IMPACT OF INTERNAL MARKETING ON LOYALTY, PROMOTION AND CUSTOMER RELATIONSHIP CONSIDERING THE MEDIATING ROLES OF TRAINING, MOTIVATION AND REWARD

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Abstract

Nowadays, the topic of internal marketing and the quality of service has become very critical for companies due to the growing expansion of the service industries. Internal marketing has been described as a method that can positively impact employees' delivery of quality service consistently. Internal marketing is also said to have a broad effect on employee behavior, including employee commitment with the company. The aim of this study is to provide an insight into the effect of internal marketing strategy on employee loyalty, promotion and customer relationship while exploring the mediating functions of training and employee “motivation and reward” in Multination Beverage Company in Iraq. A structured questionnaire derived from previous research and relevant literature was used to collect data from 375 employees of those organizations. The results of this study reveal that Motivation and Reward as a mediating factor has the highest impact in the relationship between internal marketing and employee loyalty, while training showed strong concrete trend on customer relationship and promotion. This means that an adequately trained employee is able to provide quality service to the customer and relate better with them to ensure the promotion of the organizations vision.

Keywords: Internal Marketing, Loyalty, Promotion, Customer Relationship, Training, Motivation and Reward

Introduction

Today, the circumstances under which a business works are changing continuously. Customers are demanding more than just the core product. They want a vast variety of values, behavior and experiences. To what degree an organization is able to produce such an 'expanded' product depends largely on whether the firm hires employees with the 'right' expertise, enthusiasm and dedication. Developing and creating a holistic and deeper customer experience requires well-functioning teamwork between staff, as well as successful interplay between employees and management. The marketing objective of a company is to provide its customers with value, while at the same time guaranteeing the organization a satisfactory revenue.

Internal marketing is of great significance in all industries, particularly in service sector companies. This is because staff communicate with customers directly, particularly the front-line employees. Effective businesses must pay attention to internal marketing, which ensures they can take care of the staff by treating them as the company's own clients. It is achieved by the delivery of incentives and facilities that in effect boost their efficiency.

The new concepts on internal marketing illustrate the value of measures taken in a systematic approach to strengthening international relationships. To support the change, these measures are combined at the level of the entire organization in a strategic demarche. (Ballantyne, 2000) in his book: Strength and weaknesses of internal marketing, described internal marketing as a method for building partnerships between internal stakeholders, where staff decisions, autonomy and know-how combine to produce and disseminate operational

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information that challenges internal practices that need to be improved to enhance the quality of consumer relationships. As stated in the 14th edition of (Kotler and Keller, 2008): Marketing management; external marketing relations can be expressed through the value proposition an organization submits to its clients. The goal of internal marketing here is to ensure that the workers are able to deliver this service. The role of internal marketing is thus to recruit, train and inspire workers who are competent and ready to satisfy consumers well.

Different scholars have argued that internal marketing is an instrument that can be used to motivate employees to deliver quality service (Narteh, 2012). In their literature review suggested three main stages in the development of internal marketing concepts: motivation of employees, customer orientation and satisfaction stages. They also suggested that internal marketing had first been presented as a solution to the ongoing challenge of delivering consistently high-quality service. It has also been suggested that internal marketing is the secret to satisfying the internal employee as a way of understanding organization’s mission (Berry, 1981).

In their book entitled “Marketing Services: Competition through Quality” (Berry and Parasuraman, 1991), they have however argued that the commitment of the internal consumer is essential to the company’s sustainability and growth.

(Moghadas, 2011) defines a Loyal Customer his its article "Management of Customer Loyalty" as one who regularly purchases products and services from one retailer and has a favorable outlook towards him and thus allows others to buy from him and lead companies to growth and productivity. Studies have shown that one of the factors that contribute to the creation of customer loyalty is its perceived quality towards the service provided by organization. Quality of service thus plays a crucial role in organizational effectiveness in creating competitive product and increasing competitive power (Hosseini and Qapanvary, 2013). In the other hand knowledge, skills and motivation of company service workers (which is the principle of internal marketing) may play an important role in delivering high quality service. Internal marketing is intended to attract, grow, inspire and sustain the work productivity of employees and to satisfy their needs (Soleimani Besheli, 2012).

In his work on the impact of internal marketing on business performance in travel agencies in Iran (Hosseini and Rahmani, 2012), he discussed that satisfying employee expectations increases their motivation and therefore their satisfaction, which in turn induces greater loyalty to the company and enhances the efficiency of the services they offer. The purpose of this study is to provide an insight into the impact of internal marketing strategy on employee loyalty, promotion and customer relationship of Multination Beverage Company in Iraq, and to analyze whether this relationship reinforces through improvements in employee training, motivation and reward. The work has made important contributions to the knowledge base at both academia and industry levels by deepening understanding of the impact of internal marketing principles on employee loyalty, promotion, and customer satisfaction. Previous researchers have attempted to investigate the impact of internal marketing on customer loyalty and satisfaction, but little is known about employee loyalty and the role of internal marketing in ensuring employee retention. This study also elaborates of the impact of training and motivation on job satisfaction of employees. An organization with trained and motivated workforce would provide quality service to the customers and also promote the organization.

The rest of the paper is organized as follows. Section 2 reviews the literature and proposes the research map. Section 3 describes the research methodology including framework and hypotheses. Section 4 describes the data analysis and the results. Section 5 discusses managerial implications and section 6 presents a brief conclusion.

**Review of Literature**

**Internal Marketing**

Internal marketing is an organized attempt to eradicate barriers to organizational resistance (Rafiq & Ahmed 2008). They often relate to internal marketing as the implementation and management of organizational efforts to consistently execute business strategies. As a result, internal marketing is seeking to build and enhance customer experience and loyalty for employees (as internal customers). Internal marketing is one of the key factors that can be successful in improving service quality and consumer satisfaction sustainably and in growing it. Indeed, internal marketing is used in the organizational context and corporate stakeholders to create and optimize marketing strategies (Rafiq and Ahmed 2008). Internal marketing has six dimensions of job security, extensive training,
empowerment, information sharing, incentive offering, and employee gap reduction.

Loyalty
For many years there has been an ongoing heated discussion on what characterizes a loyal employee (see e.g., McCusker & Wolfman, 1998; Meyer & Allen, 1997; Powers, 2000). The common denominators for this debate are as follows: A loyal employee
- will very likely not search for a job in another firm, he is willing and ready to work for the organization both in the short and long term.
- I very proud and satisfied with his job in the company and will immediately recommend his organization to friends, family and associates
- Will do his/her best and still put in extra work when require to ensure optimum performance and contribution to the company.
- builds a strong connection with the organization even though small levels of dissatisfaction can occur here and there
- tries to engage in various trainings and other vocational activities to develop his/her self and inadvertently improve his/her performance.
- Has an attitude and actions that suits the principles, goals and priorities of the organization.
- In short, a loyal employee is characterized by his / her association with the company and his / her determination to excel above expectations.

Customer Relationship Management
A key element in creating customer satisfaction in a service encounter is the quality of the service. The standard of a service is expressed in the courtesy, sensitivity, expertise, flexibility, efficiency and integrity of those who provide the service. This is further reinforced by the manner in which the service providers communicate with the client and the concrete evidence of the value that the consumer may experience.

Via frontline staff, customer relationship management attempts to create closer ties between the company and its customers (Mckenzie, 2001). Customer relationship management is a crucial tool for companies because it separates them from their rivals with the potential to recognize and provide customized solutions to particular challenges encountered by consumers. In other words, for frontline employees to manage customer relationship, it is necessary that they make use of customer-related information to deliver the relevant products or services to customers. Customer relationship management has the benefit of shortening the gap between consumers and frontline staff, leading to corporate performance through customer satisfaction, improved quality and efficient collection of knowledge (Nguyen et al., 2007). By enhancing the level of service offered by the supplier, the loyalty of the consumers is increased. Pleased consumers are valuable because they are able to build a good relationship with the company that leads to a lasting relationship (customer loyalty) first when they are pleased. Loyalty produces stable sales, and the stability of the consumer relationship is increased by increasing revenue over time. To sum up, customer relationship management lets businesses identify the factors of existing and potential customer productivity, which in turn encourages corporate capital to be adequately and proportionately committed to all functional fields involving the customer relationship (Chou et al., 2002).

Internal Marketing and Loyalty
Customer loyalty occurs when the product or service is ordered by the same client and the customer continues to recommend it to other consumers without any apparent benefit. Nonetheless, a loyal consumer is one who is not readily swayed by aggressive price cuts, and buys more than less loyal customers (Al-Rousan, et al., 2010). In other words, consumer loyalty is to build willingness for consumers to do business with certain organisations and the purchasing products and services are commonly specified but there is no generally accepted way to define loyalty. In their analysis of the impact of service quality on consumer loyalty (Allame & Nokte dan, 2010), loyalty was described as a strong willingness to repurchase a quality product or service in the future, because the same product or services is purchased even with marketing campaigns of potential rivals. (Cheng, 2011) used linear structural modeling with a sample of 295 department store shoppers to investigate the disparities between behavioural and attitudinal loyalty models. He defined consumer loyalty as a feeling of belonging to the staff, the facilities or goods of a company that would drive him to repurchase, the resources he invested, the likelihood of promoting this company to others and even his desire to become part of the organization. It is necessary to consider the attitudinal and behavioral aspects. Attitudinal loyalty represents the consumer's perception of a single service provider and his affinity for a good or service relative to other options. If a client has
consumer loyalty, the same brand can be repurchased again to continue its partnership with a particular service provider. Some studies believe attitude loyalty as the background of behavior loyalty. However, some claim this is the identity of the company, which greatly enhances the behavioral loyalty (Cheng, 2011). Therefore, this study proposes that:

H1: There is a significant positive relationship between internal marketing and loyalty in Multination Beverage company in Iraq

Internal Marketing and Customer Relationship Management

Internal marketing is linked to the manager-employee relationships. It is critical that all of these players who belong to the same unit, the organisation, speak in "the same tongue" to achieve a balance. In this case, equilibrium simply means that managers and employees interpret each other's messages correctly, which in the services marketing triangle translates into "enabling of the promise".

![Figure 1. Services Marketing Triangle (Kotler et.al. 2002)](image)

Client relationship management is the instance in the services marketing triangle in which the workers communicate with the customer; it is the moment that frontline employees have to "give the organization's pledge" to the customer. This business experience acts as a "moment of reality" for the client as the company will live up to the consumer's standards. If the company has vowed to provide "perfect consumer experiences," then just decent experiences will not be enough because that would have a negative effect on the organization's mission.

So forth the connection between internal marketing and customer relationship management is one that can be satisfied by meeting the two commitments of the services marketing triangle. The effectiveness of the employees in communicating with the customer and "providing the assurances" relies directly on the willingness of the managers to "allow the pledge" internally, so that frontline workers know what to expect and feel such a high degree of job satisfaction that they will be inspired to expect it. Through meeting the needs of the consumers and honoring the pledge, the "moment of reality" will therefore decide the organization's role in the relationship and at the same time reinforce the connection to the consumer. Therefore, this study proposes that:

H2: There is a significant relationship between internal marketing and customer relationship in Multination Beverage company in Iraq.

Employee Motivation and Reward

Motivation is the force that accounts for the strength, course, and consistency of an individual's desire to reach a goal. The word motivation comes from the Latin word 'movere' meaning 'to move.' Motive is described as "an inner state that invigorates, stimulates (or moves) and directs individual behavior towards certain objectives". Motivation plays a major part in attaining company goals and priorities. Organizations must ensure that the priorities and values of each employee's goals at work are consistent with the objectives of the company, and the vision is crucial for establishing and sustaining a high morale level. (Bishop, 1987) suggested wage is directly related to productivity, and the system of incentive depends on the size of a company. Organizations in today's business world want to find the appropriate equilibrium between the loyalty of the firms' employees, their dedication and efficiency. Deeprose (1994) concluded that employees' morale and efficiency can be improved by providing them with meaningful appreciation that eventually leads to better organizational results (e.g., promotion).

Amjad and Muhammad (2012) referenced an earlier analysis by Tansey, McHugh and McGrath (2004) that discovered that management can use internal marketing to inspire staff to offer the highest quality customer satisfaction. In a similar development, Papasolomou (2006) analyzed information from 35 business units in seven UK retail banks to highlight branding concerns in the financial services sector and the connection between IM and branding. He argued that many companies set a structured variety of incentives to motivate their employees to enhance the
performance and delivery of their service. The incentive scheme problem is the failure of management to determine the distinctions between good, mediocre, and terrible performers. Empirical data from the literature on hospitality management suggests that emotionally driven workers display positive effects such as improved work satisfaction (Karatepe & Uludag, 2007). Thus we propose:

**H3:** There is a significant relationship between “internal marketing and Customer promotion in Multination Beverage company in Iraq

**Mediation Effect of Motivation and Reward**

Motivation, according to (Mitchell, 1982), is "the sum of those psychological mechanisms that trigger the excitement, direction, and continuity of purpose-oriented voluntary actions." It is also the desire to meet high standards of business objectives, influenced by the capacity of the effort to fulfill certain human desires "(Robbins, 1993). Motivation plays a leading role in developing solutions for workers in the workplace.

(Yelon et al., 2004) gathered and analyzed 180 application stories from 73 physicians who completed an 8-year Faculty Training Fellowship. Their aim was to inspire workers by creating an enjoyable work atmosphere, and the findings showed improved levels of motivation, satisfaction, imagination, workplace relations and increased group cohesiveness emotions. Employee satisfaction is also one of the crucial facets of the philosophy of internal marketing, and is necessary in order to improve workers’ mindset towards their job and workplace, and in effect impacts customer relations. The internal market is becoming important as people may lose the desire to adopt structured processes and procedures over time. Therefore, empowering workers to determine how to best provide services, inspire and encourage them to learn beyond the systems they are accountable for, provides incentives for creativity in operation.

(Álvarez-González et al. 2017) conducted a survey on a sample of Spanish non-profit organizations for their research on non-profit business partnerships as a driver of non-profit internal marketing. Their results show that personal motivation, dedication and teamwork are important to any business activity’s success.

(Dar et al., 2014) found that motivation of employees is one of the most significant elements that can mediate the relationship between Human resource management post-selection practices and firm performance. In addition, from their findings, employee motivation mediates the relationship between SD, IR and the staff intention to stay that could be used to back up the findings of this paper. Motivation was seen as one of the basics for improving retention of employees. Thus, we propose that:

**H4:** Employee Motivation and reward” has a mediating role in the relationship between Internal Marketing and Loyalty.

**H5:** Employee Motivation and reward” has a mediating role in the relationship between Internal Marketing and Customer Relationship.

**H6:** Employee Motivation and reward” has a mediating role in the relationship between Internal Marketing and Customer Promotion

**Mediation Effect of Employee Training**

Employee training is an integral aspect of every organization’s performance. To sustain the development and benefit of the company, training is necessary. The key explanation is that it would enable people enhance their work capacity in conjunction with their activities (Surbhi, 2015). Upon completion of training, trainees would be able to grasp the full work requirement of their current organizations. Training programmes are usually conducted by companies to develop their employees’ performance. If an employee is being appointed after they have been selected, they will also be subject to rules, policies, and procedures of the company. This training programmes are intended to strengthen the employee’s mindset toward their superiors, subordinates, and peers. This means the efficient employee can help the organization acquire good service quality and customer loyalty. In this way, providing training allows the company to show that it is committed to its employees, which in turn results in the employees feeling appreciated, challenged, and are more satisfied toward their work. It is appropriate for organisations to provide mandatory training to employees to improve its productivity and profitability. If an employee feels treated as an asset to a company, training would elevate trust and promote job security which inturn influence their service (Liff & Wahlström, 2017). Employees consider training initiatives to be a very pertinent element within their job environment. As a result, their affection and gratitude level should increase, contributing to a strengthening of the employee-employer relationship, customer relationship (Narteh & Odoom, 2015; Wieczorek-Szymańska, 2017). This chain of reasoning is supported by research suggesting that:
H7: Employee training has a mediating role in the relationship between Internal Marketing and Loyalty.
H8: Employee training has a mediating role in the relationship between Internal Marketing and Customer Relationship.
H9: Employee training has a mediating role in the relationship between Internal Marketing and Customer Promotion.

Research Methods
Sample and Measurement
To be able to investigate the relationship between internal marketing, employee loyalty, promotion and customer relationship, a survey is developed and conducted in Multination Beverage Company in Iraq. The data from this survey is collected using 34 questions submitted to all categories of workers (i.e lower, middle and senior level workers) in order to measure their perceptions and attitudes. The respondents have been assured of full confidentiality and no names or other forms of recognition have been asked. They are expected to fill out the questionnaire using a five-point Likert scale (where 1= Strongly Disagree; 2= disagree; 3 = neither agree nor disagree; 4 = agree and 5 = strongly agree). The Participants comprised 375 workers employed in this organization of which 226 (60.3 percent) are male and 149 (39.7 percent) are female.

An introductory letter followed each questionnaire, reminding the participants of the purpose of this research. Respondents were asked to be voluntarily active and their comments should remain confidential and private to the participants. Both the methods used for the analysis were updated from previous studies. The scale developed for measuring employee loyalty was developed in 2018 by Muhammad Junaid Shahid Hasni, Jari Salo, Hummayouon Naeem, Kashif Shafique Abbasi, (2018). Internet marketing measured with thirteen items. Two items for promotion and six items for customer relationship adopted Decha Dechawatanapaisal (2019) were used for this study. The scale developed for measuring Motivation and reward was used in Wagner, Mainardes, Rodrigues, Teixeira, (2019) with eight items.

Data Analysis
The hypothesized relationships in the proposed model (fig 2) were evaluated using structural equation modeling (SEM). The structural equation modeling approach allows multiple regression equations to be calculated simultaneously within a single system. Notably, all direct and indirect relationships in the model are measured simultaneously, thereby allowing all interrelationships between variables to be evaluated in the same scope of the calculation.

It is important to test for normal distribution before any study of sample data. As a conservative rule of thumb, Hair et al. (2017) opined that sample data would be considered normal if the Skewness and Kurtosis test values were between ±1.96 by analyzing the Skewness and Kurtosis using IBM AMOS Software, the analysis reveals that none of the items in internal marketing had values in Skewness greater than (1.795), but just one item had Kurtosis greater than (1.902). These findings show that the sample data is consistent with an assumption of normality needed for further use in multivariate analysis.
Findings
First of all, the confirmatory factor analysis (CFA) was used to determine the construct validity of measurement instrument. The findings show all the items to be measured have met the necessary statistically assumption and provide important evidence in the case of construct validity, which possessed the values of >.50.

Table 1. Convergent Validity

<table>
<thead>
<tr>
<th>Items</th>
<th>Estimate</th>
<th>S. E</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td>IM1</td>
<td>1.000</td>
<td>0.835</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>IM2</td>
<td>0.905</td>
<td>0.123</td>
<td>7.376</td>
<td>0.000</td>
</tr>
<tr>
<td>IM3</td>
<td>0.850</td>
<td>0.129</td>
<td>6.604</td>
<td>0.000</td>
</tr>
<tr>
<td>IM4</td>
<td>0.919</td>
<td>0.139</td>
<td>6.634</td>
<td>0.000</td>
</tr>
<tr>
<td>IM5</td>
<td>0.711</td>
<td>0.120</td>
<td>5.939</td>
<td>0.000</td>
</tr>
<tr>
<td>IM6</td>
<td>0.798</td>
<td>0.141</td>
<td>5.671</td>
<td>0.000</td>
</tr>
<tr>
<td>IM7</td>
<td>0.996</td>
<td>0.123</td>
<td>8.099</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Secondly SEM analysis was used to test the seven hypotheses proposed in the present study. The findings will be used to either affirm or discard each hypothesis based on the impact of the standardized path coefficient and the value of critical ratio, Table 2 Direct Relationships in Final Structural Model.

Table 2. Direct Relationships in Final Structural Model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Path</th>
<th>Estimate</th>
<th>S.E.</th>
<th>C.R.</th>
<th>P</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1 L</td>
<td>IM .927</td>
<td>.093</td>
<td>9.967</td>
<td>***</td>
<td>Significant Positive Effect</td>
<td></td>
</tr>
<tr>
<td>H2 CR</td>
<td>IM .861</td>
<td>.085</td>
<td>10.131</td>
<td>***</td>
<td>Significant Positive Effect</td>
<td></td>
</tr>
<tr>
<td>H3 P</td>
<td>IM .851</td>
<td>.091</td>
<td>9.357</td>
<td>***</td>
<td>Significant Positive Effect</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Direct Relationships in Final Structural Model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Causal Path</th>
<th>Estimate</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>H4 L</td>
<td>IM → M&amp;R → L</td>
<td>0.632</td>
<td>Positive Mediating Effect</td>
</tr>
<tr>
<td>H5 CR</td>
<td>IM → M&amp;R → CR</td>
<td>0.457</td>
<td>Positive Mediating Effect</td>
</tr>
<tr>
<td>H6 P</td>
<td>IM → M&amp;R → P</td>
<td>0.576</td>
<td>Positive Mediating Effect</td>
</tr>
<tr>
<td>H7 L</td>
<td>IM → T → L0.325</td>
<td>0.378</td>
<td>Positive Mediating Effect</td>
</tr>
<tr>
<td>H8 CR</td>
<td>IM → T → CR</td>
<td>0.235</td>
<td>Positive Mediating Effect</td>
</tr>
</tbody>
</table>
Table 3 shows that the indirect relationship between exogenous latent variable and endogenous latent variable through the mediating variable had a higher degree of relationships than the direct relationship between them. Relationships are significant because probabilities values of all the links are below 0.05 and t statistics. Figure 3 shows the path and relationship between each connection.

**Conclusion**

This research is conducted to identify the mediating effects of training and motivation on the impact of internal marketing on employee loyalty, promotion and customer relationship. From the analysis of the respondents in the selected organization, training and motivation has a huge impact on the employees, their relationship and ability to deliver quality service to the customers. The direct impact of internal marketing on employee loyalty, promotion and customer relationship is also examined, and a positive relationship was found. The results show that motivation and reward have positive impact on employees job satisfaction and retention, and when adequately done, would make a loyal employee that promotes the organizations vision to the clients.

**Practical Implications**

The findings from this research is a call-to-action for many organizations in Iraq, to understand that employees being the interface between the customers and the organizations service offerings play a critical role in the growth of such establishment and need to be properly motivated and trained to deliver more excellent services to the customers. It is also important to note that while incentives and salary might be the most dominant factor in employee motivation, workers have different needs and expectations from their employers, it is important that these employees should be paid close attention to, to understand what the needs are and how they can be met because properly motivating an employee would lead to job satisfaction, loyalty and retention.

**Suggestions for Future Research**

1. I recommend that this analysis be conducted on other organizations in different industries in Iraq.

2. The effect of demographic elements of
employees on internal marketing should be adequately studied.

3. This study was centered on the employee loyalty and promotion, another research can be conducted to determine customer loyalty, and satisfaction to get a different perspective on the impact of internal marketing.

References


