality of customer orientation reflects its importance in the marketing literature and its central role in achieving customer satisfaction and hence organizational goals. Rafiq and Ahmed (2000) highlighted the key role of training in customer orientation and customer satisfaction.

They explained that employees also need the right type and level of training to perform their jobs. This can help to reduce ambiguity surrounding their role.

According to Tansuhaj (1988) as cited in Wambugu(2015), in service marketing, the employee plays a central role in attracting, building and maintaining relationships with customers (as shown in Figure 2.2) The model shows the linkage between internal marketing (recruitment, training, motivation, communication, and retention) and the more traditional external marketing activities (pricing, advertising, and personal selling). It also puts forward how the integrated marketing elements, like employee attitudes and behavior, and customer attitudes and behavior enhance customer loyalty, satisfaction and perception of quality. The goal is to meet customer needs, since the value of the service is in satisfying those needs. Greater attention to employee customer interactions can result in an increase in perceived service quality, customer satisfaction, and repeat purchase behavior of service customers. According to the model, an internal marketing program influences employee attitudes and behavior, which in turn influence the impact of external marketing towards the customer.



**Figure 2.3 model of services marketing management**

**Source: Tansuhaj (1988)**

External marketing activities are generally divided into external service quality, external customer satisfaction and specific/individual competencies. In service firm, it is generally believed that a marketing plan composed of external marketing activities largely determines consumer satisfaction. However, in service organization the implementation of this plan depends, to a great extent, on the activities of the employees. M. B. & Sharma, B. (2001) attempted to develop and sustaining an organizational culture that emphasizes internal customer well-being as a means to attract and retain external customer patronage. They propose a model that

Relates six key internal marketing practices to external customer satisfaction and loyalty, mediated by internal customer attitudes (i.e. loyalty to the firm, job satisfaction, trust in management) leading to extra role behaviors directed at external customers. Kotler (2000)

explains that internal marketing is more important than conventional external marketing. Further, Green, (1994) point out that internal marketing is the key to excellence service and successful external marketing.

Tansuhag, Randall, & McCullough (1998) explore the linkage between internal marketing activities (directed at employee recruitment, training, motivation, communication, and retention) and the more traditional external marketing activities (e.g., pricing, advertising, and personal selling). An examination of the relationship between the key elements of the service marketing management model (internal and external marketing, employee attitudes and behavior, and customer attitudes and behavior) demonstrates how service managers can enhance customer loyalty, satisfaction and perception of quality. They argue that the internal and external elements of the marketing program of service firms are closely interrelated.

Berry's model is presented and based on the foundation of internal marketing that A recognizes the employee as a client and develops a competitive advantage. According to the model as shown in (Figure 2.3), to have satisfied employees and develop customer-oriented attitudes, which in turn carry the perceived quality and satisfied customers are required: treat activities like product and the employee get involved and participate, what is important model is to attract and keep employees in the company.

#### **2.1.5 Internal Marketing Mix**

The internal marketing mix concept implies that a number of elements are under the control of management and are combined and integrated to get the required response from the target market. The application of the internal marketing mix is structured around the extended marketing mix (Ahmed & Rafiq, 2002:28 and Piercy & Morgan, 1991:85).

- **The price** - This element is concerned with what the organization is asking their internal customers to "pay" when they buy into the product and the marketing plan. It may include the sacrifice of other projects that compete with the internal marketing plan and the psychological cost of adopting different key values and changing the way jobs are done. If the marketing plan were to be implemented successfully, the price to be paid by different parts of the internal market place could not be ignored as a major source of barriers and obstacles.

- **The product** - Strategically, the product is the marketing strategies and the marketing plan in which they are contained. The product to be "sold" is those values, attitudes and behaviors that are needed to make the marketing plan work. At the tactical level, the product could include new performance measures and new ways of handling customers. The product can

also be used to refer to services and training courses provided by the Human Resource Department. At a fundamental level, the product is the job. Managers should concentrate on explaining (Ahmed & Rafiq, 2002:28)

- **Promotion** - The most tangible element of the internal marketing mix is the communications media used to inform and to persuade, and to work on the attitudes of the key personnel in the internal market place. Motivating employees and influencing their attitudes is an important aspect of internal marketing. It is crucial to get the internal communications strategies right.

- **Distribution** - This element is concerned with the physical and social technical venues at which the organization sells its product and manages its communications: meetings, committees, training sessions, seminars, written reports, and informal Communications. Piercy and Morgan (1991:85) feel that the real distribution channel lies in human resource management and the lining up of training, evaluating and reward systems and recruitment behind marketing strategies so that the culture of the company becomes the distribution channel for internal marketing strategies.

- **People** - The employees of the organization represent people in the internal marketing mix. The emphasis is on developing the role that people play in service delivery (Woodruffe, 1995:23). Internally, employees are customers to whom the organization must deliver value, while externally they are a value-adding component of the product offering. The employee represents both a potentially valuable resource of the organization as well as a valuable component of the external value proposition (Varey & Lewis, 2000:202).

- **Process** - It involves the procedures, tasks schedules, mechanisms, activities and routines that are used in the organization (Buttle, 1996:85). Stone (2000:138) define a process as a structured way of handling a series of connected tasks.

- **Physical evidence** - It includes the physical facilities, surroundings and environment in which the service is performed.

### **2.1.6 Challenges of Internal Marketing**

The problem of the concept of Internal Marketing were the job product “sold” to internal customers may be unwanted by them and that unlike in the external market, employees rarely have a choice in terms of product offered and may even be coerced into accepting these (Ahmed & Rafiq, 2003). In addition the financial implication of having satisfied employees may be substantial and that not all organizations were prepared to invest so heavily in an idea

that may only bring results in the long term. For example, in order to satisfy employees, salaries may need to be increased, working environment rebuilt and training heavily invested in; with in return on investment only being shown in the long term (Papasolomou & Vrontis, 2006).

### **2.1.7 Implementation of Internal Marketing Activities**

The underlying objective of internal marketing is the development of a marketing program which is directed at the internal market of the business, and which is parallel to the marketing program aimed at the external customers of the business (Kale, 2006:3). Gounaris (2008:69-72-76) specifies that the implementation of the internal marketing activities of a business must ensure the following outcomes, namely the creation, management and development of internal relationships between the employees of a business, irrespective of their position. Employees must hereby be motivated to deliver a quality service to both the internal and the external customers of the business, to empower employees with the required skills, knowledge and support from top management and supervisors, internal service providers and systems and technology which will empower them to deliver a customer-orientated service to the internal customers of the business.

### **2.1.8 Customer Satisfaction**

Kotler(1996) defined customer satisfaction as “the level of a person’s felt state resulting from comparing a product’s perceived performance or out come in violation to his/her own expectations”. So, customer satisfaction could be considered a comparative behavior between inputs before hand and post obtainments in businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of its personnel. The study also showed that increased use of service quality/sales and professional behaviors (such as formal greetings) improved customer satisfaction and reduced customer attrition. Indeed, customer satisfaction has for many years been perceived as key in determining why customers leave or stay with an organization. Organizations need to know how to keep their customers, even if they appear to be satisfied. Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka, 1994). Fornell (1992), in

his study of Swedish consumers, notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles. Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in the Education industry.

### **2.1.9 Internal Marketing in Universities**

Despite internal marketing being researched in other service settings, there does not appear to be much work on internal marketing in the university setting. A better understanding of internal marketing and the study of its prevalence in Universities would go a long way in ensuring efficient delivery of services to the end consumers i.e. students. Sihombing and Gustam, in their work studied the impact of internal marketing on job satisfaction and organizational commitment in the university setting in West Java. Siddiqui and Sahaf, in their study observe how elements of internal marketing, i.e. training and development, organizational communication and employee motivation, need to be focused on for improving performance. They concluded from empirical findings that faculty members were not satisfied with the state of existence of internal marketing in Indian university setting. Schuller and Chalupsky analyze how internal marketing communication activities are managed at public universities in the Czech Republic and identify best practice solutions in this sphere. These studies indicate the scope and necessity of further study on internal marketing in the university setting. Further study on internal marketing in university setting will aid in validating generalization of results of prior empirical studies on internal marketing in other service settings. More importantly, it will also help in identifying what elements of internal marketing Universities needs to focus attention on and how employee satisfaction can be achieved through it. Policy makers would also derive cue from these works by understanding the significance and applicability of internal marketing in universities; it would eventually lead to focusing attention and resources on establishing internal marketing systems in universities. This would be of benefit to all stakeholders of the university service setting, the most important being the students.

## **2.2 Empirical Review and Hypothesis Development**

The next section contains a brief discussion on the supporting literature of each element of the IM mix elements that the researcher selected for the purpose of this study.

### **2.2.1 Internal Marketing and Customers' Satisfaction**

Researches show a positive relation between internal customer's (employees) satisfaction and external customer's (customers) satisfaction. Keuhert and Levin (1992) suggested that employee's satisfaction affects the service quality dramatically and results in customer's satisfaction. Mendelson counted five behaviors that were aroused by internal marketing and affect customer's satisfaction (Bansal & Mendelson, 2001, 61-67) These five behaviors are: task orientation & conscientiousness, altruism, ethical codes, magnanimity, compliance & attention.

Gronroos suggests that the higher the service quality, the higher the customer's satisfaction. He also expressed that this fact is of much significance in the internal aspect, because it improves the working conditions; as the customer's satisfaction is perceived by the company's employees, it makes them more customer and service oriented (Gronroos, 2000). Internal marketing goal in the strategic level is to create an environment in which employees willingness in achieving customer's satisfaction and increasing that is aimed. Internal marketing targets employees and customers satisfaction simultaneously and is based on customer's and employee's satisfaction (take care of your employees and they will take care of your customers) (Sybil & Debra, 2000).

Gaining customer's satisfaction without the help of employees that are in touch with the customers is rather impossible. Line employees (low level employees for instance) have more contact with customers and deal with variety of transactions with them. Gronroos points out that service providing improvements has led to a better recognition of this fact that, well trained and service oriented staff are more important capital to the company in comparison to good material, high technology or even the products (Gronroos, 2000).

Ahmed and Rafiq suggest that this concentration on customer's satisfaction in the internal marketing ideology is because in service marketing customers search for are the humane performances and efficiency. In fact internal marketing looks at the employees as the internal customers and jobs as the internal products to meet the internal customers' needs in order to achieve the organizational goals (Berry & Parasurman, 2000, 176-191). We could say in short that external customer's satisfaction is both dependent to and affecting internal customer's satisfaction but this relation is somehow complicated (Roberts Lombard, 2010, 362-372).

When the satisfaction level is high both in internal and external customers, it would create a synergy.

Wambugu (2015) study on the Impact of Internal Marketing on Service Quality and Customers Satisfaction “A Case Study of Equity Bank, Kengeleni Branch” result shows that how Internal Marketing influences service delivery by the employees and how they are linked to the customer satisfaction of the banks customers. It seems that Equity bank deem employee training and evaluation of performance with reward system as crucial. A study made by Yomiyu(2014) finding shows that internal marketing variables(training and development, customer orientation, Employee empowerment, commitment to service quality, employee motivation and job satisfaction and internal communication) shows that there is a strong positive correlation between IM variables and customer satisfaction. This is also supported by Mengistu (2017) study on the impact of internal marketing practices represented by the empathy and consideration, upward communication and promotional activities, job quality and Reward, bench marking on customer satisfaction of CBE; the correlation result shows that all variables of internal marketing have a Positive association with employees’ job satisfaction. This leads to the following hypotheses:

*H1: Internal Marketing has a positive effect on external customers’ satisfaction*

### **2.2.2 Empathy & Consideration and Customers’ Satisfaction**

The objective of IM is to get motivated and customer conscious employees in order to achieve service excellence and to ensure that employees feel that the management cares about them and their needs (Ewing and Caruana, 1999). Empathy and consideration in terms of an employee/management relationship refers to that feeling employees experience when their wants and needs are taken into account, and such employee-management relationships can influence employee satisfaction (Ahmed, Rafiq & Saad, and 2003:1222).

Gounaris (2006:437) posits that the stronger the manager-employee relationship, the more likely the employee is to believe communication transmitted by the manager. Good relationships between employees and management allow for the free flow of feedback and also increase the trust employees have in the organization. Niemand and Bennett (2002:287) found that the benefit of strong manager-employee relationships, based on empathy and consideration, is that it allows an opportunity for the employees to ask questions and gain a common understanding regarding the information provided by the manager, which in turn is likely to have an influence on external customers satisfaction.

Satisfaction of internal customers is indispensable in achieving satisfaction of external customers (Kondo, 2001).

This point of view was supported by a number of other authors (Peltier, 2009; Schneider & Bowen, 1985 Schlesinger & Heskett, 1991) who believed that employee's satisfaction is positively related to customer satisfaction.

It is therefore, hypothesized that:

*H2: Empathy and Consideration towards employees has a positive effect on external customers satisfaction*

### **2.2.3 Benchmarking and Customer Satisfaction**

Benchmarking as an element of IM refers to an organization periodically making comparisons between itself and the market in order to measure its offerings in terms of job profiles and salaries. Market demand can influence job offerings in terms of salary, working conditions, roles and requirements. Grobler,(2002:139) argue that the labor market often base their decisions regarding job offers on their perceptions of salary offers, and that they hardly ever consider the secondary benefits offered by an organization unless these are clearly stated in the offer. Gounaris (2006:442) states that organizations should garner a deep understanding of the labor market by benchmarking offers against competitors. Such benchmarking allows organizations to formulate job offerings not only to suit organizational requirements, but also to match them to labor market demand in a way that is not only utile to the labor market but also attractive.

From the above, the following hypothesis is put forward:

*H3: Benchmarking of competitors benefit package has a positive effect on external customers" satisfaction*

### **2.2.4 Job Quality & Reward and Customer Satisfaction**

Job quality is a result of the product concept of the IM mix which stems from the logic of viewing employees as customers. Viewing jobs offered by an organization as products for internal customers refers to the importance of considering jobs not only from the point of view of the tasks they entail but also from the perspective of employees and what they need in terms of fulfillment, remuneration and empowerment (Ahmed & Rafiq, 2002:28). Papasolomou and Vrontis (2006:179) posit that if organizations clearly define quality expectations and equip employees to reach service standards through well constructed job products, the likelihood of meeting internal standards is increased. The authors found that by clearly defining individual job roles, and tying personal roles to

organizational goals, individual employees are able to see how their contribution influences organizational goals and service quality and are therefore likely to gain employee satisfaction. Rewarding employees is considered to be a fundamental requirement to the success of any IM program. Ahmed (2003:1222) considers two different types of rewards to operate within this IM mix element. Firstly, strategic rewards that motivate behaviors, actions and accomplishments that help advance the organization toward specific business goals. Secondly, incentive systems, such as the basic payment system used by the organization to reward the business activities, behaviors and values that management wants to encourage. Bergh and Thereon (2000:209) state that an employee is motivated to perform well because of some reward, monetary or intrinsic, that the person expects to receive as a result of performing well. The authors put forward the idea that reward systems condition and motivate employees to exchange some expected level of work for the promised rewards as offered by the organization, which in turn creates employee satisfaction.

Based on the above, it is hypothesized that:

*H4: Job quality and reward has a positive effect on external customers' satisfaction.*

#### **2.2.5 Upward Communication and Customer Satisfaction**

Stershic (2001) as cited by Zyl J.J (2007), states that IM encompasses a variety of communication, education and motivational activities that simultaneously recognize and reinforce the value of customers and the employees who serve them. As it is said, what is mentioned above is not rocket science, but the challenge is to continually motivate employees to sustain high levels of customer satisfaction. "If the fundamentals of internal marketing are not currently part of the corporate culture, then marketers should take the lead to change the situation and implement this critical marketing tool" (Stershic, 2001). One important element of IM is to ensure internal communications to reinforce the "big picture". This is to let employees know where they fit within the bigger picture of the organization, what is expected of them in fulfilling the corporate mission, and how they can help contribute to achieve the company's goals. "Employees perform more effectively when reminded of the value they bring to the organization, including the impact they have on customers (Stershic, 2001).

Communication is central to all IM program and their ability to influence employee satisfaction. Communication that is driven by a central department with the purpose of delivering powerful messages regarding IM program is the starting point. In this form

of communication, messages are sent via the “push” principle and are often in the form of mass media such as newsletters, intranet communication and in-house posters (Niemand & Bennett, 2002:285). Such communication, however, should be supported by media using the “pull” principle or upward communication in order to allow for feedback to reach the central communication department. Upward communication allows employees to supply feedback, ask questions and garner an understanding of the organization and their role in it. This flow of information, both push and pull, increases an employee’s commitment to, identification with and loyalty to an organization. The employee is likely to internalize such messages, alter behavior to match organizational expectations, and in doing so become more satisfied with their role (Punjaisri & Wilson, 2007:60).

From this discussion the following hypothesis is formulated:

*H5: Upward communication has a positive effect on external customers’ satisfaction*

#### **2.2.6 Value & Information sharing and Customer Satisfaction**

Knowledge held by an organization’s” workforce can become a source of competitive advantage as it is this vessel of human experience and ability that creates the potential for action (Ahmed & Rafiq, 2002:173). IM creates a platform for information sharing in that it encourages continual learning by employees. Building a successful organization with the capacity for long term competitive advantage requires leveraging the collective value and information base of the organization and the fostering of a learning organization (Ahmed & Rafiq, 2002:208). This continual information exchange leads to an organization that not only increases its knowledge base, but one that develops its employees through training and value sharing, which in turn increases employee satisfaction (Papasolomou & Vrontis, 2006:190).

From this discussion the following hypothesis is postulated:

*H6: Value and information sharing has a positive effect on external customers satisfaction*

#### **2.2.7 Promotional activities and Customer Satisfaction**

Promotional activities are a means for the organization to clearly define its values, align these to its external messages and communicate this throughout the organization. Promotional activities encompass the utilization of all communication channels within an organization with the purpose of conveying a congruent message to all employees. IM is a means for building or strengthening the corporate brand through its emphasis on employee satisfaction and on the creation of customer-orientated cultures (Papasolomou & Vrontis, 2006:181). IM is essentially the process whereby the promises made to external customers

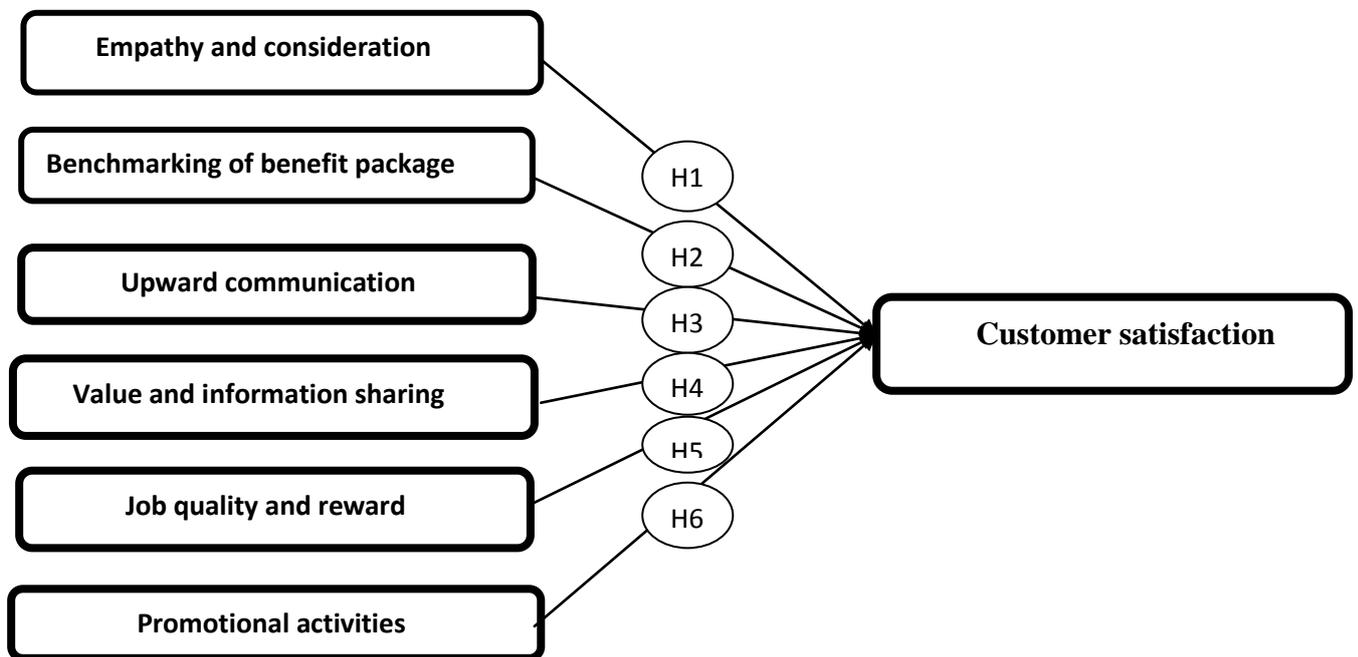
are believed and supported by internal customers. A successful promotional program increases the extent to which a message is conveyed as well as the likelihood that it will build organizational awareness and increase motivation and satisfaction amongst employees (Papasolomu & Vrontis, 2006:182).

As such the following hypothesis is formulated:

*H7: Promotional activities has a positive effect on external customers satisfaction*

### 2.3 The Conceptual Framework for the study

Generally, the conceptual frame work of this study is developed based on the literature. Internal marketing variables were directly related with external customer satisfaction of the firm. Therefore, the following figure shows the relationship between the independent variables and the dependent variables. The relationship depicted in figure 2.5 is treated as a correlation since the relationship will deem to exist together, not as a cause and effect type relationships. The elements of IM included in the conceptual framework are identified from the scale used in the study of Jou (2008).



*Figure 2.4: The conceptual frame work to be studied in this research*

*Source: Adapted from Jou, Chou and Fu (2008)*

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

This chapter outlines description of the study area, the research design, the research method, the population under study, the sampling procedure, and the method that is used to collect data. The reliability and validity of the research instrument are addressed. Ethical considerations pertaining to the research are also discussed.

#### **3.1 Description of the Study Area**

Ethiopian higher education is undergoing a quiet transformation both in public and private domains. Until a few years ago, Ethiopia had only two public universities. There are now eight such universities. A major campaign is currently underway to establish another 13 (10 new) universities—at a cost of about \$1.4 billion. More than 172,000 students are enrolled in the country's higher education institutions, of which 77 percent are public institutions. More than 100,000 students—88 percent in public institutions—are enrolled in degree programs. Ethiopia now boasts about having some 60 private colleges, which enroll about a quarter of all students. Most of these institutions are based in the capital, Addis Ababa, with a few branch campuses in major towns. Virtually all of these institutions were established in the last half decade. While a closer analysis is warranted, the enrollment rate appears to have been climbing rapidly for several years; but the pace has now moderated, and in a few cases a decline has been reported. Most private institutions in Ethiopia, like others in Africa, offer courses that create good employment opportunities. The programs include business administration, computer studies, and information technology (IT). Others also provide training in health care and teacher education. A few of these colleges also offer distance education to tens of thousands of students.

The study focus on Private owned Universities in Bishoftu town. Rift Valley University is the largest private university in Ethiopia, with 27 campuses around the country. Known formerly as Rift Valley University College, RVU was granted full-fledged university status in 2014 by Ethiopia's Ministry of Education. Bishoftu campus was launched in 2005 by opening in five fields of study, namely Accounting, Computer Science, Law, Marketing Management, and Secretarial Science and Office Management.

The University major academic strategies are also implemented through these 27 campuses and all academic and other support department employees have the key role in bringing the desired level of customer satisfaction.

Another private university which is considered in this research is Admas University, which is one of pioneer private higher education institution in Ethiopia, commenced its operation in October 1998 under the name “Admas business training center”. By undertaking deep assessments of further training needs and making preparation in terms of the required human and material resource ,the center upgraded itself to a college status as of April 1999,and the status of a university college as of march2007. Finally, after ensuring that all the requirement of higher education proclamation no.650/2009 has been met, the ministry of education of F.D.R.E granted full university status to Admas as of July 2014.

### **3.2 Research Approach**

The three research approaches are qualitative, quantitative and mixed (Creswell, 2003). The research was quantitative in its approach, why, because it involved generation of data in quantitative form for analysis. Quantitative approach employs strategies of inquiry such as experiments and surveys, and collects data on predetermined instruments that yield statistical data. The primary goal of this research design is to seek evidence about a characteristics or a relationship and to use statistical inference to generalize obtained results from a sample to a population Patrick (2008).

### **3.3 Research Design**

The study was descriptive because it enabled the researcher get information about the current situation and also it was explanatory to describe the relationship between variables. Descriptive research involves field survey where the researcher goes to the population of interest ask certain issues about the problem under the study. Descriptive research aims to gather data without any manipulation of the research context and deals with naturally occurring phenomena where the researcher has got no control over the variables (Mugenda, 1999). Within the descriptive, the study will be a survey study.

### **3.4 Population and Sampling Design**

#### **3.4.1 Population of the study**

The purpose of this case study is to analyze the effect of internal marketing on customer satisfaction. It is a case of private owned universities (Admas University and Rift Valley University) located in bishoftu town. The selected Universities are according to the convenience for the researcher. The criteria used for selecting those universities are because of the universities follow similar strategy regarding academic and other strategies in their all

campuses. The populations for this study are both the internal customers (employee) and the external customers (students) of the universities.

**Table 1 Number of Total Populations**

<b>Universities</b>	<b>Campus(Branch)</b>	<b>No. Employees</b>	<b>No. Students</b>	<b>Total population</b>
<b>Admass University</b>	Bishoftu	50	700	<b>750</b>
<b>Rift valley University</b>	Bishoftu	130	900	<b>1030</b>
<b>Total</b>		<b>180</b>	<b>1600</b>	<b>1780</b>

*Source: Own survey result, 2019*

### 3.4.2 Sampling Size

Sampling is a means of selecting a subset of units from a target population for the purpose of collecting information. Determining the sample size should be done in vigilantly not to make it too small or too large. Krejcie and Morgan (1970) sample size determination formula was applied to determine the required sample size. While deciding the size of sample of this study, the researcher determined the desired precision as an acceptable confidence level for the estimate. Since the target population is finite, the following formula (Krejcie & Morgan, 1970) was used to determine the sample size of this study

$$s = \frac{X^2NP(1 - P)}{d^2(N - 1) + X^2P(1 - P)}$$

Where:

S = Required Sample size

X = Z value (e.g. 1.96 for 95% confidence level)

N = Population Size

P = Population proportion (expressed as decimal) (assumed to be 0.5 (50%))

d = Degree of accuracy (5%), expressed as a proportion (.05); It is margin of error

$$\frac{1.96^2(1780)(0.5)(0.5)}{0.05^2(1780 - 1) + 1.96^2(0.5)(0.5)} = \approx 316$$

By using the sample size obtained from the above formula, the proportion or the strata sample size is determined for each branch. The strata sample size is determined based on the below mentioned equation:

$$nh = \left( \frac{Nh}{N} \right) \times S$$

Where;

nh = Sample size for stratum h;

Nh = Population size for stratum h;

N = Total population size;

S = Total sample size

Based on the above formula, the sample size for each university is 183 from Rift Valley University and 133 from Admas University.

### **3.4.3 Sampling Technique**

There are two sample designs which can be used; these are probability sampling and non probability sampling (Sekaran & Bougie, 2010). The researcher used a non-probability sampling (convenience sampling technique) to select our respondents. By convenience sampling technique we refer to a technique that goes for the sample that is available in the light of easy access (Bryman & Bell, 2007). This method is selected primarily due to the large population that potentially will be involved, the need for undertaking a survey that covers a large geographical area and availability of different self service outlets that makes difficult to access all customers at a time. And convenience sampling method is used in order to solicit willing respondents in filling the questionnaire or when population elements are selected for inclusion in the sample method based on the ease of access (Kothari, 2004). The study used a non-probability sampling technique specifically convenience method due to the large population, ease of access and the limitation in time and cost.

### **3.5 Source of Data**

Data can be obtained from existing sources or from surveys and experimental studies designed to collect new data (Anderson, 2011). The data sources used in this study were

primary and secondary data sources. Primary data is used to collect responses of customers and employees by administering five point likert scale questioner and secondary data source is used to collect data from different sources that includes mainly past studies, company website, progress report financial statements, dissertations and published literatures that could support the study from empirical & conceptual backgrounds.

### **3.6 Data Collection Procedures**

The current internal marketing practice and its effect on customer satisfaction is investigated using structured questionnaire prepared based on 5 point lickert scale rating from 1 (strongly disagree) to 5 (strongly agree). The questionnaire includes all the selected dimension of internal marketing and customer service personnel behavior to analyze the effect of internal marketing on customer satisfaction. The questionnaire was developed and distributed in English, no translation is involved. This is because the respondents here represent professionals who have first and second degree, and one of their job requirements is to be professionals in English.

It's planned to collect data from the 120 employees and 196 customers of the university as stated in the sample frame by means of convenience sampling method. After defining the data collection tool, a pre-test was given to some employees in order to test the tool understanding and eliminate possible mistakes. The survey questioners were distributed and collecting until April, 2019. The correlation between dependent and independent variables along with the causal effect is analyzed using Statistical Package for Social Science (SPSS).

### **3.7 Ethical Consideration**

*Voluntary participation and harmlessness:* Subjects in a research project must be aware that their participation in the study is voluntary, that they have the freedom to withdraw from the study at any time without any unfavorable consequences, and they are not harmed as a result of their participation or non-participation in the project.

In this study, the participants was well aware it's based on voluntarily not reluctantly that they participate in the study and that it does not cause any harm due to their participation in the study.

*Anonymity and confidentiality:* Anonymity implies that the researcher or readers of the final research report or paper cannot identify a given response with a specific respondent.

Confidentiality, in which the researcher can identify a person's response but promises not to divulge that person's identity in any paper or public forum (Anol Bhattacharjee, PhD, 2012)

Accordingly while conducting this research any information gathered from any individual was be treated confidentially without disclosing the respondents' identity.

*Disclosure:* who is conducting the study, for what purpose, what outcomes are expected, and who will benefit from the results. However, in some cases, disclosing such information may potentially bias subject's response (Anol Bhattacharjee, PhD, 2012)

This study uses structured questionnaire in order to collect primary data. Up on distributing to employees only general information written in the paragraph of the questionnaire is communicated to protect their response from predisposition

*Analysis and Reporting:* Researchers also have ethical obligations to the scientific community on how data is analyzed and reported in their study. Unexpected or negative findings should be fully disclosed, even if they cast some doubt on the research design or the findings (Anol Bhattacharjee, PhD, 2012). This the study is going to be done in an open minded manner and attitudes will be expressed as they are. Nothing will be modified and changed.

### **3.8 Data Analysis**

After collecting data from respondents, it is analyzed with descriptive as well as inferential statistics by using SPSS software package to study the relationship between the independent variables (internal marketing dimensions) with the dependent variables (customer satisfaction). Appropriate descriptive statistical analysis such as percentage, ratios, means and standard deviations is used. Data analyzed is presented in the form of table, graphs, pie-charts and bar graphs. Also to measure the relationship and effect between Internal Marketing dimensions and customer satisfaction, coefficient of correlation and regression is employed in the method of data analysis.

### **3.9 Validity and Reliability**

The concept of validity answers to this question that to what extent measuring instrument gauges the desired option. Data accuracy cannot be reliable without knowledge of the validity of measuring instruments. There were several methods such as face validity method for validation. The face validity test is done by showing the instrument to experts and actual subjects and analyzing their responses qualitatively. (Gaur A & Gaur S. 2009). In this regard the study is used a standardized well known overall satisfaction measurement for customer

satisfaction which forward after a lot of conceptual and empirical investigations. For the measurement of the IM programs, a scale developed by Jou, Chou and Fu was used. Therefore the researcher tested the face validity of the instrument by showing it to universities employee and some customers.

Reliability is one of technical features of measuring instruments. This shows that measuring instruments to what extent obtains the identical results in the same situation. To determine the validity of the test, Cronbach's alpha was used.

**Table 2 Reliability Test for IM scales**

<b>Variable</b>	<b>N of Items</b>	<b>Cronbach's Alpha</b>
<b>Empathy and Consideration</b>	<b>5</b>	<b>.777</b>
<b>Benchmarking</b>	<b>2</b>	<b>.781</b>
<b>Job Quality and Reward</b>	<b>6</b>	<b>.774</b>
<b>Upward Communication</b>	<b>3</b>	<b>.893</b>
<b>Value and Information sharing</b>	<b>6</b>	<b>.746</b>
<b>Promotional activities</b>	<b>4</b>	<b>.780</b>

**Table 3 Reliability Test for Customer Satisfaction**

**Reliability Statistics**

<b>Cronbach's Alpha</b>	<b>N of Items</b>
<b>.777</b>	<b>5</b>

*Source: Own Survey result, 2019*

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the data analysis and discussion of the research findings. Both descriptive, focusing on the description of the sample population as well as inferential statistics, which makes inferences about the population based on the data from the sample population, are presented in this chapter. The data analysis was undertaken with the help of computer statistics package (SPSS version 20).

#### 4.1 Sample and Response Rate

The target population of this study was employees and customers of Private Universities in Bishoftu area. Questionnaires had been collected at the beginning of May 2019 where the researcher personally administrated all 200 questioners to students of the universities and 116 questionnaires through respective employees of the universities. Among 316 total questionnaires distributed 267 were completed and returned back from employees and customers of the universities. A total of 267 of these questionnaires that do not have missed data were completed and used for the data analysis which means at 84.4% respond rate.

**Table 4 Response Rate of Questionnaire**

Questioners	Employees	Customers	Total	Percentage
<b>Returned</b>	100	167	267	84.4%
<b>Unreturned</b>	16	33	49	15.6%
<b>Total</b>	116	200	316	100%
<b>Usable</b>	100	167	267	<b>84.4%</b>

*Source: own survey result, 2019*

#### 4.2 Reliability and Validity

##### 4.2.1 Measure of Reliability for IM Constructs

Appropriate reliability and validity tests of the measurement were taken in order to validate the results empirically. Reliability refers to the instrument's ability to prove consistent results in repeated uses, whereas validity refers to the degree to which the instrument measures the concept the researcher wants to do. This provides confidence that the empirical findings accurately reflect the proposed constructs (Flynn, 1994 as cited in Nardos 2012). The value of Cronbach's alpha for six IM construct was ranging from .701-.813 as shown on table 2 which is all above 0.7. Taking in to account the small number of items used to measure IM the value of alpha is acceptable.

#### 4.2.2 Measure of reliability for Customer Satisfaction Constructs

The overall customer satisfaction scales were tested and found to be acceptable for the five scales and the value of Cronbach's alpha was .777 as shown on table 3 and that were greater than 0.7, and this revealing satisfactory reliability as all items are developed based on theories and literature.

### 4.3 Descriptive Statistics

#### 4.3.1 Characteristics of Employees

Demographic statistics are provided here under in table 4.5. When we see the sex composition, 3 (3%) were female, and male were 97(97%) from the total 100 respondents. Hence, the majority of the respondents were male for sample employees.

**Table 5 Number of Employees by Gender**

Descriptive statistics

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	3	3.0	3.0	3.0
Valid Male	97	97.0	97.0	100.0
Total	100	100.0	100.0	

*Source: own survey result, 2019*

The table below illustrates respondent's age proportion in four age category. The majority of Employee are between the Ages of 21-30 (72%) next to this, Employee between 31-40 (24%) and above 41 years(4%) age group and below 21 years (0 %) were the third and the fourth respectively groups of Employee.

**Table 6 Employees Age Category**

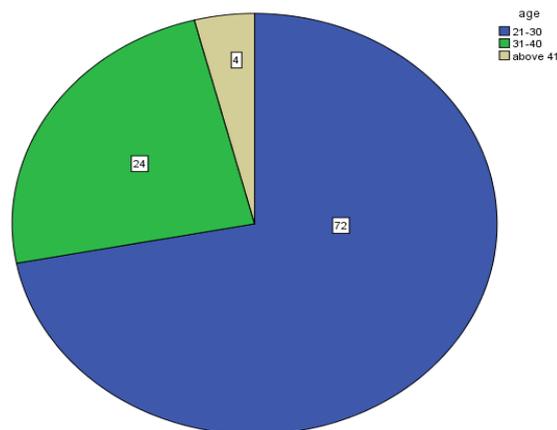
Descriptive statistics

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 21-30	72	72.0	72.0	72.0
31-40	24	24.0	24.0	96.0
above 41	4	4.0	4.0	100.0
Total	100	100.0	100.0	

*Source: own survey result, 2019*

From the total respondents most of the employees are in the youngest age group and are new blooded for the universities.

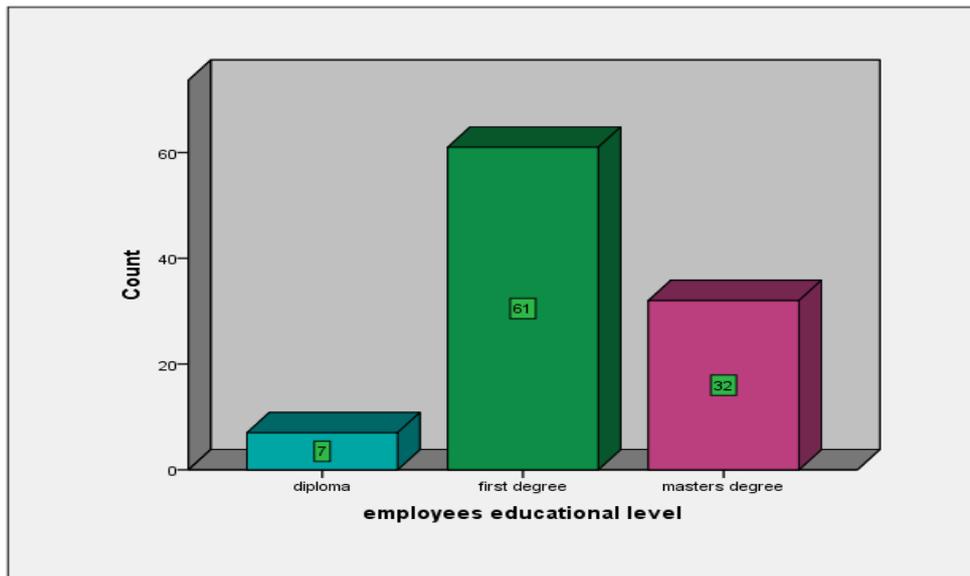
**Figure4. 1 Age of Respondents -employees**



*Source: Own surveyresult,2019*

The bar chart in figure 4.2 shows the employees educational level in four categories. When we see the education level of employees the majority of the employees about 61(61%) are first degree holders, 32(32%) have masters degree, 7(7%) are diploma holders. This shows that the Universities have well educated employees that are crucial to implement different marketing strategies to achievement of organizational goals.

**Figure 4. 2 Employees Educational Level**



*Source: own survey result, 2019*

When we see employees years of tenancy in universities, 46 employees have work experience from 2-5 years, 12 employees have experience below 2 years, 30 employees from 6-10 years work experience and only 12 employees reports having work experience more than 10 years. Employees who have less than 5 years working experience accounts for 58% of the total respondents and this shows that the Universities has to do more on internal marketing programs to increase their competency and making them loyal to the universities.

**Table 7 Employees Years of Experience**

Descriptive statistics

	Frequency	Percent	Valid Percent	Cumulative Percent
below 2 years	12	12.0	12.0	12.0
from 2-5 years	46	46.0	46.0	58.0
Valid from 6-10 years	30	30.0	30.0	88.0
above 10 years	12	12.0	12.0	100.0
Total	100	100.0	100.0	

*Source: own survey result, 2019*

### 4.3.2 Characteristics of Customers

When we look at customer respondents sex, 68 (40.7%) were female and male were 99(59.3%). Thus, the majority of the respondents are male for customers. This result shows that males are more using university services in most of the sample universities.

**Table 8 Customers by Gender**

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	68	40.7	40.7	40.7
Valid Male	99	59.3	59.3	100.0
Total	167	100.0	100.0	

*Source: own survey result, 2019*

The table in 4.9 shows respondents age proportion in 4 categories. From the total customers respondents 114(68.3%) were in the age from 21-30 and the reset from 31-40(22.2%), above 41 years (2.4%) and below 20(7.2%) in their proportion respectively. From the result we can infer that majority of the customers, 75.5% are below the age of 30 and this show that younger generation prefers the universities.

**Table 9 Age of Customers**

Descriptive statistics

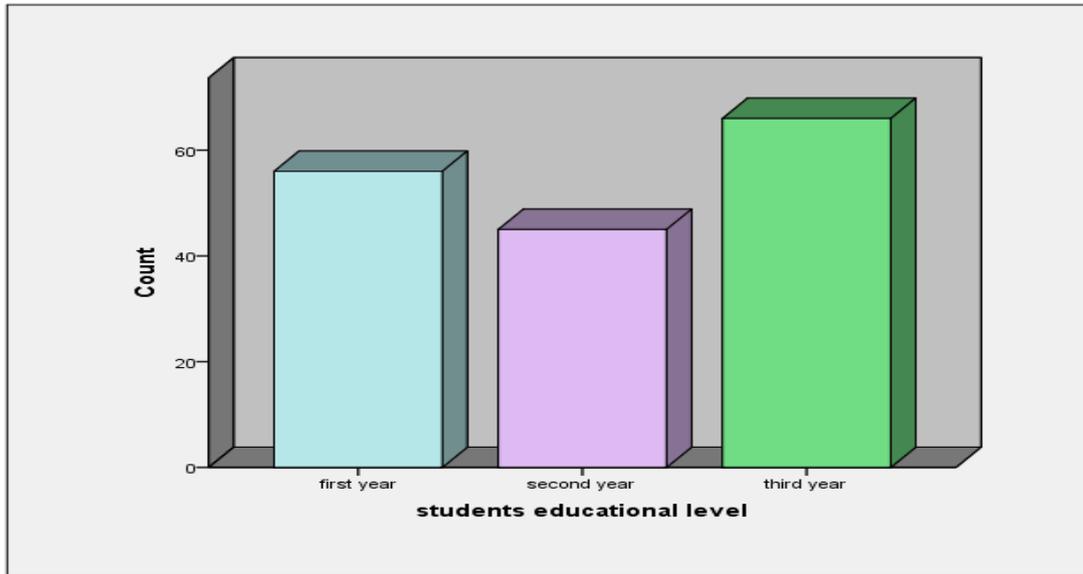
	Frequency	Percent	Valid Percent	Cumulative Percent
below 20	12	7.2	7.2	7.2
20-30	114	68.3	68.3	75.4
Valid 31-40	37	22.2	22.2	97.6
above 41	4	2.4	2.4	100.0
Total	167	100.0	100.0	

*Source: own survey result, 2019*

The bar chart in figure 4.3 shows the customers educational level in four categories and majority of them third year students 66(39.5%),the second highest is 56(33.5%), are first year students the third group which accounts 45(27%)are second year university students. This result shows that most of the customers are above second year and this can force the

university to introduce different technology related products to increase their level of satisfaction.

**Figure 4.3 Customer Educational Level**



*Source: own survey result, 2019*

#### **4.4 Descriptive Analysis of the Variables**

##### **4.4.1 Internal Marketing Dimensions:**

The mean scores have been computed for all the six internal marketing constructs that are , empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing and promotional activities by equally weighting the mean scores of all the items under each dimension.

Likert scale was used to measure the importance level of factors affecting practices of internal marketing. The higher the score, the more the variable are practiced. Five point scales were used to measure the importance of factors in such a way that mean score could be calculated to determine the importance of factors in the IM practice. With five point scales, the intervals for breaking the range in measuring each variable are calculated as follows: (Kidane, 2012; as cited by Mengistu, 2017)

Max.-Min. divided to total number of options  **$5-1/5 = 0.8$**

Therefore, in the difference of 0.8 the mean value categorized from the lowest up to the highest score. It means that the scores falling between the following ranges can be considered as: The score between 1.00-1.80 mean lowest practiced (Lowest)

The score between 1.81-2.61 mean low practiced (Low)

The score between 2.62-3.41 mean averages practiced (Average or Medium)

The score between 3.42-4.21 mean well practiced (High)

The score between 4.22-5.00 mean very well practiced (Highest)

The following Table 4.10 indicates that employees of sample Private universities perceived Empathy and Consideration, Job Quality and Reward, Upward communication, Value and Information Sharing, and Promotional Activities are in highly practiced. Benchmarking is the only variable in the averagely practiced.

**Table 10** Descriptive Statistics of IM Variables

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Empathy and Consideration	100	1	5	3.45	.930
Benchmarking	100	1	5	3.11	.809
Job Quality and Reward	100	1	5	3.59	1.058
Upward Communication	100	1	5	3.60	.733
Value and Information Sharing	100	1	5	3.47	.732
Promotional activities	100	1	5	3.64	.824
Valid N (list wise)	100				

*Source: own survey result, 2019*

Empathy and consideration is further divided into five attributes. The mean scores have been computed for all the five attributes of empathy and consideration. The result is presented in Table 4.11. The mean scores of empathy and consideration for all the five attributes range from 3.20, my direct supervisor tries to understand what his/her subordinates think about the way she/he leads to 3.12 effort of the supervisor to know employees faces problems. Overall, empathy and consideration has a mean score of 3.45 which was high. This shows that the private universities is more emphatic and considers its employees as its main asset to achievement of its objectives.

**Table 11 Descriptive Statistics of Empathy and Consideration**

Descriptive statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
My direct supervisor always discusses our future career development in this company with us	100	2	4	3.80	.752
My direct supervisor tries to understand what his/her subordinates think about the way she/he leads	100	1	5	3.20	1.005
My direct supervisor often pays attention to the family life of his/her subordinates	100	1	5	3.40	.999
My direct supervisor makes effort to become fully familiar with his/her subordinates work performance	100	2	5	3.20	.775
My direct supervisor makes voluntary effort to know whether we encounter problems at work	100	2	5	3.60	1.154

**Source: own survey result, 2019**

Benchmarking of competitions benefits packages is further divided into two attributes. The mean scores have been computed for the two attributes. As it can be seen from Table 4.12, investigation and collection of information on fringe benefits provided by other Private universities mean score was 3.12 that is high and benchmarking of other universities salary mean score was 3.10 and that is high. The overall mean for benchmarking is 3.11, which was above average.

**Table 12 Descriptive Statistics of Benchmarking**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
Our University regularly investigates and collects information on what salaries are provided by other Universities in the industry	100	1	4	3.10	.744
Our university regularly investigates and collects information on what fringe benefits are provided by other universities in the industry.	100	2	4	3.12	.633
Valid N (listwise)	100				

**Source: own survey result, 2019**

Table 4.13 shows the mean and standard deviation of six job quality and reward attributes. As we can see in the table the highest mean score was for my university tries to make work content interesting M=3.69 and least score is for opportunities for promotion by the universities with a mean score of 3.00. Fringe benefits offered by the university and kindness of the university to its employees have mean score of 3.25 and 3.31 respectively. The overall mean for job quality and reward is 3.60, which was above average.

**Table 13 Descriptive Statistics of Job Quality and Reward**

Descriptive Statistics					
	N	\Minimum	Maximum	Mean	Std. Deviation
My university tries to make work content interesting	100	2	5	3.69	.787
My University offers good fringe benefits	100	2	4	3.20	.752
My University offers many opportunities for promotion	100	1	5	3.00	1.005
My university respects its employees	100	1	5	3.25	.999
My university is kind to its employees	100	2	5	3.31	.775
My University tries its best to give us a comfortable work environment.	100	2	5	3.41	.922
Valid N (listwise)	100				

*Source: own survey result, 2019*

Upward communication is further divided into three attributes. The mean scores have been computed for the three attributes. As it can be seen from Table 4.14, My University provides us with good official channel of appeal got the highest mean score of 3.72. Expressing of any thought on company's action or work and sufficient channel of vertical communication scored mean of 3.48 and 3.60 respectively. The overall mean for upward communication is 3.60, which was high.

**Table 14 Descriptive Statistics of Upward Communication**

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
we can always express our thoughts officially to our university president via email or a suggestion box	100	1	5	3.48	.785
My University provides us with good official channel of appeal	100	2	5	3.72	.723
My university has sufficient channel of vertical communication	100	2	5	3.60	.584
Valid N (listwise)	100				

*Source: own survey result, 2019*

Similarly, value and information sharing is further divided into six items. As it is shown in Table 4.15, educational training and understanding on our universities polices and activities through participating in formal meetings at campus and corporate level were the lowest rated dimension relative to others with a mean score of 3.62 and 3.64 , with the standard deviation of .723 and .726 respectively. Use educational training to express to us its corporate values and goals and University often announces new policies and procedures to us by means of workshop/meeting was perceived both as the Highest by respondents with a mean score of 3.70. The overall mean for value and information sharing was 3.47, which scored high perception.

**Table 15 Descriptive Statistics of Value and Information Sharing**

<b>Descriptive Statistics</b>					
	N	Minimum	Maximum	Mean	Std. Deviation
My university Dean often utilizes campus meetings to deliver us work related corporate polices/procedures.	100	2	5	3.00	.798
We often can gain understanding on our university polices and activities through participating in formal meetings at Campus and Corporate level.	100	1	5	3.40	.784
My University often announces new policies and procedures to us by means of workshop/meeting	100	2	5	3.67	.726
My University often uses educational training to express to us its corporate values and goals.	100	2	5	3.70	.723
My University uses regular meetings that honor high performance employees to send out message to us.	100	3	5	3.62	.562
My campus often holds contests among employees and recognize best performer to improve performance.	100	2	5	3.64	.798
Valid N (listwise)	100				

*Source: own survey result, 2019*

Furthermore, four items was included under promotional activities as it is shown in Table 4.16. The mean scores of promotional activities for the four items range from 3.60 (for the item: My university often supports employees in their informal organization such as social, cultural in attempt to raise all employees" commitment to the company) to 3.29 (for the item: My University often holds organizations-wide events to increase chances of interactions between its employees). The overall mean for promotional activities is 3.64, which was high.

**Table 16 Descriptive Statistics of Promotional Activities**

	N	Minimum	Maximum	Mean	Std. Deviation
My direct supervisor always gives us a feeling that we should work our best for him/her	100	2	4	3.60	.752
My university often supports employees in their informal organization such as social, cultural in attempt to raise all employees' commitment to the company.	100	1	5	3.60	1.005
My University often tries to raise our commitment to this organization through varies activities such as live video links and company events.	100	1	5	3.60	.976
My University often holds organizations-wide events to increase chances of interactions between its employees.	100	2	5	3.80	.756
Valid N (listwise)	100				

*Source: own survey result, 2019*

## 4.5 Inferential statistics

### 4.5.1 Correlation Analysis

Among the statistical tools employed in this study one is correlation analysis. Correlation analysis investigates the strength and direction of relationship of the variables under the spotlight. Pearson correlation was used to provide evidence of convergent validity. The Pearson correlation coefficient measures the degree of linear association between two variables. It varies between  $-1.00$  and  $+1.00$ , with  $0$  representing absolutely no association between two variables, and  $-1.00$  or  $+1.00$  representing a perfect link between two variables. The higher the correlation coefficient is the stronger the level of association (Hair, Jr., Robert P. Bush, & David J. Ortinau, 2003). According to Gupta (1999) take as a guide line, correlation coefficient ( $r$ ),  $0.1-0.29$  is low,  $0.3-0.49$  is medium and  $r > 0.5$  show high relationship.

Table 4.17 shows that the independent variables are significantly and positively correlated with Customer satisfaction. The most correlated dimensions were job quality and reward ( $r=.650$ ) followed by Benchmarking ( $r=.404$ ), Upward Communication ( $r=.328$ ), Promotional Activities( $r=.185$ ), value and information sharing( $r=.111$ ) and finally empathy and consideration ( $r=.014$ ).

**Table 17 Correlation Analysis between Internal Marketing Dimensions and Customer Satisfaction**

		<b>Correlations</b>						
		<b>EMPCO</b>	<b>BENC</b>	<b>JQR</b>	<b>UC</b>	<b>VIS</b>	<b>PA</b>	<b>CS</b>
<b>EMPC</b>	Pearson Correlation	<b>1</b>	<b>.447**</b>	<b>.258**</b>	<b>.393**</b>	<b>.241*</b>	<b>.306**</b>	<b>.014</b>
	Sig. (2-tailed)		.000	.009	.000	.016	.002	.889
	N	100	100	100	100	100	100	100
<b>BENC</b>	Pearson Correlation	<b>.447**</b>	<b>1</b>	<b>.331**</b>	<b>.315**</b>	<b>.171</b>	<b>.159</b>	<b>.404**</b>
	Sig. (2-tailed)	.000		.001	.001	.089	.114	.000
	N	100	100	100	100	100	100	100
<b>JQR</b>	Pearson Correlation	<b>.258**</b>	<b>.331**</b>	<b>1</b>	<b>.261**</b>	<b>.382**</b>	<b>.095</b>	<b>.650**</b>
	Sig. (2-tailed)	.009	.001		.009	.000	.347	.000
	N	100	100	100	100	100	100	100
<b>UC</b>	Pearson Correlation	<b>.393**</b>	<b>.315**</b>	<b>.261**</b>	<b>1</b>	<b>.359**</b>	<b>.138</b>	<b>.328**</b>
	Sig. (2-tailed)	.000	.001	.009		.000	.170	.001
	N	100	100	100	100	100	100	100
<b>VIS</b>	Pearson Correlation	<b>.241*</b>	<b>.171</b>	<b>.382**</b>	<b>.359**</b>	<b>1</b>	<b>.251*</b>	<b>.111</b>
	Sig. (2-tailed)	.016	.089	.000	.000		.012	.273
	N	100	100	100	100	100	100	100
<b>PA</b>	Pearson Correlation	<b>.306**</b>	<b>.159</b>	<b>.095</b>	<b>.138</b>	<b>.251*</b>	<b>1</b>	<b>.185</b>
	Sig. (2-tailed)	.002	.114	.347	.170	.012		.066
	N	100	100	100	100	100	100	100
<b>CS</b>	Pearson Correlation	<b>.014</b>	<b>.404**</b>	<b>.650**</b>	<b>.328**</b>	<b>.111</b>	<b>.185</b>	<b>1</b>
	Sig. (2-tailed)	.889	.000	.000	.001	.273	.066	
	N	100	100	100	100	100	100	167

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

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

**Source: own survey result, 2019**

The correlation among the six IM dimensions has shown statistically significant relationship in the above table. The highest correlation coefficient has been between Benchmarking and empathy and Consideration ( $r=.447$ ) showing a strong relationship between them. The second highest was between Upward Communication and Empathy and Consideration ( $r=0.393$ ). In the third place correlation between Job Quality and Reward with Value and Information sharing ( $r=.382$ ) followed by the relationship between Value and Information Sharing with

Upward Communication ( $r=.359$ ). Even though the least correlation is between Promotional Activity and Job Quality and Reward ( $r=.095$ ) it still shows positive and significant relation between them.

#### **4.5.2 Regression Analysis**

Regression is a technique used to predict the value of a dependent variable using one or more independent variables (Albaum, 1997). Malhotra (2007) showed that regression analysis is a statistical tool for the investigation of relationships between variables. In order to ascertain the causal influence of one variable upon another, researchers assemble data on the underlying variables of the causal variables upon the variable that they influence. Researchers typically evaluate the “statistical significance” of the estimated relationships, namely, the degree of confidence that the true relationship is close to the estimated relationship Malhotra (2007).

##### **4.5.2.1 Assumption Testing for Regression Analysis**

Meeting the assumptions of regression analysis is necessary to confirm that the obtained data truly represented the sample and that researcher has obtained the best results (Hair et al., 1998). Two assumptions for regression analysis used in this study will be discussed for the individual variables: multi-collinearity and linearity (Hair et al., 1998). In the following paragraphs, each assumption is explained.

#### **Multi-collinearity**

Field (2005) explains that economic variables may move together in systematic ways when the data are the result of an uncontrolled experiment. Such variables are believed to have problems with collinearity or multi-collinearity when several variables are involved (Hill et al., 2003). Generally, as multi-collinearity rises, it will complicate the interpretation of the variables because it is more difficult to confirm the effect of any single variable, owing to their interrelationship (Hair et al., 1996). According to (Hill et al., 2003), multi-collinearity is not a violation of the assumptions of regression but it may cause serious difficulties.

There are a few guidelines that can be applied for multi-collinearity, if the largest Variance Inflation Factor (VIF) is greater than 10 then there is cause for concern (Bowerman & O’Connell, 1990). Accordingly, the VIF value on the coefficient table 4.19 for the six dimension was less than 10 for most dimensions and this confirms that collinearity is not a problem for this model.

**Table 18 Collinearity Statistics Result**

**Coefficients<sup>a</sup>**

Model	Collinearity Statistics		
	Tolerance	VIF	
1	Empathy and Consideration	.679	1.473
	Benchmarking	.735	1.361
	Job Quality and Reward	.773	1.294
	Upward Communication	.750	1.333
	Value and Information	.746	1.341
	Sharing		
	Promotional activities	.869	1.151

a. Dependent Variable: Customer Satisfaction

**Collinearity Diagnostics<sup>a</sup>**

Model	Eigen value	Condition Index	Variance Proportions						
			(Constant)	Empathy and Consideration	Benchmarking	Job Quality and Reward	Upward Communication	Value and Information Sharing	Promotional activities
1	6.782	1.000	.00	.00	.00	.00	.00	.00	.00
	.063	10.381	.00	.04	.00	.67	.00	.00	.17
	.050	11.672	.01	.18	.33	.02	.00	.10	.16
	.036	13.654	.01	.01	.02	.17	.33	.09	.40
	.032	14.626	.03	.68	.52	.05	.00	.00	.01
	.022	17.665	.01	.06	.05	.10	.47	.70	.09
	.016	20.866	.94	.03	.07	.00	.20	.10	.17

a. Dependent Variable: Customer Satisfaction

**Source: own survey result, 2019**

### Normality Test

Normality test is used to determine whether sample data has been drawn from a normally distributed population or the population from which the data came is normally distributed. Normality was checked by two terms by kurtosis and skewness by using SPSS so there exists normal values for kurtosis as well as skewness. For kurtosis the normal value is less than 3

whereas for skewness the normal value is supposed to be less than 6(Asghar and Saleh, 2012).

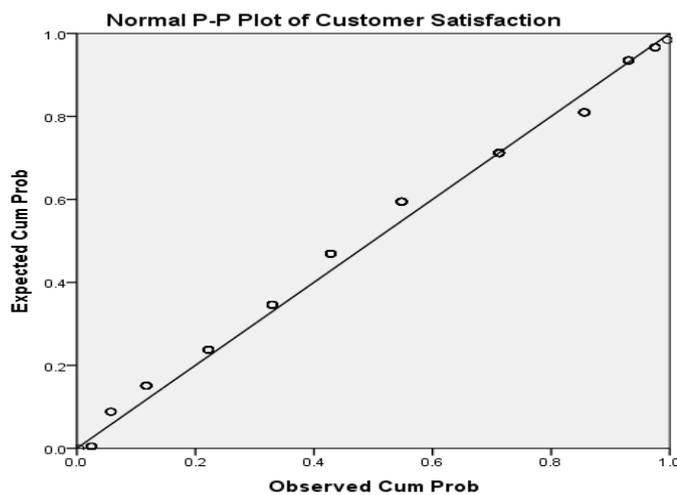
**Table 19 Normality Statistics Result**

Descriptive Statistics							
	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Empathy and Consideration	100	3.45	.877	-.624	.241	.900	.478
Benchmarking	100	3.11	.770	.707	.241	1.453	.478
Job Quality and Reward	100	3.59	1.058	-.834	.241	.516	.478
Upward Communication	100	3.60	.733	-.734	.241	2.747	.478
Value and Information Sharing	100	3.47	.711	-.559	.241	1.625	.478
Promotional activities	100	3.64	.847	.082	.241	-.036	.478
Customer Satisfaction	167	3.65	.628	-.767	.188	1.869	.374
Valid N (listwise)	100						

*Source: own survey result, 2019*

To test the assumption of normality, a Normal P-Plot of Regression Standardized Residuals was conducted for the six variables. The points lied in reasonably straight lines, therefore, the assumption of normality was found tenable.

**Figure 4.4 Normal p-plot of Regression Standardized Residuals**



*Source: own survey result, 2019*

#### 4.5.2.2 The multiple regression analysis result of this study

The SPSS output after running regression between the dependent and independent variable the model summary result is shown in Table 4.20 below. The model was analyzed by using all the six IM predictors of external customer satisfaction. This table tells whether the model is successful in predicting the dependent variable using the predictors (Andy, 2009). As per Field (2009), the table shows a value of R<sup>2</sup>, which we already know is a measure of how much of the variability in the outcome is accounted for by the predictors.

Accordingly, the adjusted R Square value was .622 and this implied that IM dimensions (predictors) accounts for 62.2% of the variation in customer satisfaction which is significant.

As a rule of thumb for Durbin Watson result, statistic that informs about whether the assumption of independent errors is tenable, a conservative rule values less than 1 or greater than 3 should definitely raise alarm bells (Field, 2009). For this model the Durbin Watson on the last column shown on table 4.19 was 1.980, which is within the acceptable suggested range and therefore the models is fit. Therefore, the model is appropriate in predicting customer satisfaction.

**Table 20 Regression model Summary**

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.803 <sup>a</sup>	.645	.622	.433	1.980

*Source: own survey result, 2019*

The analysis of variance (ANOVA) result as shown on Table 4.20 shows the F value that is calculated by dividing the average improvement in prediction of the model by the average difference between the model and the observed data. ANOVA is used here because ANOVA is just a special case of regression (Field, 2009, P 349) If the improvement due to fitting the regression model is much greater than the inaccuracy within the model then the value of F will be greater than 1 (Field, 2009). The F value on the table below shows 28.149 which highly significant.

Table 21 ANOVA of Customer Satisfaction

ANOVA <sup>a</sup>						
Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	31.625	6	5.271	28.149	.000 <sup>b</sup>
	Residual	17.414	93	.187		
	Total	49.038	99			

a. Dependent Variable: Customer Satisfaction

b. Predictors: (Constant), Promotional activities, Upward Communication, Job Quality and Reward, Benchmarking, Empathy and Consideration, Value and Information Sharing

*Source: Own survey result, 2019*

**Hypothesis one: Internal Marketing has a positive effect on external customers' satisfaction.**

From the regression result on the table 4.17, we can see that all the IM dimensions is positively correlated with customer satisfaction and in the previous analysis of the model fitness adjusted R square result it was indicated that 62.2% variation in external customers' satisfaction can be explained by the six IM dimensions (empathy and consideration, benchmarking of benefit packages, job quality and reward, value and information sharing, upward communication, and promotional activity).

*Therefore, there is significant effect of internal marketing programs on external customers' satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is accepted.*

**Hypothesis two: Empathy and Consideration towards employees has a positive effect on external customers satisfaction**

On Table 4.22 the regression result under first parts of the table gives us estimates for these beta values and these values indicate the individual contribution of each predictor to the model. The b-values tell us about the relationship between empathy and consideration on external customers' satisfaction. If the value is positive there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship (Andy,2009).The b-value for empathy and consideration is -.323 at 95% confidence interval ( $P < 0.05$ ) and this shows negative relationship.

*Therefore, there is negative effect of empathy and consideration on external customers' satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is rejected.*

**Table 22 Coefficient Result of Multiple Regressions**

Model	Coefficients <sup>a</sup>									
	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
(Constant)	1.543	.308		5.008	.000					
Empathy and Consideration	-.323	.060	-.403	-5.369	.000	.014	-.486	-.332	.679	1.473
Benchmarking	.259	.066	.283	3.928	.000	.404	.377	.243	.735	1.361
Job Quality and Reward	.439	.047	.661	9.400	.000	.650	.698	.581	.773	1.294
Upward Communication	.272	.069	.284	3.976	.000	.328	.381	.246	.750	1.333
Value and Information Sharing	-.249	.071	-.251	-3.510	.001	.111	-.342	-.217	.746	1.341
Promotional activities	.186	.055	.224	3.379	.001	.185	.331	.209	.869	1.151

a. Dependent Variable: Customer Satisfaction

**Hypothesis three: Benchmarking of competitors benefit package has a positive effect on external customers’ satisfaction**

To test the effects of the variable of Benchmarking of benefit packages on the variable of level of external customer satisfaction, simple regression analysis was used.

Table 4.22 presents the regression results of benchmarking of benefit package and customer satisfaction. The b-value for benchmarking was .259 at 95% confidence interval ( $P < 0.05$ ) and this shows positive relationship.

*Therefore, there is positive effect of benchmarking of benefit packages on external customers satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is accepted.*

**Hypothesis four: Job quality and reward has a positive effect on external customers’ satisfaction**

To test the effects of the variable of job quality and reward on the variable of level of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression

results of job quality and reward and customer satisfaction. The b-value for job quality and reward was .439 at 95% confidence interval ( $P < 0.05$ ) and this shows positive relationship.

*Therefore, there is positive effect of job quality and reward on external customers' satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is accepted.*

**Hypothesis five: Upward communication has a positive effect on external customers' satisfaction**

Similarly to test the effects of the variable of upward communication on the level of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression results of upward communication and customer satisfaction. The beta value for upward communication was .272 at 95% confidence interval ( $P < 0.05$ ) and this shows positive relationship.

*Therefore, there is positive effect of upward communication on external customers' satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is accepted.*

**Hypothesis six: Value and information sharing has a positive effect on external customers' satisfaction.**

To test the effects of the variable of value and information sharing on the variable of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression results of value and information sharing and customer satisfaction. The beta value for value and information sharing was -.249 at 95% confidence interval ( $P < 0.05$ ) and this shows negative relationship.

*Therefore, there is negative effect of value and information sharing on external customers' satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is rejected.*

**Hypothesis seven: Promotional activities have a positive effect on external customers' satisfaction.**

Again to test the effects of the variable of promotional activities on the variable of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression result of promotional activities and customer satisfaction. The beta value for benchmarking was .186 at 95% confidence interval ( $P < 0.05$ ) and this shows significant positive relationship.

*Therefore, there is positive effect of promotional activities on external customers' satisfaction at level ( $\alpha \leq 0.05$ ) and the hypothesis is accepted.*

Based on the initial multiple regression analysis, four hypotheses were accepted. An objective of the study was to determine which elements of IM predicted customer satisfaction as per research question #2. Once it was found that four predictors, namely promotional activities, benchmarking of benefit package, upward communication and job quality and reward were identified as having a significant prediction on the outcome customer satisfaction.

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

This last chapter provides a discussion of the summary of the findings; overall conclusion reached from conducting the research and includes suggested implications for theory in this area of study and for marketing practitioners. Recommendations for future results and identified limitations of the research and future study close the chapter.

#### **5.1 Summary of major findings**

Based on the data analysis the major findings are summarized as follows

- ❖ From data analysis the Cronbach's Alpha of this study for internal marketing scales was ranging from .746-.893 and for customer satisfaction scale is .777 which shows that there is internal consistency among the variables.
- ❖ A total of 316 questionnaires were distributed but 267 questioners were filled and returned. The year of experience for employees respondents have in the universities was categorized in to four. Respondents experience which have less than two year, are 12% respondents, from 2-5 years 46% respondents, from 6-10 years 30% respondents and more than 10 years are 12% . Most of the respondents 58% has less than five years of experience in the universities.
- ❖ The academic qualification of the employees respondents were classified in to four. That is, diploma, BA degree, masters degree, and above masters degree. Most of respondents are BA degree holder 61%, master's degree 32%, and only 7% employee is holder of college diploma.
- ❖ The employee's respondent's age were also categorized into four. Most of the respondents 72% fall under the age category of 21-30, 24% respondents fall under the age category of 31-40, 4% respondents are more than the ages of 41.
- ❖ The academic qualification of customers was classified in to four. Most of respondents are third year students 39.5%, first year students 33.5%, 27% are second year students.
- ❖ The customer's age were also categorized into four. Most of the respondents 68.3% fall under the age category of 21-30, 22.2% respondents fall under the age category of 31-40, 7.2% respondents are less than 20 years and 2.4% respondents are more than the ages of 41.

- ❖ The computed grand mean scores of IM variables-empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing, promotional activities were 3.45, 3.11, 3.59, 3.60, 3.47 and 3.64 respectively.
- ❖ The correlation result shows that independent variables are significantly and positively correlated with Customer satisfaction. The most correlated dimensions were job quality and reward ( $r=.650$ ) followed by Benchmarking ( $r=.404$ ), Upward Communication ( $r=.328$ ), promotional activities ( $r=.185$ ), value and information sharing( $r=.111$ ) and finally empathy and consideration ( $r=.014$ ).
- ❖ The correlation among the six IM dimensions has shown statistically significant relationship in the above table. The highest correlation coefficient has been between Benchmarking and Empathy & Consideration ( $r=.447$ ) showing a strong relationship between them. The second highest was between Upward Communication with Empathy and Consideration ( $r=0.393$ ). In the third place correlation between Job Quality and Reward and Value & Information Sharing ( $r=.382$ ) followed by the relationship between Value & Information Sharing with Upward Communication ( $r=.359$ ). Even though the least correlation is between Promotional Activities and Job Quality & Reward( $r=.095$ ) it is still shows positive and significant relation between them.
- ❖ The result of regression analysis showed that the adjusted R Square value was .622 and this implied that IM dimensions (predictors) accounts for sixty two point two percent of the variation in customer satisfaction which is significant and thirty seven point eight percent are other extraneous variables that can affect marketing performance.. The IM variables- empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing, promotional activities beta value of -.323, .259, .439, .272, -.249 and .186 respectively. As a result only benchmarking, job quality and reward, and promotional activities positive contribution towards customer satisfaction.
- ❖ Based on the data analysis the entire hypotheses made were tested. From the regression result; internal marketing programs have a positive effect on customer's satisfaction. The hypothesis on the positive impact of benchmarking, job quality and reward, upward communication and promotional activities on customer satisfaction is accepted. The hypothesis on the positive impact of value and information sharing and empathy and consideration on customer satisfaction is rejected as per the regression result.

## 5.2 Conclusion of the study

The primary objective of this study was assessing the effect of internal marketing on customer satisfaction in the context of private Universities in bishoftu area. Accordingly, six internal marketing dimensions (empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing, promotional activities) were hypothesized to assess the effect on customer's satisfaction. The descriptive statistics shows that all the IM variables scored a cumulative mean score from three point one to three point six as measured using a five point likert type scale. This implies that the variables are important in determining customer satisfaction.

With regard to this paper, correlation statistics is undergone to check whether there is significant relationship between internal marketing dimensions and customer satisfaction. The result then assured that there is significant association existed between IM dimensions and customer satisfaction. The independent variables are also interrelated to each other and the strongest relation is between value and information sharing and promotional activities.

To investigate whether the independent variable determine customer satisfaction, regression was carried out. It revealed that job quality and reward, upward communication, promotional activities and benchmarking of benefits packages are the significant dimensions that determine customer satisfaction. This variable explained sixty two point two percent the variation in customer satisfaction.

The second objective was to investigate which IM variable significantly affects customer satisfaction. From the multiple regression analysis, we came to conclude that job quality and reward, upward communication, promotional activities and benchmarking of benefits packages variables have significant and positive effect on customer satisfaction. IM variables, empathy and consideration, value and information sharing have negative effect on customers' satisfaction.

The third objective was to examine the relationship between identified IM variables and customer satisfaction. Accordingly, it was concluded from the regression result that:

- Empathy and consideration with beta value of  $-.323$  have negative effect on the customer satisfaction and external customer satisfaction.
- Benchmarking of competitors benefit package with beta value of  $.259$  have positive contribution on customer satisfaction
- Job quality and reward which have the highest beta value of  $.439$  have the strongest positive effect on customer satisfaction when comparing with other variables.

- Upward communication has positive relationship with customer satisfaction with beta value of .272.
- Value and information sharing also have negative relationship with customer satisfaction as it was revealed a negative beta value of -.249 and,
- Positive relationship exists between promotional activities and customer satisfaction with beta value of .186.

In general, the findings of the study provided insight into IM practice in private universities. It provides information to service marketers who intend to introduce IM program in their organizations. The results of the study also serve to improve marketing activities, allowing managers to focus on the IM elements of job quality and reward, promotional activities and benchmarking of benefit packages and upward communication in order to achieve the maximum impact on customers satisfaction.

### **5.3 Relating the Findings with Literature**

Many researches on internal marketing were done related to its effect on employee satisfaction that will have a direct impact on customer satisfaction. This result is the same as Aboroub A., Hershe A., Abduan K. (2011), Wabung L.(2015) , Yomiyu(2014) and Mengistu S.(2017).

The concept of Upward Communication & job quality and reward which significant in this study in predicting customer satisfaction is in line with previous work of Wambung (2015), Yomiyu (2014) and Mengistu s.(2017). Promotional activities and benchmarking of benefit package in the previous works of Jou, et al (2008).

### **5.4 Recommendation**

As drawn in the conclusion the internal marketing variables have positive contribution towards customer satisfaction which is one of the basic values all the service providing companies including universities strives to achieve. Accordingly, the under listed recommendations are proposed for practice to the management of private universities at different level:

- They should investigate and collect information on the internal marketing program of their university and others, identify problems, areas of dissatisfaction and employees needs and then proactively and evaluating expectations of employees and customers, respond to area of problems by benchmarking of best practices universities within the same industry.

- They should create Conducive environment for implementation of internal marketing programs like clear structure, offering many opportunities for promotion, be kind and respect employees, good reward and fringe benefits, continuous training programs, proper feedback mechanisms and performance management system shall be well organized across the university.
- They should have the best and open information sharing mechanisms to accept and transfer any thoughts or messages from the employee's side and the top management about the universities action or works. They should also provide a good official channel of appeal and sufficient channel of vertical communication.
- Management must consider the organization as its first market, and depend on the marketing tools along with the human resources practices to identify and satisfy the needs of its internal customers. Management must also participate in employees informal organizations and hold organization wide events to increase interaction between the employees and raise all employees' commitment to the university that help the university to increase the external customer satisfaction.

## **5.5 Future Researches and Limitations**

The study dimension selected for internal marketing was limited to Empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing and promotional activities even if these was selected after reviewing the most quoted ones, in order to fully examine internal marketing additional dimensions should be included to investigate its effect.

The study also limited to cover all private universities and there campus out of Bishoftu area however effect of internal marketing on customer satisfaction should be investigated throughout the private universities.

The other limitation of this research paper was the data collection instrument in this research the instrument was the questionnaire that has its own limitations. Among such limitations we can refer to the following points: employees unfamiliarity with the internal marketing and confusing it with the external marketing and the need for explaining the difference between these two approaches, lack of cooperation among some employees and customers, lack of precision in answering the questions and consequently, removing some questionnaire in the process of data analysis effect of internal marketing on customer satisfaction was directly examined.

The study was made on Private Universities in bishoftu area and other university practice and other service industries are not considered so it is recommended that the study could be done on Government universities and other service industries by increasing its scope.

## List of Reference

- Abdemoti & Kalil, 2010, *International Journal of Marketing Studies* Vol. 3, No. 2; May 2011, 107-118
- Abiodun, E.J.A.(1999).*Human Resources management, an overview*, Concept Publication Shomolu Lagos.
- Adeniyi, O.I. (1995) “Staff training and development” in Ejiogu, A; Achumba, I. Asika (eds). 32 (3), 17-28.
- Abzari, M.; Ghorbani, H. and Madani, F.(2011).The effect of internal marketing on organizational commitment from market-orientation viewpoint in hotel industry in Iran. *International Journal of Marketing Studies* Vol. 3, No.1, pp. 147- 155.
- Ahmed, P.,& Rafiq, M. (2003).Internal marketing issues and challenges. *European Journal of Marketing*, 37(9), 1177-1186
- Ahmed, P.K. , Rafiq, M. and Saad, N.M. (2003). “Internal marketing and the mediating role of organizational competencies”, *European Journal of Marketing*, Vol. 37 No. 9, pp. 1221-41
- Albaum, G. (1997). The Likert Scale Revisited- An Alternative Version.*Journal of the Market Research Society*. 39(2), 331-348.
- Alek and Paraskevas (2001) “Internal Service encounter in hotels: an empirical study” *international journal of contemporary hospitality management* vol.13 issue6 pp 285-292
- Bansal, H., Mendelson, M.,& Sharma, B. (2001).The Impact of Internal Marketing Activities on External Marketing Outcomes. *Journal of Quality Management*, 6(1), 61-76. doi:10.1016/s1084-8568(01)00029-3
- Berry, L. (1981). “The Employee as Customer”, *Journal of Retail Banking*, Vol. 3, pp. 25-28.
- Berry, L. (1981). “The Employee as Customers”, *Journal of Retail Banking*, 3 (7), 25-80.
- Berry, L. (1994). “The Employee as Customers”, *Journal of Retail Banking*, 3 (7), 25-80.
- Berry, L. L. (1980). “Services Marketing is Different”, *Business*, May- June, pp.24-30
- Berry, L.L. and Parasuraman, A. (1991).*Marketing services, competing through quality*, The Free Press, New York, NY.
- Bethel, J. (1989).Sample allocation in multivariate surveys *Methodology*.Vol.15, no.1. p. 47-57

- Bhattacheerje, Anol, "Social Science Research: Principles, Methods and Practices (2012) textbooks collection Book 3.
- Bowerman, B. L., & O'Connell, R.T.(1990). Linear statistical models: An applied approach (2nd ed.). Belmont, CA: Duxbury.
- Bryman, A. & Bell, E.(2007). Planning a research project and formulating research questions. In: Business Research Methods. New York Oxford University Press.
- Buttle, F.(1996) .Relationship Marketing theory and practice. London: Chapman.
- Cahill, D. (1995). The managerial implications of the learning organization: A new tool for internal marketing. *Journal of Services Marketing*, 9(4), 43-51.
- Caruana, A., & Calleya, P.(1998).The effect of internal marketing on organizational commitment among retail bank managers. *International Journal of Bank Marketing*, 16 (3), 108 -116
- E.Greene,(1994)"Internal Marketing: The key to external marketing success" *journal of service marketing* vol.8 issue4 pp 5-13
- Field,A(2009),*Discovering statistics using SPSS,3rd edition*, SAGE publication.
- Foreman, S.K., & Money, A.H. (1995), "Internal Marketing: Concepts, Measurement and Application," *Journal of Marketing Management*, 11, 755-768.
- FornellG (1992) "National customer satisfaction barometer the Swedish experience", *journal of marketing* vol.56. pp 6-22.
- Gaur, Ajai S. and Gaur, SanjayaS.(2009). *Statistical Methods for Practice and Research*, 2nd edition; New Delhi: Response Books
- George, G. (2009). "Internal marketing impact on business performance in a retail context" . *International Journal*
- George, W. R. (1990). Internal marketing and organizational behavior: A partnership in developing customer-conscious employees at every level. *Journal of Business Research*, 20(1), 63-70.
- Gilmore, A.2003. *Services Marketing and management*: London: Sage Publications, Ltd.
- Gounaris, S.(2006).“Internal Market Orientation and Its Measurement” *Journal of Business Research*, 59(4), pp 432-448. Doi:10.1016/J.Jbusres.2005.10.003
- Gounaris, S. (2008). Antecedents of Internal Marketing Practice: Some Preliminary Empirical Evidence. *International Journal of Service Industry Management*, 19(3), 400-434.
- Grönroos, C., (1982), *In the Service Sector, Strategic Management and Marketing*. Swedish School of Economics and Business Administration, Helsinki.

- Grönroos, C., 1981. "Internal Marketing: An Integral Part of Marketing Theory in: Donnelly, J.H. and George, W.R. (eds), Marketing of Services: Chicago," American Marketing Association.
- Gupta, V.(1999).SPSS for Beginners Published by VJ Books Inc.
- Hair, J. , Bush R. and Ortinau D. (2003). Marketing Research 1st ed. Boston: Graw-Hill
- Hackett, D. R., Bycio, P., & Hausdorf, P. (1994). Further Assessment of Meyer's and Allen's (1991) Three-Component Model of Organizational Commitment. *Journal Of Applied Psychology*, 79, 15–23.
- Hill, N. and Alexander, J. (2000). *Handbook of Customer Satisfaction And Loyalty Measurement*, Gower Publishing Ltd, England.
- Hogg, C. (1996). Selling your soul, *Human Resources*, 96 (25), 88-90. Hoppock, R.(1935) *Job Satisfaction*. New York: Harper & Row Publishing
- Ioanna (2012), Internal marketing: a means for creating a sales or marketing orientation? The case of UK retail banks, *Journal of marketing communication* 8, 87–100
- Krejcie and Morgan (1970), Determining Sample Size for Research Activities. *Journal of Educational and Psychological Measurement*.Vol.30, pp. 607-610.
- Kotler, P & Keller, K, 2006, "Marketing Management", twelfth edition, Prentice-Hall
- Kotler P.(2008). *Principles of Marketing*. Frenchs Forest, N.S.W.: Pearson Education Australia.
- Kotler P, & Armstrong, G.(2011). *Principles Of Marketing*. Boston: Pearson Prentice Hall.
- Kusluvan.S. (Ed).(2003),*Managing employee attitude and behaviors in tourism and hospitality industry*. Nova Publisher.
- Lings, I. N.(2004). Internal market orientation: Construct and consequences. *Journal of Business Research*, 57(4), 405-413.
- Lings, I. N., & Greenley, G. E. (2005). Measuring internal market orientation. *Journal of Service Research*, 7(3), 290-305.
- Lings, L. (1999) Balancing internal and external market orientations. *Journal of Marketing Management*, 15, 239-263.
- Lovelock, C. and Wright, L. (New Delhi: New Age International Limited Publishers 1999) *Principles of service marketing and management*.20
- Malthora, N.K. (2007). *Marketing Research an Applied Orientation*, (5th ed.). New Jersey Prentice- hall Inc. Apple Saddle River

- Mengistu S. (2017) The effect of internal marketing on customer satisfaction (A case Study on Commercial Bank of Ethiopia), Addis Ababa University, unpublished master's thesis.
- Mishra S. 2010. Internal Marketing A Tool to Harness Employees' Power in Service Organizations in India. *International Journal of Business and Management*, 185 -193
- Papasolomou I. and Vrontis D. 2006. Using internal marketing to ignite the corporate brand: The case of the UK retail industry. *Brand management*, 14(1/2):177-195
- Papasolomou-Doukakis, I. (2002). Internal Marketing: A Means For Creating A Sales Or Marketing Orientation? The Case Of UK Retail Banks. *Journal Of Marketing Communications*, 8(2), 87-100
- Peltier J.,Dahl,A,& Mulhem F. (2009). "The relationship between employees' satisfaction and hospital patient experience. Forum group report
- Piercy, N. & Morgan, N.(1991). "Internal marketing - the missing half of the marketing programme". *Long range planning*, 24(2):82-93.
- Piercy, N. & Morgan, N. (1994) The marketing planning process: behavioral problems compared to analytical techniques in explaining marketing plan credibility. *Journal of business research*, 29:167-168
- Piercy, N. F., Harris, L. C., & Lane, N., (2002) "Market Orientation and Retail Operatives' Expectations" *Journal of Business Research*, 55(4), 261-273
- Rafiq, M., & Ahmed, P. K.(2000). Advances in the internal marketing concept: Definition, synthesis, and extension. *Journal of Services Marketing*, 14(6), 449-462
- Reichheld (1996).is customer satisfaction an indicator of customer loyalty
- Robbins, S.P. (2001) "Organizational Behavior". Prentice-Hall Upper Saddle River, NJ.
- Schlesinger, Leonard A. and James L. Heskett (1991), Breaking the Cycle of Failure in Services. *Sloan Management Review*, Vol. 32, pp. 17-28.
- Schlessenger, L.A. & Heskett, J.L. (1991) "Breaking the cycle of failure in services". *Sloan Management Review*.
- Sekaran U. & Bougie R.(2010). *Research Methods For Business: A Skill Building Approach* (5th ed.). West Sussex, UK: John Wiley & Sons Ltd.
- Stone M. & woodcock N.(1996). *Relationship marketing*, London: Kogan Page
- Storbacca.kaj (1994).Managing customer relationship for profit : The dynamics of relationship quality" *international journal of service industry management* vol-5 pp21-38.

- Tansuhaj P., Randall D. and McCullough J.(1991). Applying the internal marketing concept within large organizations: as applied to a Credit Union Journal of Professional Service marketing, 6 (2), 193-202.
- Varey, J. R., & Lewis, R. B. C.(1997). A Broadened Conception of Internal Marketing European Journal of Marketing, 33(9-10), 926-944.
- Varey, R., & Lewis, B.(1999). A Broadened Conception Of Internal Marketing. European Journal of Marketing, 33(9/10), 926-944.
- Varey, R.J. & lewis, B.R.(2000). Internal marketing: directions for management. London: Routledge.
- Wail & Khaled (2014), Internal Marketing as a Competitive Advantage in Banking Industry, Academic Journal of Management Sciences, Vol. 3, No.1,15-22
- Wambugu L.(2015). Impact of Internal Marketing on Service Quality and Customer Satisfaction's case study of Equity Bank, Kengeleni Branch, Research Journal of Finance and Accounting, Vol.6, No.19
- Yohannes Z.(2016), The effect of internal Marketing on organizational Commitment( A case Study on Commercial Bank of Ethiopia), Addis Ababa University, unpublished master's thesis
- Yomiyu D.(2014),The role of Internal Marketing on Customer Satisfaction: The case of Ethiopian Airlines



# **Appendix 1**

## **Employees Survey Questioners**



## Part II: Internal Marketing Perception

**Direction:**

Internal marketing is a new discipline in holistic marketing with the principle that satisfied customers come from satisfied employees. **Please indicate your degree of agreement/disagreement with the following statements by circling the appropriate number. (1-Strongly disagree; 2-Disagree; 3-Somehow agree; 4-Agree; and 5-Strongly agree) Key: SDA= strongly disagree; DA= Disagree; N=Neutral; A= Agree, SA= strongly agree.**

S.N	Statement	Strongly disagree	Disagree	Somehow agree	Agree	Strongly agree
<b>Empathy and Consideration</b>						
1	My direct supervisor always discusses our future career development in this company with us.	1	2	3	4	5
2	My direct supervisor tries to understand what his/her subordinates think about the way she/he leads.	1	2	3	4	5
3	My direct supervisor often pays attention to the family life of his/her subordinates	1	2	3	4	5
4	My direct supervisor makes effort to become fully familiar with his/her subordinates work performance	1	2	3	4	5
5	My direct supervisor makes voluntary effort to know whether we encounter problems at work.	1	2	3	4	5
<b>Benchmarking</b>						
6	Our University regularly investigates and collects information on what salaries are provided by other Universities in the industry	1	2	3	4	5
7	Our university regularly investigates and collects information on what fringe benefits are provided by other universities in the industry.	1	2	3	4	5
<b>Job Quality and Reward.</b>						
8	My university tries to make work content interesting.	1	2	3	4	5

9	My University offers good fringe benefits	1	2	3	4	5
10	My University offers many opportunities for promotion	1	2	3	4	5
11	My university respects its employees	1	2	3	4	5
12	My university is kind to its employees	1	2	3	4	5
13	My University tries its best to give us a comfortable work environment.	1	2	3	4	5
<b>Upward communication</b>						
14	When we have any thoughts on our company's action or our work, we can always express those options officially to our university president via email or a suggestion box	1	2	3	4	5
15	My University provides us with good official channel of appeal	1	2	3	4	5
16	My university has sufficient channel of vertical communication.	1	2	3	4	5
<b>Value and information sharing</b>						
17	My university Dean often utilizes campus meetings to deliver us work related corporate polices/procedures.	1	2	3	4	5
18	We often can gain understanding on our university polices and activities through participating in formal meetings at Campus and Corporate level.	1	2	3	4	5
19	My University often announces new policies and procedures to us by means of workshop/meeting	1	2	3	4	5
20	My University often uses educational training to express to us its corporate values and goals.	1	2	3	4	5
21	My University uses regular meetings that honor high performance employees to send out message to us.	1	2	3	4	5
22	My campus often holds contests among employees and recognize best performer to improve performance.	1	2	3	4	5
<b>Promotional activities</b>						
23	My direct supervisor always gives us a	1	2	3	4	5

	feeling that we should work our best for him/her					
24	My university often supports employees in their informal organization such as social, cultural in attempt to raise all employees' commitment to the company.	1	2	3	4	5
25	My University often tries to raise our commitment to this organization through varies activities such as live video links and company events.	1	2	3	4	5
26	My University often holds organizations-wide events to increase chances of interactions between its employees.	1	2	3	4	5

## **Appendix 2**

# **Customer Survey Questioners**



**Addis Ababa University School of Commerce**  
**Department of Marketing Management**



**(Questionnaire to Be Filled By Students of the University)**

**Dear Respondent,**

I would like to share your wonderful insights on this questionnaire with regards to your educational experience you have within the University. The questionnaire is designed “ to *measure the effect of internal marketing on customer satisfaction in the case of Private Universities*” within the sampling area and the consumption is purely for academic research purpose for partial fulfillment of a post graduate program in Marketing Management at Addis Ababa University School of Commerce. Thank you for sharing your valuable time in filling this questionnaire. The questionnaire has two parts each referring to your satisfaction level of the service given by the University.

Should you require any further information about this study, or have problem in completing this questionnaire, please contact the researcher by the following address:

**HabtamuWondossen,**  
**Cell phone: +251-912-905828,**  
**E-mail:wondossen.habtamu53@gmail.com**

I would be grateful for your cooperation and timely response to this survey.

**Part 1: Personal Information**

**Direction:**

Please select the appropriate response category by encircling the number against each question.

- |                              |                   |                   |
|------------------------------|-------------------|-------------------|
| <b>1. Sex:</b>               | 1. Female         | 2. Male           |
| <b>2. Age:</b>               | 1. Below 20 years | 2. 20-30 Years    |
|                              | 3. 30-40 years    | 4. Above 40 years |
| <b>3. Educational Level:</b> | 1. First Year     | 2. Second Year    |
|                              | 3. Third Year     | 4. Forth year     |

## Part II: Overall Customer Satisfaction Level

S.N	Statement	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree
1	I am satisfied with overall educational service of the university.	1	2	3	4	5
2	My experience with the university is above my expectation.	1	2	3	4	5
3	I will recommend others to become a customer of the university.	1	2	3	4	5
4	The university is student (customer) friendly.	1	2	3	4	5
5	The University gives more benefits to its customers than the competitor.	1	2	3	4	5

## Appendix 3 –SPSS output

### A. P-Plot

#### Model Description

Model Name	MOD_2
Series or Sequence	1
Transformation	Customer Satisfaction
Non-Seasonal Differencing	None
Seasonal Differencing	0
Length of Seasonal Period	0
Standardization	No periodicity
Distribution Type	Normal
Distribution Location	Estimated
Distribution Scale	Estimated
Fractional Rank Estimation Method	Blom's
Rank Assigned to Ties	Mean rank of tied values

Applying the model specifications from MOD\_2

#### Case Processing Summary

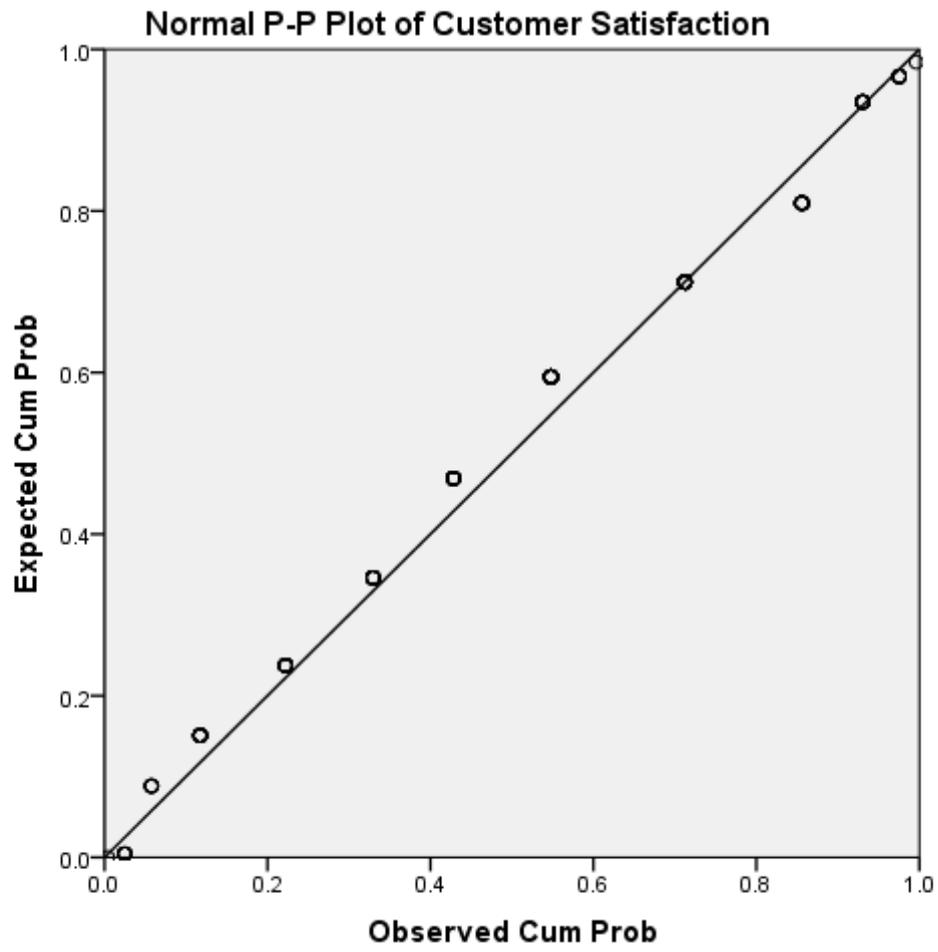
	Customer Satisfaction
Series or Sequence Length	167
Number of Missing Values in the Plot	0
User-Missing	0
System-Missing	0

The cases are unweighted.

#### Estimated Distribution Parameters

	Customer Satisfaction
Normal Distribution Location	3.65
Normal Distribution Scale	.628

The cases are unweighted.





## B. Collinearity Statistics Result

Coefficients<sup>a</sup>

Model		Collinearity Statistics	
		Tolerance	VIF
	Empathy and Consideration	.679	1.473
	Benchmarking	.735	1.361
	Job Quality and Reward	.773	1.294
	Upward Communication	.750	1.333
	Value and Information Sharing	.746	1.341
	Promotional activities	.869	1.151

a. Dependent Variable: Customer Satisfaction

## C. RELIABILITY

### Scale: Reliability of Empathy and consideration

		N	%
Cases	Valid	100	59.9
	Excluded <sup>a</sup>	67	40.1
	Total	167	100.0

Cronbach's Alpha	N of Items
.777	5

a. Listwise deletion based on all variables in the procedure.

### Scale: Reliability for Benchmarking of benefit package

		N	%
Cases	Valid	100	59.9
	Excluded <sup>a</sup>	67	40.1
	Total	167	100.0

Cronbach's Alpha	N of Items
.781	2

a. Listwise deletion based on all variables in procedure.

### Scale: Reliability for Job quality and reward

		N	%
Cases	Valid	100	59.9
	Excluded <sup>a</sup>	67	40.1
	Total	167	100.0

Cronbach's Alpha	N of Items
.774	6

a. Listwise deletion based on all variables in the procedure.

### Scale: Reliability for Upward communication

		N	%
Cases	Valid	100	59.9
	Excluded <sup>a</sup>	67	40.1
	Total	167	100.0

Cronbach's Alpha	N of Items
.893	3

a. Listwise deletion based on all variables in the procedure.

## Scale: Reliability for Value and information sharing

		N	%
Cases	Valid	100	59.9
	Excluded <sup>a</sup>	67	40.1
	Total	167	100.0

Cronbach's Alpha	N of Items
.746	7

a. Listwise deletion based on all variables in the procedure.

## Scale: Reliability for Promotional Activities

		N	%
Cases	Valid	100	59.9
	Excluded <sup>a</sup>	67	40.1
	Total	167	100.0

Cronbach's Alpha	N of Items
.780	4

a. Listwise deletion based on all variables in the procedure.

## Scale: Reliability for Customer Satisfaction

		N	%
Cases	Valid	167	100.0
	Excluded <sup>a</sup>	0	.0
	Total	167	100.0

Cronbach's Alpha	N of Items
.777	5

a. Listwise deletion based on all variables in the procedure.

## D. Regression result

**Model Summary<sup>b</sup>**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.803 <sup>a</sup>	.645	.622	.433	1.980

- a. Predictors: (Constant), Promotional activities, Upward Communication, Job Quality and Reward, Benchmarking, Empathy and Consideration, Value and Information Sharing

**Coefficients a**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations			Collinearity Statistics	
	B	Std. Error				Beta	Zero-order	Partial	Part	Tolerance
(Constant)	1.543	.308		5.008	.000					
Empathy and Consideration	-.323	.060	-.403	-5.369	.000	.014	-.486	-.332	.679	1.473
Benchmarking	.259	.066	.283	3.928	.000	.404	.377	.243	.735	1.361
Job Quality and Reward	.439	.047	.661	9.400	.000	.650	.698	.581	.773	1.294
Upward Communication	.272	.069	.284	3.976	.000	.328	.381	.246	.750	1.333
Value and Information Sharing	-.249	.071	-.251	-3.510	.001	.111	-.342	-.217	.746	1.341
Promotional activities	.186	.055	.224	3.379	.001	.185	.331	.209	.869	1.151

- a. Dependent Variable: Customer Satisfaction

## E. Correlations

Correlations

		EMPCO	BENC	JQR	UC	VIS	PA	CS
<b>EMPC</b>	Pearson Correlation	<b>1</b>	<b>.447**</b>	<b>.258**</b>	<b>.393**</b>	<b>.241*</b>	<b>.306**</b>	<b>.014</b>
	Sig. (2-tailed)		.000	.009	.000	.016	.002	.889
	N	100	100	100	100	100	100	100
<b>BENC</b>	Pearson Correlation	<b>.447**</b>	<b>1</b>	<b>.331**</b>	<b>.315**</b>	<b>.171</b>	<b>.159</b>	<b>.404**</b>
	Sig. (2-tailed)	.000		.001	.001	.089	.114	.000
	N	100	100	100	100	100	100	100
<b>JQR</b>	Pearson Correlation	<b>.258**</b>	<b>.331**</b>	<b>1</b>	<b>.261**</b>	<b>.382**</b>	<b>.095</b>	<b>.650**</b>
	Sig. (2-tailed)	.009	.001		.009	.000	.347	.000
	N	100	100	100	100	100	100	100
<b>UC</b>	Pearson Correlation	<b>.393**</b>	<b>.315**</b>	<b>.261**</b>	<b>1</b>	<b>.359**</b>	<b>.138</b>	<b>.328**</b>
	Sig. (2-tailed)	.000	.001	.009		.000	.170	.001
	N	100	100	100	100	100	100	100
<b>VIS</b>	Pearson Correlation	<b>.241*</b>	<b>.171</b>	<b>.382**</b>	<b>.359**</b>	<b>1</b>	<b>.251*</b>	<b>.111</b>
	Sig. (2-tailed)	.016	.089	.000	.000		.012	.273
	N	100	100	100	100	100	100	100
<b>PA</b>	Pearson Correlation	<b>.306**</b>	<b>.159</b>	<b>.095</b>	<b>.138</b>	<b>.251*</b>	<b>1</b>	<b>.185</b>
	Sig. (2-tailed)	.002	.114	.347	.170	.012		.066
	N	100	100	100	100	100	100	100
<b>CS</b>	Pearson Correlation	<b>.014</b>	<b>.404**</b>	<b>.650**</b>	<b>.328**</b>	<b>.111</b>	<b>.185</b>	<b>1</b>
	Sig. (2-tailed)	.889	.000	.000	.001	.273	.066	
	N	100	100	100	100	100	100	167

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

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