Investigating the Impact of Internal Marketing on Customer Orientation (Case Study: Insurance Industry of Abadan City)

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Received for publication: 09 March 2015.
Accepted for publication: 25 July 2015.

Abstract
The purpose of this study is to investigate the effect of internal marketing on the customer orientation in the insurance industry of Iran. For this purpose, Insurance Industry of Abadan City was selected as case study. This study is a practical research from purpose view and is a descriptive-survey one from research methodology view. The statistical population of this study includes 250 members. For this purpose, 250 questionnaires were distributed. The questionnaire consists of 24 questions for employees and 15 ones for customers. The questionnaire was developed in five-point Likert scale. In order to analyze the research data and test the hypotheses, both SPSS and Smart-PLS were used. The findings revealed that internal marketing affects organizational commitment significantly. The findings showed that the positive relationship between internal marketing and organizational commitment is significant (p≤0.05). Another part of our findings showed that internal marketing affects customer orientation significantly. Also our findings showed that customer orientation affects organizational commitment significantly. The findings showed that the positive relationship between customer orientation and organizational commitment is significant (p≤0.05). On the other hand, the findings showed that internal marketing affects customer satisfaction through customer orientation significantly. Finally, the findings also showed that positive relationship between customer orientation and customer satisfaction is significant (p≤0.05).

Keywords: Customer Satisfaction, Relationship Marketing, Smart PLS

Introduction
In the past two decades, many organizations have recognized the importance of customer satisfaction. Indeed, the organizations recognize this fact that maintaining the existing customers has fewer costs than acquiring new ones. This is why that it is necessary to companies to maintain and improve their interactions with customers. Indeed, organizations should recognize needs and expectations of their customers and then attempt to satisfy them. As a result, the customers will be loyal to the organization and its products. On the other hand, customer satisfaction is not sufficient in the current conditions and the organizations should attain and improve their customers’ loyalty toward organization and its products. In this regard, creating long-term relations with stakeholders, especially customers, will decrease customer loss rate. In the current conditions, the successful organizations create and utilize creative and innovative manpower. In such conditions, service industries play an important role in development of countries. In this regard, insurance industry is one of the main service industries which play an important role in the development of economic and non-economic conditions of countries. On the other hand, intensive competition in the insurance industry forces many managers and administrators in the competitive environment. Indeed, managers and administrators of insurance industry are forced to explore ways for making their
customers more satisfied and loyal. Improvement in the quality of insurance services is one of the most important instruments in this area. It should be noted that quality of internal services leads to higher levels of customer satisfaction.

Introduction of internal marketing idea has recognized the importance and determinant role of internal customers (employees) in the success of marketing plans. The purpose of internal marketing is to ensure satisfaction of internal customers and develop and improve quality of products in achieving customer satisfaction and loyalty. The results of past studies revealed that there is a significant positive relationship between satisfaction of internal customers and external customers. Barett et al (1996) found that employee satisfaction affects quality of products and customer satisfaction and loyalty significantly. Indeed, the purpose of internal marketing is to insure recognition and satisfaction of needs and expectations of internal customers (Papasolomou et al., 2004). This is why that the present study aimed to investigate the effect of internal marketing on the customer orientation in insurance industry.

**Thesis development, conceptual framework and hypotheses**

**Internal marketing**

The idea of internal marketing was introduced in the 1980s for the first time. This theory has been developed in its evolutionary trend and several different theories have been developed in this area (Tsai and Woo, 2006). Ahmad Rafigh defines internal marketing as planned efforts to eliminate the obstacles of organizational resistance. He also refers to internal marketing as integration and coordination of organizational efforts to implement corporate strategies systematically. As a result, internal marketing attempt to create and improve customer satisfaction and loyalty among employees (as internal customers). Internal marketing is one of the main factors which can be effective in sustainable promotion and development of service quality and customer loyalty. Indeed, internal marketing is used for developing and utilizing marketing plans in the organizational context and organizational communications (Rafing and Ahmed, 2008). Internal marketing attempts to achieve this goal through considering employees as internal customers. It can be said that internal marketing is a customer-orientated effort that its goal is to improve quality of services and customer satisfaction (Gountas and Walker, 2009). Kotler et al. (2006) states that services require three types of marketing including internal, external, and reciprocal marketing. External marketing requires preparing, pricing, distributing, and promoting products. Reciprocal marketing requires employee skills in servicing employees and concentrates on the employee behavior. Finally, internal marketing refers to employee education and motivation in terms of customer services. Kotler (2006) indicated that internal marketing should exceed external marketing.

Nauru and Slater (1990) indicate that development of internal marketing perspective leads to formation of a culture in which the most efficient and effective behaviors will be formed and reinforced. As a result, customer services will be improved. Robert (2010) introduced internal marketing for the first time in the marketing literature. A few studies have been conducted in terms of the relationship between internal marketing and organizational citizenship behavior. In this regard, Souchon and Lings (2001) believe that adoption of internal marketing efforts affects organizational citizenship behavior and maintains employees in the organization.

Davis(2001) refers to internal marketing as a kind of strategic management philosophy which attempts to attract, develop, motivate, and maintain employees in the organization through providing them with a qualified and appropriate workplace. Koper and Kronin (2000) indicate that internal marketing is an organizational effort to educate and reward employees in offering the best services.
Internal marketing is the main prerequisite of customer satisfaction which is a strategic approach. Indeed, internal marketing challenges employees’ behavior in recognizing and reinforcing appropriate behaviors. Internal marketing can be considered as one of the main sources of competitive advantage. This idea, that some of the employees’ behaviors need change and revolution, leads to market development through educating and motivating employees (Ballantine, 2003). Based on the review of literature, the first hypothesis of this study is developed as following.

H1: Internal marketing affects employees’ organizational commitment significantly.

Orientation customer
Organizational commitment is degree of employee’s commitment to an organization and his/her involvement with the organization. Based on this definition, organizational commitment consists of three parts: (1) serious believe on the organizational goals and values, (2) efforts to achieve organizational goals, and (3) interests to participation in the organization. Indeed, organizational commitment is considered as identity-based power and participation in the organization (Sheib, 1998).

Miero and Allen (1991) developed a model of organizational commitment which consists of normative commitment, affective commitment, and continuous commitment (perceived costs). They indicate that employees with affective commitment continue their participation in the organization. Indeed, affective commitment refers to the affective dependence between employees and their organization. Continues commitment refers to employee awareness of costs of employee loss. In other words, employees with higher levels of continuous commitment continue their participation in the organization. Normative commitment reflects employees’ consciousness to work in the organization. Employees with more normative commitment continue their participation in the organization because they think that they should be in the organization. In other words, affective commitment is employees’ inner motivation to remain in the organization. Continuous commitment refers that employees should remain in the organization because of high costs of leaving organization. It can be said that normative commitment is different from two other types of commitment. Employees may experience three types of commitment in the organization. Based on the review of literature, the second hypothesis of this study is developed as following.

H2: customer orientation affects organizational commitment significantly.

Customer satisfaction
Customer satisfaction is the feeling or attitude of customer toward a product or organization. Indeed, customer satisfaction is the main result of marketing manager effort which plays as a role of relationship between different steps of consumer buying behavior. If customer satisfaction is achieved, he/she repurchase that product and vice versa. In addition, satisfied customers communicate their successful experiences with others (positive word of mouth). On the other hand, dissatisfied customers attempt to communicate their band experiences with relatives and friends (negative word of mouth) which affects organizational success and profitability negatively. Different definitions and conceptualizations have been developed for customer satisfaction by marketing theorists. For example, Kotler refers to customer satisfaction as degree of satisfying customers’ needs and expectations by organizational efforts. According to Kotler, satisfaction of customer needs and wants leads to customer satisfaction.

Naser and Jamal (2008) refers to customer satisfaction as positive feeling or attitude toward a product of supplier. They indicate that customer satisfaction is the main result of marketing manager effort as the relationship between customer and organization. Based on the review of literature, the third hypothesis of this study is developed as following.

H3: internal marketing affects customer satisfaction significantly.
Methodology
This study is a practical research from purpose view and is a descriptive-survey one from research methodology view. The statistical population of this study includes 250 members. For this purpose, 250 questionnaires were distributed. The questionnaire consists of 24 questions for employees and 15 ones for customers. The customer questionnaire consists of 15 questions including 2 questions customer satisfaction, 7 questions for company image, 3 questions for positive customer feeling, and 3 questions for customer-employee relations. The questionnaire was developed in five-point Likert scale. In order to analyze the research data and test the hypotheses, both SPSS and Smart-PLS were used. The sample size was determined 250 (including 150 employees and 100 customers).

Results and Discussion
Results of confirmatory factor analysis
The results of confirmatory factor analysis are indicated in table 1.

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<th>Load Factor</th>
<th>Items</th>
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Based on the results of table 1, all of the questions of this study have acceptable factor loading (except questions 23 and 24 of organizational commitment questionnaire and question 2 of customer satisfaction). In order to measure validity of the questionnaire, construct validity of the questionnaire was measured. When the coefficients are more than 0.7, the coefficients will be acceptable and vice versa (table 1). For analysis study we use confirmatory CFA.

H1: internal marketing affects customer satisfaction significantly.
The findings of first hypothesis revealed that internal marketing affects organizational commitment significantly. The findings showed that the Beta coefficient of this hypothesis is 0.956. This value indicates that about 95% of variations of organizational commitment can be explained by internal marketing. Since the t-value of this hypothesis is 2.217, it can be said that the positive relationship between internal marketing and organizational commitment is significant (p≤0.05).
H2: customer orientation affects organizational commitment significantly. The findings of second hypothesis showed that internal marketing affects customer orientation significantly. The findings showed that the Beta coefficient of this hypothesis is 0.441. This value indicates that about 95% of variations of customer orientation can be explained by internal marketing. Since the t-value of this hypothesis is 4.785, it can be said that the positive relationship between internal marketing and customer orientation is significant (p≤0.05).

H3: internal marketing affects customer satisfaction significantly.

The findings of third hypothesis showed that customer orientation affects organizational commitment significantly. The findings showed that the Beta coefficient of this hypothesis is 0.395. This value indicates that about 39% of variations of organizational commitment can be explained by customer orientation. Since the t-value of this hypothesis is 3.875, it can be said that the positive relationship between customer orientation and organizational commitment is significant (p≤0.05).

Finally the findings showed that internal marketing affects customer satisfaction through customer orientation significantly. The findings showed that the Beta coefficient of this hypothesis is 0.499. This value indicates that about 49% of variations of customer satisfaction can be explained by customer orientation. Since the t-value of this hypothesis is 7.180, it can be said that the positive relationship between customer orientation and customer satisfaction is significant (p≤0.0). These results are depicted in figure 1 and figure 2.
This study was aimed to investigate the effect of internal marketing on the customer orientation in the insurance industry of Iran. For this purpose, Insurance Industry of Abadan City was selected as case study. The statistical population of this study includes 250 members. For this purpose, 250 questionnaires were distributed. The questionnaire consists of 24 questions for employees and 15 ones for customers. The questionnaire was developed in five-point Likert scale. In order to analyze the research data and test the hypotheses, both SPSS and Smart-PLS were used. The findings showed that there is a significant positive relationship between internal marketing and organizational commitment. Another part of our findings showed that internal marketing affects customer orientation significantly. In addition our findings showed that customer orientation affects organizational commitment significantly. The findings showed that internal marketing affects customer satisfaction through customer orientation significantly.

References

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