Study of effects of internal marketing on customer orientation (food & drug distribution companies of Kermanshah province)

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ABSTRACT: Nowadays, the pioneer companies are trying to increase their profitability through satisfying the needs of their customers by using the best possible way. This point is the most crucial basis of their success which is based on a customer orientation strategy, but many of these companies have neglected their employees' satisfaction as their internal customers, and presently, importance and determinant role of internal customer (employee) of organization in making external marketing plans successful have been clearer than before as the concept of internal marketing has been outlined. Therefore, present research studies effects of internal marketing on customer orientation within food and drug distribution companies in Kermanshah province. To this end, 9 hypotheses were made, research method is descriptive correlation and obviously based on structural equations (AMOS) model, being an applied one in terms of its goal. Statistical population consisted of marketers and directors of marketing of food and drug distribution companies, sample were taken classifiably and observation related to the questionnaire and variables of each hypothesis's items on the scale of 1-20 were provided. Given data gathered from 165 statistical samples, it can be said that there is a significantly positive correlation between internal customer and customer orientation and 2 of 9 hypotheses were rejected and remaining ones were supported. In addition, regression model fitted among independent and dependent variables was significiation and appropriate.

Keywords: internal customer, Job satisfaction, organizational commitment, customer orientation.

INTRODUCTION

Within most organization, important and striking employees roles in providing suitable services and in making customers satisfied are neglected. Employees are considered as a cost-related asset. Due to such a view of employees, organizations will fail in today's competitive world since in current age the source of sustainable competitive advantages of organization is their human capital (Kaplan & Norton, 2006, 46). Michael Hit and et al (2006) argued that in today's entirely competitive world, the sole remedy is to invest on human force if organizations tends to keep to pace with environmental changes, creating a competitive advantage in such an environment (hit & et al, 2006, 12). Nepu (1991) stated, while stressing on the importance of domestic exchange, that lack of attention to providers and internal customers endangers satisfaction of external customers ( Lings, 2000, 27-43).Therefore, the first principle of competition in today's competitive age is the necessity of paying attention to human force and of meeting their needs and wants. Gaining satisfaction and loyalty of external customers is an impossible task unless the needs and wants of organization's human force (internal customers) be met, internal marketing is one of the most important approaches being able to help organizations in this direction (Hogg &Carter, 2000, 109-124). Internal marketing is an important activity for development of a customer- centered organization. The main objective of internal marketing is to develop knowledge about internal / external customers and to remove functional obstacles on the way of valuing service quality and organizational effectiveness (Christopher et al, 1991, 256).

Therefore, for an organization, internal marketing is vital in order to create value for customers (whether internal or external) and organizations especially commercial and service ones interacting with
customers face to face, are required to do internal marketing in order to reach customer orientation and to achieve organizational goals in a competitive world. Research done to date often has investigated internal marketing within service environments (banks & insurance) while present one pays attention to this subject within distribution companies. According to examination done, none of performed researches has studied roles intervening variable of Job satisfaction and organizational commitment play. In addition, researches done into effects of internal marketing on customer orientation are different from present one in terms of methodology and extent of research and statistical population. Given conditions of used domain, indexes used in this study include view, improvement and development, rewards, needs, pleasure, loyalty, identification and job satisfaction. Given above issues, therefore, this research seeks to answer this question whether there is a correlation between internal marketing and customer orientation and ultimate aim of this study is to obtain a model indicating relationship between internal marketing and customer orientation by effective indexes. In this direction, all significant factors are kept in the model and optimal model is finally chosen through methods if selection by using AMOS model.

Research literature

**internal marketing**

New marketing views consider application of programs of internal marketing tendency essential for external marketing success (Lings, 2004). Internal marketing means to create an internal marketing within an organization by its employees. Members of this market need to be trained, rewarded and stimulated in order to meet external customers' needs and wants (Dukakis & kitchen, 2004). Internal marketing views employees as internal marketing customers and job as internal products (Lee & Chen, 2005). Gummesson identified internal marketing as a vital element of market orientation (Gummesson, 1991, 60-75). Main assumption of internal marketing is that employees must be viewed as the most invaluable asset of an organization and must be treated as internal customers because this results in gaining competitive advantage by organization respected (Papasolomou, 2002, 62-76).

**customer orientation**


**Job Satisfaction**

Researches believe that if a job provides a person with desirable, a certain combination of various factors, whether internal ones like sense of pleasure of doing a task or external ones such as salary, benefits and workplace relationship, make the person satisfied with his job (Askari, Kalidi, 2003). Job Satisfaction includes positive affective states an individual role and duties (Mahdad, 2008). A person highly satisfied with his job has positive attitudes while a person dissatisfied with his job has negative ones (Robinz, 1997, 163). Job Satisfaction is a one of the most important factors for a job to be successful, leading to an increase in efficiency and in individual satisfaction sense (Askari, kaladi, 2003).

**Organization commitment**

Organization commitment is a reference organization vision based on which individuals go along with goals values and plans of their organizations and make striking efforts to maintain them (Golparvar, Arizai, 2006). Organizational commitment is people's positive or negative attitudes towards the whole organizations they are working in associated with an individual's organization commitment is a strong loyalty sense, through which he identifies his own organization (Strone, 1997, 73-74). Research has shown that those employees who are interested in and loyal to their organization have higher occupational performance, are more willing to survive in their organization, do less back biting, possess higher working motivation, and are more in agreement with their organizations. In this way, organizations can realize their targeted goals by identifying their employees' degree of commitment and by changing factors influencing it (Sa'atchi, 2003).

**internal marketing and customer orientation**

Kotler and Armstrong (1991) identified internal marketing as a building of customer orientation among employees, built through education and motivation of primary level employees. Internal marketing is focused on
appropriate internal relationship among people from all organizational levels, therefore it creates a service-centered and a customer-centered approach among employees having contacts with customer (Gronroos, 2000, 56). Narver and Slater (1990) argued that development of an internal marketing approach result in a culture which creates some behaviors most efficiently and effectively that lead to providing superior services to customers (Hitt, Ireland, Hoskisson, 2007). Internal marketing is a managerial technology being used to solve problem with internal services, market orientation, successfully performing suitable plans and customer orientation (Varey & Lewis, 1999, 926-944). George (1990) found, in his research a positive correlation between two variable of internal marketing and customer orientation. Liao (2009) concluded those employees' perception of and application of internal marketing in banks result in satisfaction of primary level employees which in turn is effective in employees' tendency toward customers. Thus, on the basis of presented issues, following hypothesis is provided:

Major Hypothesis: There is a significantly positive relationship between internal marketing and customer orientation within distribution companies.

**internal marketing and job satisfaction**

Nature of internal marketing is to attract employees' satisfaction so that they are treated as internal customers in the same way as external ones. So it is necessary to try to design jobs (products) commensurate with needs and wants of employees, increasing their satisfaction (Gronroos, 1990). Research has shown some positive relationship between all elements of internal marketing and employees' job satisfaction. Lings (2004) suggests that introduction of internal marketing can raise the level of employees' satisfaction through a human resources incentive system. Internal marketing influence job satisfaction, customer satisfaction, rate of customer retention and potential profitability of companies. Based on matters provided, following hypothesis is presented:

Hypothesis 1: There is a significantly positive relationship between internal marketing and job satisfaction within distribution companies.

**internal marketing and organization commitment**

studies performance by Caruana and Calleya (1998) stressed that there is a relationship between internal marketing and organization commitment. Souchon and Lings (2001) suggested actions related to internal marketing are a major factor increasing employees' motivation, organizational commitment and job satisfaction. In addition, Ling (2004) believes that tendency toward internal marketing has a direct effect on such elements of organizational performance as employees' satisfaction, employees' retention and organizational commitment. During their study on banks, Kyriazopoulos et al (2007) found some positive effects the concepts of internal marketing had an organizational commitment. Farzad and et al (2008) dealt with the importance of internal marketing measures and their effects on organizational commitment within domain of Iranian banks. Hung and Lin (2008) suggested that in internal marketing management system, employees' measures had some positive effects on organizational commitment during a study on bank managers. Caruana and Calleya (1998) noticed that internal marketing heavily affected affective commitment. Based on presented issues, therefore, following hypothesis is provided:

Hypothesis 2: There is a significantly positive correlation between internal marketing and organization commitment within distribution companies.

**Job satisfaction and customer orientation**

On bank employees, Kelly (1990) found a weak correlation between job satisfaction and customer orientation and motivation. The study done by Siguaw and et al (1994) also proved that there was on relationship between job satisfaction and customer orientation. Studies done by Hoffman and Ingram (1992) established that job satisfaction was a herald of customer orientation. Cahill (1995) believes that making employees satisfied with their jobs leads to customer orientation among them. Curkovic and al (2000) suggested that employees' satisfaction is very important to create a customer orientation behavior within workplaces. So based on provided issues, following hypothesis is presented:

Hypothesis 3: There is a significantly positive correlation between Job satisfaction and customer orientation within distribution companies.

**organization commitment and customer orientation**

In a company, it seems impossible to have loyal customers (long-term relationship) while it has no loyal employee (Reicheld, 1996). Caruana, Ramaseshan and Ewing (1997) Found a high degree of organizational commitment in most market centered organizations. Also, results a how that relationship with customers in long term may create some long-lasting organizational commitment among personnel (Bushoff & Allen, 2000). Lings (2004) suggests that internal elements of each organization's performance (Job satisfaction, employee
retention and organization commitment) influence tendency of external marketing (intersegment coordination, competition and customer orientation) directly. So following hypothesis is provided based on provided issues:

Hypothesis 4: There is a significantly positive correlation between organization commitment and customer orientation in distribution companies.

Job satisfaction and organization commitment

Results of research show that satisfied employees move toward organization commitment. Satisfied and committed employees probably pay attention to their work, stay with an organization get to work timely, perform well and do behaviors useful for their organization (Admot, 2007). Finding of previous research clearly provide experimental evidence supporting this interpretation that job satisfaction organizational commitment directly (Johnson and et al, 1990). Studies done by Deshpande (1996) found that an increase in degree of job satisfaction resulted in increased levels of organizational commitment and those done by Kotze and Roodte (2005) proved that there was a sharp correlation between job satisfaction and organizational commitment. So following hypothesis is provided on basis presented issues:

Hypothesis 5: There is a significantly positive correlation between Job satisfaction and organization commitment in distribution companies.

Following mediatory hypotheses were extracted by the abovementioned topic review, which indicate a causal hypothesis based on which an independent variable causes a mediator which, in turn, causes another variable change:

- Job satisfaction plays a mediator role in the relationship between internal marketing and customer orientation distribution companies.
- Organizational commitment plays a mediator role in the relationship between internal marketing and customer orientation distribution companies.
- Job satisfaction plays a mediator role in the relationship between internal marketing and organizational commitment distribution companies.

Concept model

Theoretical framework is a conceptual model based on theoretical relationship among a number of factors which are considered important in relation to problems under study. This theoretical framework is circulated by reviewing research records in the subject reasonably. Given presented definition and prior research mentioned, researchers provided following conceptual model for internal marketing influencing customer orientation with respect to two intervening variables of job satisfaction and organization commitment (figure 1):

![Research Conceptual Model](image)

Figure 1. research conceptual model

MATERIALS AND METHODS

This research is an applied one in terms of its aim and descriptive- survey in terms of the type of data, in which relationship by using correlation test and especially based on structural equations model. Using SPSS software, Spearman's correlation coefficient was used to examine relationships between independent and dependent variables and to test research hypothesis. Multiple regression models were used to test the set of cause-and-effect relationships between variables and components studied. And, finally, in order to identify optimal model, the relationships between variables were modeled by structural equations AMOS software. In order to know how well a model performs, especially in comparison with other possible models, in terms of explaining a set of observed data, values of normalized fitness index (NFI), relative fitness index(RFI), increasing fitness index(IFI) and comparative fitness index (CFI) were used.
A questionnaire is the information source used to test said hypotheses, therefore, research method is based on field research. Data required to test questionnaire research hypotheses by using method of scoring on 1-20 scale. On this basis, for variables studied, 13, 8, 7 and 3 questions were designed on internal marketing, customer orientation, organizational commitment, and job satisfaction, respectively. Foreman-mayo's research (1995), two combined Socio, Saxe and weitz(1982), pleasure and need scale, two combined loyalty and identification scale from research done by Hunt (1985) and Orielly Chatman (1980) were employed in order to measure variable of internal marketing, variable of customer orientation, variable of organizational commitment and variable of job satisfaction, respectively. Questionnaire validity was confirmed by sampling opinions from several experts. Also, in order to test reliability, one primary sample including 30 questionnaires was pre-tested and then the degree of confidence coefficient by method of Cronbach's alpha, which was 0.887 totally for this questionnaire. For separated variables of internal marketing, customer orientation, organizational commitment and job satisfaction, Cronbach's alpha was obtained at 92%, 88/5%, 76/1% and 38/4% respectively.

In this research, statistical population consists of marketers and directors of food & Drug distribution companies from Kermanshah province. In order to select sample size of each class, we used appropriate allocation method. In present research, we classified this population into two classes of food companies and drug companies, for each of which 112 and 53 questionnaires, totally 165 ones were distributed to marketers and directors of food and drug distribution companies from Kermanshah province, respectively.

**Research finding**

In present research, respondents indicated their sex, education, job status (full- or part- time), job background, type of company (food or drug) and finally, mean of their contact with customers per hour in the form of general information, which was provided in the form of closed responses. In relation to 165 questionnaires distributed, results indicated that majority of respondents were males (76.4%), having A.A degrees (3904%), with full time jobs (77.6%), with more than 7 years of experience (44.8%), from food companies (67%) and contacting 1-5 customer per hour (58.2%) on the average.

**Data analysis**

Spearman's correlation coefficient was used to test hypotheses. Results shown in table 1 suggest that at signification level (0.000), correlation coefficient between internal marketing and customer orientation is 0.371 for which calculated significance level is less than 0.05, therefore, there is a significantly positive correlation between these 2 variables, that is, in distribution companies, customer orientation increases as internal marketing increases. Results obtained from the first and second hypotheses show that, at significance level (0.000). Coefficient of correlation among variables ranges from 0.479 to 0.863. Therefore there is a significantly positive correlation between job satisfaction and organizational commitment, that is, increased actions of internal marketing lead to an increase in job satisfaction and in organizational commitment. Results from the third hypothesis show that, at significance level (0.003), coefficient of correlation among variables is less than 0.05 that is as employees' job satisfaction increases, distribution companies get some toward customer orientation. The fourth and fifth hypotheses indicate that, at significance levels (0.000), coefficients of correlation between variables are 0.536 and 0.736, respectively, so there is a significantly positive correlation between organizational commitment and customer orientation job satisfaction, that is, increased organizational commitment results in an increase in customer orientation and increased job satisfaction leads to an increase in organizational commitment of marketers and directors of distribution companies. As observed in testing major hypothesis, there is a significantly positive correlation between internal marketing and customer orientation. Now, we examine this question that if we consider job satisfaction and organizational commitment as mediatory variables with variables of internal marketing and customer orientation, there is a still a significant relationship between internal marketing and customer orientation. In order to study this matter, we used partial correlation coefficients. Results obtained from the sixth and seventh hypotheses shows that, at significance level (0.000), coefficient of correlation among variables are 0.526 and 0.280 respectively, and since the significance level is less than 0.05, it is concluded that internal marketing, customer orientation and mediatory variables are related significantly, with job satisfaction and organizational commitment playing no mediatory role. Results from the eighth hypothesis indicate that job satisfaction plays a mediatory role in the relationship between internal marketing and organizational commitment. In general, results and finding obtained from the research hypotheses testing are summarized in table1.
Table 1. Results of testing research hypotheses

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Research hypotheses text</th>
<th>Major</th>
<th>Hypothesis</th>
<th>Sig</th>
<th>The correlation coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td>Major</td>
<td>There is a significantly positive relationship between internal marketing and customer orientation within distribution companies.</td>
<td>Confirmed</td>
<td>0.371</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 1</td>
<td>There is a significantly positive relationship between internal marketing and job satisfaction within distribution companies.</td>
<td>Confirmed</td>
<td>0.479</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 2</td>
<td>There is a significantly positive correlation between internal marketing and organization commitment within distribution companies.</td>
<td>Confirmed</td>
<td>0.863</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 3</td>
<td>There is a significantly positive correlation between job satisfaction and organization commitment within distribution companies.</td>
<td>Confirmed</td>
<td>0.233</td>
<td>0.003</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 4</td>
<td>There is a significantly positive correlation between organization commitment and customer orientation within distribution companies.</td>
<td>Confirmed</td>
<td>0.536</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 5</td>
<td>There is a significantly positive correlation between job satisfaction and organization commitment in distribution companies.</td>
<td>Confirmed</td>
<td>0.736</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 6</td>
<td>Job satisfaction plays a mediator role in the relationship between internal marketing and customer orientation distribution companies.</td>
<td>Refused</td>
<td>0.526</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 7</td>
<td>Organizational commitment plays a mediator role in the relationship between internal marketing and customer orientation distribution companies.</td>
<td>Refused</td>
<td>0.280</td>
<td>0.000</td>
<td></td>
</tr>
<tr>
<td>Hypothesis 8</td>
<td>Job satisfaction plays a mediator role in the relationship between internal marketing and organizational commitment distribution companies.</td>
<td>Confirmed</td>
<td>-0.132</td>
<td>0.093</td>
<td></td>
</tr>
</tbody>
</table>

Analysis of original model course and general fitness of research model
In present model, we are going to study relationship among independent variables of internal marketing, job satisfaction, and organizational commitment and dependent variable of customer orientation. To this end, we use multiple regression model, therefore, our targeted model is as follows (figure 2):

With respect to general model obtained, it can be concluded that internal marketing does not influence customer orientation directly, having no effect by itself to create customer orientation. Internal marketing influences job satisfaction and organizational commitment with regression coefficients of 0.45 and 0.47, respectively, showing that actually employees become satisfied with their jobs and committed to their organizations only when they feel they are treated as internal customers but this very job satisfaction with negative coefficient of 0.44 influences customer orientation, indicating a negative relationship between two variables of job satisfaction and customer orientation. Organizational commitment with regression coefficient of 1.11 affects customer orientation, indicating that long-lasting relationship with customers must be found in employees’ organizational commitment. Job satisfaction with regression coefficient of 0.22 affects organizational commitment, indicating the more satisfied the employees are with their jobs, the higher tendency they have to stay with distribution companies and the less job quit the companies face. For this model, statistic $x^2$ equals 64.167, freedom degree is 1 and significance level is 0.000. Since significance level is less than 0.05, it is concluded that regression model fitted among independent and dependent variables is significant and appropriate. Following criteria are used to examine appropriateness of the model:

NFI: this index compares independent model (one in which there is no relationship among variables, also known as basic model) with the model we provided; RFI: it is relative fitness index examining appropriateness of model provided; IFI: this is the measure of increasing fitness index; CFI: this is the measure of comparative fitness index. The closer the values are to 1, the more appropriate the model the model is. As observed in table 2, the model fitted to data is highly appropriate.
Research results and recommendations

Given the significantly positive correlation between internal marketing and customer orientation, and given indirect effect internal marketing has on customer orientation through affecting organizational commitment as a mediatory variable as well as significant positive correlation among them, it is concluded that in order to increase customer orientation, managers of food & drug distribution companies must apply policies which will increase internal marketing and organization commitment. As mentioned in questionnaire, these policies include (granting rewards based on performance measurement, allocating rewards to the best services provided to customers; job improvement through data gathered; Employee’s basic salary to rival’s ratio; incentive policies; belief in view; easy perception of transfer; manner of looking at knowledge and competence; development of knowledge and competence as a continuous process; education of group work and that beyond personal education; education for providing better performance) all to increase internal marketing, and (salary rise; creativity and freedom; higher prestige; treating others friendly while doing newly offered jobs; organizations’ credit; having a sense of ownership and commitment to the organization; being proud of company’s member) all to increase organization commitment. Given the research finding, although there is a significantly positive relationship between internal marketing and job satisfaction and although internal marketing has a positive effect on job satisfaction, the latter does not create customer orientation within food and drug distribution companies in Kermanshah province since it is a motivational factor. Given the results from present research, researcher provides suggestions as follows: 1- Internalization of philosophy of internal marketing inside the employees: holding training courses at the outset of service in the companies, emphasizing on the necessity of application of factors being effective in internal marketing.

- In order to understand customer orientation as much as possible, it is suggested to demonstrate necessity and importance of focusing on the customers’ wants to employees by providing direct contacts and/or indirect ones and teaching these factors to employees.

- Increasing employees’ well-being based on their real needs.

- To researchers’ minds, in order to advance the objectives of present research, it is recommended that distribution companies implement plans resulting in higher organizational commitment and job satisfaction.

- Formulating strategies for implementing internal marketing within distribution companies.

- Other mediatory variables be identified and tested, while testing the model in other organizations, its results be compared with present research’s.

- Each of mediatory variables be studied alone as a mediatory variable for internal marketing and customer orientation.

- Studying differences in the effects of internal marketing on customer within various organizations from commercial ones to service/ manufacturing organizations.

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