Internal Marketing and Customer Brand Equity: A Case Study of Banking Sector in Pakistan

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Abstract:
In a dynamic business environment, no organization can deny the significance of incorporating the internal marketing strategies to establish an enduring relationship with their ultimate customers. An organization can increase certain dimensions of customer brand equity when it makes its employees satisfied and committed to the firm. The focus of the study is to explore the connection between internal marketing and customer brand equity using a conceptual framework that was developed after an extensive literature review. Primary data were gathered from dyadic interactions between manager and customer in the banking sector in Pakistan. PLS-based structural modeling (SEM) technique was used to assess all the significant factors in the proposed framework. Findings suggested the significant indirect relationship of internal marketing with customer brand equity through customers' organization citizenship behavior, job satisfaction and their commitment to the firm. The study also offered useful managerial implications for service firms, specifically banking institutions in Pakistan.

Keywords: Internal Marketing, Customer Brand Equity, Job Satisfaction, Organization Citizenship Behavior, Organization Commitment

I. Introduction
According to the World Trade Organization (WTO), the services sector is the fastest growing sector of the global economy and contributes 70% of world production. The services sector also accounted for a quarter of total world trade, and uses one third of the workforce. The service sector is also important for Pakistan as it is 58% of GDP (FBS 2016). In the growth of economy, banking sector plays a significant role. This sector raises the output by observing managers and enhancing the worth of corporate
governance (Bhide, 1993). Banking sector is mounting at a very rapid pace as a result of the blend of commercial, Islamic banking and micro financing. Consequently, the banking industry has been facing a severe completion in the last one decade. As the service sector grew, a swing was brought by it in trivial marketing approach. And this swing was to consider employees as internal customers of the firm. The days have gone when employees were considered as slaves who were hired by the organization just to provide goods and services to the customers. Now human capital is considered to be the most precious resource of the organization and found a critical factor for a firm performance and success (Azzolini and Shillaber, 1993).

Internal marketing is basically handling of employees and customers on an equal basis with the help of certain proactive policies to accomplish organizational goals (Ahmad et al., 2013). Interest in the area of internal marketing has increased significantly as it serves as a major tool in achieving internal customer (firm’s employees) as well as external customer satisfaction. An organization can increase certain dimension of customer brand equity when it satisfies its employees. Organization can make the employee satisfied and committed to the firm through internal marketing (Kotler, 2000). Consequently, the employee generates a marketing behavior that satisfies the external customers. Keeping in view the importance of internal marketing, this article, after an extensive literature review, explores the relationships between internal marketing and external marketing through job-related behavior of the employees who are, in today’s scenario, known as internal customers.

II. Review of Lierature

A. Internal Marketing

The term internal marketing was introduced in 1981. Originally, the approach of internal marketing was proposed as a mean to stimulate human resource of an organization to deliver excellent service quality on a consistent basis. Appropriate application of internal marketing aids the organizational personnel to become more service oriented and customer conscious (Papasolomou-Doukakis and Kitchen, 2004). The motto of internal marketing is employees first. For the development of internal marketing three phases have been identified from literature:

- Phase I: focus on employee eagerness and contentment (Berry, 1981; Bak et. al., 1994)
- Phase II: observing internal marketing as a tool for improving customer focused behaviour (Kotler, 1977; Gummesson, 1987; Liao, 2009).
- Phase III: showing internal marketing as a mean to implement organizational action plan and change management (George and Bettenhausen, 1990; Quarstein et al., 1992; Piercy et al., 2002)

Internal marketing drives job satisfaction, organizational citizenship behavior and organizational commitment among the employees. Consequently, an interactive relationship is formed between the employees and customers to meet overall customer based vision of the organization which can be defined as customer brand equity.
B. Job Satisfaction

Job satisfaction in a job related attitude which basically reflects the positive feelings of an employee about his/her job (Robbins, 2001). Studies indicated that factors such as salary, structure and size of the organizational, organizational leadership and the working conditions affect the job satisfaction of the employees (Roodt et al., 2002). Organizations focus on internal marketing practices to uplift the employee’s satisfaction about their job which leads to customer satisfaction. Therefore it can be said that job satisfaction is positively influenced by internal marketing activities (Iliopoulos & Priporas, 2011). Considering the above argument, this study is intended to explore the possible effects of internal marketing on job satisfaction and in turn the impact of job satisfaction on organization citizenship behavior in banking sector by developing the following hypothesis.

H$_2$: Internal Marketing affects job satisfaction.
H$_5$: Job satisfaction affects customer brand equity.

C. Organization Citizenship Behavior

Organ (1988) delineated that organizational citizenship behavior reflect the behaviors of employees that is not the formal part of an employee job description but strongly influences company performance. Various researcher identified organization citizenship behavior as a meaningful element in service sector (Borman & Motowidlo, 1993; Schneider & Bowen, 1999; Bettencourt et al., 2001) service quality enhances when organizational members improve their performance by doing work with proper planning, problem solving & work scheduling (Organ & Ryan, 1995). Internal marketing practices contribute in developing organizational citizenship attitude among its employees (Seyed et al., 2010). Therefore, the study designed aimed to explore the impact of internal marketing on organization citizenship behavior & then the impact of organization citizenship behavior on customer brand equity.

H$_3$: Internal marketing affects organization citizenship behavior.
H$_4$: organization citizenship behavior affects customer brand equity.

D. Organization Commitment

Organizational commitment is basically the loyalty or fidelity of the employees with the organization which maintain their enduring membership with the same organization (Cichy et al., 2009). By providing strategic rewards, effective trainings and sharing corporate vision, an organization can make the employees loyal and thus commitment can be achieved (Ahmed & Rafiq, 2003). In contrast, lack of commitment can lead to poor performance bring negative outcomes for the organization like offering inferior services and raised cost. Researchers have shown that internal marketing is positivelet related with organizational commitment (Caruana & Calleya, 1998). Committed workforce can built long-term relationship with the customers (Boshoff & Allen, 2000), as it is highly unlikely that without having loyal employees, an organization will have loyal customers. Therefore,

H$_6$: Internal marketing has strong impact on organization commitment.
H$_7$: Organization commitment strongly impact on customer brand equity.
E. Customer Brand Equity

The heart of branding research is brand equity. Brand equity has been defined in number of ways (Feldwick, 1996):

- The total value of a brand on balance sheet as a separable asset
- The measure of strength of consumers' association to a brand.

The concept of brand equity is significantly linked with customer based context as it is seen as the value of a brand to the customers (Keller, 1993). The power of a brand is associated with the customer thinking and also what they learnt or experiences overtime about a brand (Keller, 1993). Various researchers have studied different dimensions of customer brand equity For example Aaker (1991) has defined four constructs such as brand awareness, brand association, perceived quality and brand loyalty to describe brand equity. The key determinant of brand equity is Brand awareness (Aaker, 1991; Keller, 1993; Washburn and Plank, 2002; Pappu et al., 2005). It is defined as the ability of an individual to remember and distinguish a brand from others (Aaker, 1991; Keller, 1993). In creating brand equity, conception of brand awareness is considered as the first step (Franzen, 1999).

The concept of Perceived quality means the judgment of customer about the preeminence and excellence of product as compared to the other brands (Aaker, 1996a) and this complete superiority stimulates a person to go for the purchase decision of the product (Aaker & Jacobson, 1994). Aaker (1996) also theorized that brand awareness must herald brand associations. In order to develop the set of associations with the brand a customer must be familiar with the brand (Washburn & Plank, 2002). Brand associations are grouped into two categories; firstly, product related features like performance of the brand; secondly, non product related feature like organizational associations (Keller, 1993; Aaker, 1996b; Netemeyer et al., 2004; Pappu et al., 2005). Researchers relating to service industry have focused on exploring the relationship between the customer contact staff and the customers (Wong & Sohal, 2006). Existing literature reveals the interaction between employees and customers affects perceived service quality and brand loyalty (Awan et al., 2015). And employee behavior, their skill level, management support and equipment act as a determinant of brand loyalty. Prior studies used a piece meal approach to investigate the relationship between internal marketing and customer brand equity as one or two elements of brand equity were
discussed in relation with internal marketing. Several studies investigated the effects of internal marketing on customer loyalty and perceived quality which are just the two dimensions of customer brand equity (Weatherly & Tansik, 1993; Wong & Sohal, 2006; Awan et al., 2015) but this study, through the adoption of an inter-disciplinary approach, contributes to literature by creating and endorsing the link between internal and external marketing. This study presented a comprehensive structure to identify the link between internal marketing and customer brand equity through employees job related behaviors which included job satisfaction, organization citizenship behavior and organization commitment.

III. Research Methodology

Quantitative approach was applied for this study since it helps to develop the connection between dependent and independent variables. Two types of questionnaire were developed to get the primary data from the employee-customer dyad. Purposive sampling was used to bring together the data from the managers and customers of different banks operating in Metropolitan cities of Pakistan. This sampling technique was incorporated because it is against the policy of banks to share the list of their customer so the use of probability technique of sample selection was not possible. Sample size used in this study was 225. But the valid questionnaires were 211 sets. For each manager one customer was identified and considered as an observation in the study. So in total 422 observations were gathered from managers and customers. This approach is well supported in the literature for this kind of study (Payne & Webber, 2006; Awan et al., 2015).

In-depth study of literature on service marketing was done to identify and explore all the measures used in this research. The managers provided evidence on four constructs which are internal marketing, job satisfaction, and organization citizenship behavior and organization commitment whereas construct of customer based brand equity was responded by customers. Both the questionnaires were divided into two parts. First parts explore socioeconomic factors and the other section emphasized on independent and dependent variable under study.

IV. Results and Discussions

A. Descriptive Analysis

The major demographic characteristics asked in both the questionnaires include age, gender, education, income level along with the name of bank with which they are maintaining relationship, tenure of relationship and number of banks which they have switched.

Descriptive Statistics of Managers

Descriptive analysis of the managers is reflected in Table 1. There are 142 male respondents whilst female respondents are 69 among the managers. Based on the collected data, majority of the managers laid on the age group between 21-35 years which amount to 58.8% (124 respondents) of the total. Table 1 indicates the highest percentage of managers in terms of their education level is 16 years of schooling which is 76.3% of the total population with a frequency of 161 respondents. Table 1 also shows the highest percentage of the managers has the 50,000-125,000 salary range which accounted for 76.4% of the total with the frequency of 161 respondents.
Table 1: Descriptive Analysis of Managers

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td>Designation of Managers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>142</td>
<td>67.3</td>
<td>Branch Manager</td>
<td>82</td>
<td>38.9</td>
</tr>
<tr>
<td>Female</td>
<td>69</td>
<td>32.7</td>
<td>Manager Credits</td>
<td>13</td>
<td>6.2</td>
</tr>
<tr>
<td></td>
<td>211</td>
<td>100</td>
<td>Manager Customer Services</td>
<td>44</td>
<td>20.9</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td>Operation Manager</td>
<td>46</td>
<td>21.8</td>
</tr>
<tr>
<td>21–35</td>
<td>124</td>
<td>58.8</td>
<td>Trade Manager</td>
<td>25</td>
<td>11.8</td>
</tr>
<tr>
<td>36–45</td>
<td>58</td>
<td>27.5</td>
<td>Relationship Manager</td>
<td>1</td>
<td>0.5</td>
</tr>
<tr>
<td>46–57</td>
<td>22</td>
<td>10.4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Above 58</td>
<td>7</td>
<td>3.3</td>
<td>Salary of Managers</td>
<td></td>
<td></td>
</tr>
<tr>
<td>211</td>
<td>100</td>
<td></td>
<td>50000 - 125000</td>
<td>161</td>
<td>76.4</td>
</tr>
</tbody>
</table>

Descriptive Statistics of Customer

Descriptive analysis of the Customers is reflected in Table 2 indicates the highest percentage of customers in terms of their education level is 16 years of schooling which is 48.3% of the total population. Table 2 indicates that the highest percentage is 84.3% with frequency of 178 reflects the customers with the relationship ranging 1-5 years with their present bank. Table 2 indicates the frequencies and percentages of respondents in terms of number of banks switched. The highest percentage is 36.5% with frequency of 77 reflects the respondents who have switched 2 banks.

Table 2: Descriptive Analysis of Customers

<table>
<thead>
<tr>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
<th>Variables</th>
<th>Frequency</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td>Years of Schooling</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>134</td>
<td>63.5</td>
<td>10</td>
<td>15</td>
<td>7.1</td>
</tr>
<tr>
<td>Female</td>
<td>77</td>
<td>36.5</td>
<td>12</td>
<td>40</td>
<td>19.0</td>
</tr>
<tr>
<td></td>
<td>211</td>
<td>100</td>
<td>14</td>
<td>25</td>
<td>11.8</td>
</tr>
<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
<td>16</td>
<td>48.3</td>
</tr>
<tr>
<td>21–35</td>
<td>110</td>
<td>52.1</td>
<td>18</td>
<td>24</td>
<td>11.4</td>
</tr>
<tr>
<td>36–45</td>
<td>64</td>
<td>30.3</td>
<td>Above 18</td>
<td>5</td>
<td>2.4</td>
</tr>
<tr>
<td>46–57</td>
<td>28</td>
<td>13.3</td>
<td>211</td>
<td>100</td>
<td></td>
</tr>
<tr>
<td>Above 58</td>
<td>9</td>
<td>4.3</td>
<td>No. of Banks</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>211</td>
<td>100</td>
<td>0</td>
<td>31</td>
<td>14.7</td>
</tr>
<tr>
<td>Relationship Duration</td>
<td>1</td>
<td>69</td>
<td>32.7</td>
<td></td>
<td></td>
</tr>
<tr>
<td>with Current Bank</td>
<td>2</td>
<td>77</td>
<td>36.5</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1–5 yrs.</td>
<td>178</td>
<td>84.3</td>
<td>3</td>
<td>17</td>
<td>8.1</td>
</tr>
<tr>
<td>6–10 yrs.</td>
<td>32</td>
<td>15.1</td>
<td>4</td>
<td>2</td>
<td>0.9</td>
</tr>
<tr>
<td>11–20 yrs.</td>
<td>1</td>
<td>0.47</td>
<td>5</td>
<td>15</td>
<td>17.1</td>
</tr>
<tr>
<td></td>
<td>211</td>
<td>100</td>
<td>211</td>
<td>100</td>
<td></td>
</tr>
</tbody>
</table>

B. Scale Measurement

Reliability Analysis

Table 3 reflects that all the constructs such as job satisfaction, organization citizenship behavior, organization commitment and customer brand equity have strong reliability as their value of Cronbach alpha exceeds 0.70.
Table 3: Reliability of Constructs

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Cronbach Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal Marketing</td>
<td>23</td>
<td>0.880</td>
</tr>
<tr>
<td>Job Satisfaction</td>
<td>8</td>
<td>0.799</td>
</tr>
<tr>
<td>Organization Citizenship Behavior</td>
<td>8</td>
<td>0.851</td>
</tr>
<tr>
<td>Organization Commitment</td>
<td>7</td>
<td>0.756</td>
</tr>
<tr>
<td>Customer Brand Equity</td>
<td>16</td>
<td>0.855</td>
</tr>
</tbody>
</table>

C. Inferential Statistics

Structure Equation Modeling

Structural equation modeling (SEM) technique based on partial least square (PLS) is used to evaluate all the significant factors in the proposed framework. SEM was employed using AMOS 21.0 and tested the proposed model and hypotheses. This model is used to identify the effect of internal marketing on customer brand equity via job satisfaction, organization citizenship behavior and organization commitment in the banking sector of Punjab, Pakistan and to investigate different paths lead to customer brand equity. In the current study, path diagram has been drawn as it shows a key role in structural modeling. They demonstrate variables unified with lines that are used to designate causal flow. Path diagram is considered to be a tool for exhibiting which variables are affected by other variables (Kheiry & Alirezapour, 2012).

Figure 2: Customer Brand Equity and Path Analysis

Figure 2 depicts that IM (Internal Marketing) is an unobserved exogenous variable while all other four variables are observed endogenous variables namely; OCB (Organization Citizenship Behavior), OC (Organization Commitment), JS (Job...
Satisfaction), and CBE (Customer Brand Equity). Results indicate that internal marketing indirectly affects the customer brand equity through organization citizenship behavior (OCB), job satisfaction (JS) and organization commitment (OC) in the banking sector of Punjab, Pakistan. Furthermore, Figure 2 explores three paths lead to customer brand equity. First path starts from internal marketing through organization citizenship behavior lead to customer brand equity. Second path shows that internal marketing can lead to customer brand equity through job satisfaction. And the third path is internal marketing establishes organization commitment among employees towards the bank which ultimately lead to customer brand equity. Squared multiple correlation of CBE (Customer Brand Equity) with OCB (Organization Citizenship Behavior), JS (Job Satisfaction) and OC (Organization Commitment) is also shown in the right top corner of the CBE rectangle box that is 0.90, which indicates that 90% of the total variability in CBE can be explained by OCB, JS and OC. While remaining 10% variations in CBE is due to the factors that are not incorporated in the study.

Results of path analysis are shown in Table 4 which confirmed that the internal marketing practices help the banking sector to develop organizational citizenship behavior among its staff at P = 0.000. This supports H1 which is consistent with the research work of Abzari & Ghujali (2011) on Melli Bank in Isfahan city of Iran whose finding confirmed that organization citizenship behavior which is an extra role behavior can be increased in employees through appropriate internal marketing practices. It is also similar with prior research by Bansal et al. (2001), Seyed et al. (2010). Results of present study confirmed that the job satisfaction is positively influenced by internal marketing activities at 1% significance level which support H2. This finding is consistent with the study by author Awan et al. (2015) in the context of Telecom sector of Pakistani whose findings confirmed that the job satisfaction was strongly correlated with the internal marketing practices offered telecom sector of Pakistan. This result is also consistent with prior studies (Rafiq & Ahmed, 2000; Nittala & Kameswari, 2009; Ahmad & Al-Borie, 2012; Al-Hawary et al., 2013). Results presented in Table 4 also declared the positive and significant impact of internal marketing and organization commitment at 1% significance level which support H3. This result is persistent with the studies of (Vazifehdoost et al., 2012) on banking sector of Iran in which they confirmed that organization commitment can be increased by opting internal marketing approach. This result is also consistent with previously conducted studies (Gabbot & Hogg, 1998; Sadeghlooo et al., 2014; Ramos 2018). Table 5 displays that organization citizenship behavior positively and significantly influence customer brand equity at P = 0.000 which supports H4. The result is in line with previous studies on OCB and perceived quality and brand loyalty which are the dimension of customer brand equity (Bell & Menguc, 2002; Yoon & Suh, 2003). Similarly it is found that customer brand equity is positively and significantly influenced by job satisfaction and organization commitment at P=0.000 which support H5 and H6. Our findings are in line with the studies conducted by Allen and Grisaffe (2001) on one of the dimension of customer brand equity which is brand loyalty. No literature depicting the relationship between customer brand equity and job satisfaction, organization citizenship behavior and organization commitment is available as per the knowledge of the researcher which makes this study unique. Relevant literature is available only on the dimensions of customer brand equity which are perceived quality and brand loyalty in relation with internal marketing, job satisfaction, organization citizenship behavior and organization commitment.
Table 4: Hypotheses testing and path coefficient for PLS

<table>
<thead>
<tr>
<th>Path</th>
<th>B</th>
<th>S.E.</th>
<th>T value</th>
<th>P- Value</th>
<th>Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intermkt</td>
<td>0.961</td>
<td>0.047</td>
<td>20.447</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>Intermkt</td>
<td>0.963</td>
<td>0.174</td>
<td>5.534</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>Intermkt</td>
<td>0.935</td>
<td>0.073</td>
<td>12.808</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>OCB</td>
<td>0.270</td>
<td>0.069</td>
<td>3.913</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>JS</td>
<td>0.481</td>
<td>0.095</td>
<td>5.063</td>
<td>***</td>
<td>Significant</td>
</tr>
<tr>
<td>OC</td>
<td>0.224</td>
<td>0.087</td>
<td>2.575</td>
<td>***</td>
<td>Significant</td>
</tr>
</tbody>
</table>

***. Significant at the 1 percent level of significance

Furthermore Table 4 also displays standard regression estimates which are also called as standardized regression coefficients. From this table it is clearly seen that organization citizenship behavior increases by 0.961 with the increase of internal marketing by per unit. Per unit increase in internal marketing can cause an increase in job satisfaction by 0.75 units. Through the increase in internal marketing by per unit, banks can raise level of organization commitment by 0.935. Next, 0.270 units of customer brand equity can be increased with the increase in organization citizenship behavior by per unit. This per unit rise in job satisfaction increases customer brand equity by 0.481. Customer brand equity increases by 0.224 through the increase in organization commitment by per unit.

V. Conclusions and Recommendations

For many decades, marketing activities of the organizations were just confined to the external customers for the purpose of sale inducement. However, as the service sector grew, a swing was brought by it in trivial marketing approach. And this swing should consider staff as internal customers of the firm. Keeping in view the significance of internal marketing and its influence on internal as well as external customers. This study found that job satisfaction, organization citizenship behavior and organization commitment of the bank employees can be enhanced by using proper internal marketing practices which are mainly related to sharing of vision, training and development and appropriate reward system. Particualry the banks can raise the level of customer brand equity through satisfied employee who are not only engaged in extra-role behaviors but also are committed to the organization. Present study recommends that the banking sector should pay much more focus on internal marketing practices like appropriate rewards and training for the employees so that they can make their employees not only satisfied with their job but also make them good soldier and more loyal to the organization.

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