



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

**THE EFFECT OF INTERNAL MARKETING ON
CUSTOMER SATISFACTION: THE CASE OF
COMMERCIAL BANK OF ETHIOPIA (CBE)**

BY

MENGISTU SOLOMON

May 2017

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Advisor: Getie Andulaem(PhD)

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

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Statement of Certification

This is to certify that **Mengistu Solomon Tadesse** has carried out his research work on the topic entitled “**The effect of Internal. Marketing on customer Satisfaction: the case of Commercial Bank of Ethiopia**” The work is original in nature and is suitable for submission for the award of Masters Degree in Marketing Management.

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Statement of Declaration

I, Mengistu Solomon, declare that the thesis entitled “**The effect of Internal. Marketing on customer Satisfaction: the case of Commercial Bank of Ethiopia**” is my original work. I have carried out the present study independently with the guidance and support of the research advisor, **Gete Andualem (Phd.)**. Any other contributors or sources used for the study have been duly acknowledged. Moreover, this study has not been submitted for the award of any Degree or Diploma Program in this or any other Institution.

By: **Mengistu Solomon**

Signature_____

Date_____

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Abstract

The purpose of this paper is to explore the effect of internal marketing on customers' satisfaction the case of Commercial Bank of Ethiopia. The study was descriptive and quantitative in its approach. A structured questionnaire was developed. The hypotheses were simultaneously tested on a sample of 504 out of 645 questioners distributed to customers and employees of the bank by selecting fourteen branches in Addis Ababa based on convenience sampling technique, giving a valid response rate of 78 percent. Several analytical techniques were used to assess the relationships among the variables under investigation such as Pearson correlation, multiple linear regressions. The application used to analyze and examine the hypotheses is the SPSS V20. The findings of this study have shown a significant effect of internal marketing dimensions on customer satisfaction at the level of ($\alpha \leq 0.05$) The mean scores of employees perception of the internal marketing program of the bank range from 3.48-4.12 indicating that it is more than average. Overall satisfaction on the internal marketing program of the bank has resulted a mean score of 3.14 which shows there is average satisfaction on the implementation of the identified IM elements. The entire IM dimension in this study is positively correlated with customer satisfaction. The regression result shows that the adjusted R Square value was .857 and this implied that IM dimensions (predictors) accounts for 85.7% of the variation in customer satisfaction which is significant and 14.3% are other extraneous variables that can affect customer satisfaction. Only job quality and reward, promotional activities and benchmarking of benefit packages are predictors of customers satisfaction with beta value of .955, .669, and .818 respectively that have positive contribution for variation in customer satisfaction. The results are useful in identifying areas for strategic focus to help CBE to evaluate and implement internal marketing programs for the satisfaction of its customers to maintain its market leadership in the industry. As evident from the finding section that the study was conducted in Ethiopia only, applicability of the results in other countries may result differently. Further, as the study is conducted in the banking industry, application of the same in other industries, like; education and health may not come up with the same findings.

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

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Acronyms

IM=Internal Marketing

SPSS=Statistical Package Software for Social Science

CS=Customer Satisfaction

CBE=Commercial Bank of Ethiopia

CHAPTER ONE

INTRODUCTION

1.1 Background of the study

In the era of competition, many organizations have to create strategic planning to take the advantage of competition or to win the competition. One key to success in winning a competition is by creating a strategic marketing plan, which will have significant contribution to achieve the organizational visions and goals. Marketing is management process which has a role to maximize the profit (return) to shareholders and its company or organization then creating competitive advantage in product (Doyle,2000).

The marketing concept emerged in the mid 1950s while the application of marketing within a company and organization was being activated. This concept should be performed with a holistic marketing approach covering an integrated marketing, performance marketing, relationship marketing and internal marketing. (Kotler and Keller, 2009, p. 61). The holistic marketing concept is based on the development, design, and implementation of marketing programs, process, and activities that represent the breadth and interdependences. Holistic marketing recognizes that “everything matters in marketing”, so integrated perspectives is often necessary.

Marketing principles that were examined in the literature and practiced in various companies and organizations has been more associated with product marketing that addresses the customer as the last purpose. Customer is a group of people who buy the end of the organization's products or services, or who consume products or services which are provided by organizations (Jim Blythe, 2008). In customer service world, customers are categorized more often into two classes which are external customers and internal customers. An external customer is a customer who is not directly connected to that organization, whereas an internal customer is a customer who is directly connected to an organization. Internal customers are usually stakeholders, employees, or shareholders of the company and organization, but the definition also encompasses creditors and external regulators (Juran, 1988).

The marketing disciplines which explains about internal customer, is explained on the last part of holistic marketing which is internal marketing. Internal marketing becomes important because internal marketing, it has a role in ensuring that everyone in the organization embraces appropriate marketing principles. During this time, in a service business there is a concept of customer first, but more precisely is the employee first. Internal marketing sees employees as internal customers that the company has to build their loyalty to, said Johari Zein the Executive Director of JNE (Marketing Magazine, May 2011).

Employee motivation is a significant element of the concept, for many authors understands this to be the essence of what internal marketing to be. An employee's attitude towards their own work place is believed to directly influence the value of the customer service that is given to consumers. This was summarized by Kusluvan (2003) “Internal marketing efforts are assumed to result in employee satisfaction, job involvement, work motivation, employee commitment, maximum employee effort on behalf of the organizations and customers, increased job performance, service-oriented behaviors and lower turnover which, in turn should improve service quality, customer satisfaction and loyalty” (Kusluvan S,2003).

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

Internal marketing stresses the importance of the marketing concept internally, within the firm, by focusing on the employee and providing a source of competitive advantage (Panigyrakis and Theodoridis, 2009). Differentiation is one of the most critical sources of sustained competitive advantages for business. Therefore, banks have used several approaches to gain a competitive advantage, such as creative financial products, customize IT system, different prize linked

campaigns to mobilize local and foreign currency in the form of deposit. The objective of internal marketing is to create an internal environment in which customer consciousness proliferates among personnel (Caruana and Calleya, 1998).

Due to scarcity of local studies that deal with internal marketing, and its relation with customers' satisfaction, this study covers this gap from all sides whether from the point of view of banking establishments represented by workers, or the point of view of customers concerning their satisfaction about service quality provided to them by Commercial Bank of Ethiopia (CBE).

1.2 Statement of the Problem

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

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

Limited research has been conducted in the field of internal marketing in our country. Prior research done locally includes studies conducted for the purpose of investigating internal marketing in an airline industry and Ethiopian Electric power corporation. The banking sector in Ethiopia is dynamic and becoming competitive in nature. Due to the challenging business environment in which CBE is operating , it need to be determined to retain its employees, which can only be achieved through the successful implementation of internal marketing strategies. The employees of a business want their employer to understand their emotions and intellect, be treated as individuals, require open communication channels with the management of the business and desire the establishment and management of a long-term relationship with their employer. If these requirements are not met, employees will become less loyal towards their employer, which could eventually influence their satisfaction and productivity levels within the business. Therefore, it becomes important for CBE to implement internal marketing strategies which could be to the benefit of both the employees and the business in the long term. All these factors have forced the bank to find a new basis for competition in order to build and protect their competitive position by satisfying their customers.

As we all know commercial Bank of Ethiopia is a state owned bank, has a largest market share in terms of deposit, loan and generation of foreign currency. As of June 2016, the bank has 28,467 permanent employees, 13.3 account holder customers and 1140 branches stretched across the country (CBE 2016). If we look the ratio of employees to customer, one employee could serve 467 customers. This figure is too large that can bring about low customer satisfaction and demanding to command appropriate internal marketing programs where by employees can satisfy the needs of its customers. Losing of its key personnel to private banks and other problems like; long queue in its many branches and incompetent staff is an indication of low level of service quality and customer satisfaction level.

Hence, this research was attempted to investigate the relationship between IM programs and customer satisfaction by using IM scales in CBE from the view point of employees and customers in that order.

1.3 Research Questions

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

I. Main Research Question

How Internal Marketing programs affect customer satisfaction in Commercial Bank of Ethiopia?

II. Sub-Research Questions

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

1.4 Research Objective

1.4.1 General Objective

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

1.4.2 Specific Objective

The specific research objectives of the study were to;

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

1.5 Significance of the Study

This study is useful in providing good deal of lesson because it was be conducted in a largest bank in the country with more than 75 years of banking experience and retaining customers is crucial in this competitive environment. The result of this study will provide insight for service marketers in the banking sector to introduce IM programs in to their organizations and allowing managers to focus on identified IM elements.

A substantial amount of research has been conducted on IM and most of them focused on its relation with employee satisfaction that hinders to some extent its acceptance by organization to fully implement the practice. Therefore, the first benefit of this study will be to provide a better understanding of IM as determinant of external customers' satisfaction at CBE in particular. Secondly, the researcher will aims to provide an understanding in terms of the elements of IM and the extent to which each of them explains customer satisfaction.

1.6 Scope of the Study

This research was a case study on CBE where employees and customers are contacted to gather their insight about the firm's level of internal marketing programs implementation and level of satisfaction respectively. The rationale of choosing this bank is due to its largest market share and contribution in the economic development of the country by playing the financial intermediation role.

The study was confined to branches located in Addis Ababa city administration. The reason for selecting these branches is because major customers of the bank are served in these branches and the transaction volume is very high. The study also targets employees working at branch level due to the fact that they have frequent interactions with customers to investigate the IM practice of the bank. In addition, perception of external customers regarding the satisfaction was used in studying the relationship among the constructs.

The study will also limited to the IM scale variables (empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing and promotional activities), even if there are numerous IM elements developed by different scholars like inter-functional coordination, training and development, strategic reward and incentive system, knowledge management, etc.

1.7 Limitation of the Study

The study will focus on the identified IM elements to assess their relations with service quality and customer satisfaction. The study will depend on the information it gets from employees working at branch level and external customers' of the bank to assess the IM practices of the bank and its effect on customer satisfaction on selected sample branches. The use of non-probability sampling such as convenience (accidental), quota, purposive and network sampling procedures implies that not every element of the population has an opportunity for being included in the sample, (Burns & Grove ,2001). The non-probability sampling procedure may limit the generalizability of the findings.

Another limitation from a conceptual standpoint is that regardless of the study outcomes, organizational management theorists still may believe that internal marketing is a human resource phenomenon with a marketing twist (Mudie, 2003).

1.8 Definition of Terms

For the purposes of this study proposal, the following terms are defined.

Internal marketing

Internal Marketing is defined as “viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the firm,” (Berry & Parasuraman, 1991, p.272)

Service Quality

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

Service Marketing

A service can be defined as an act, process or performance(Gilmore,2003:4) whose output is intangible, generally consumed at the time of purchase(Zeithaml & Bitner,2009:111) and resulting in no change of ownership(Ihlen,2010:36). Service marketing can therefore be defined as the marketing actions undertaken to present a service to consumers with the aim of creating a desire within the consumer to use that service.

Customer Satisfaction

The most comprehensive definition of satisfaction has been offered by Kotler and Keller who define satisfaction as:

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

1.9 Organization of the Study

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

CHAPTER TWO

REVIEW OF RELATED LITERATURE

In this section concepts like origins of internal marketing, internal customer supply chain, phases of IM concept development, IM mix, customer satisfaction, comparison internal marketing and service quality, customer satisfaction within the banking sector, will be discussed.

2.1 Theoretical Review

2.1.1 The Origins of the Internal Marketing

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

A firm should be considered as a market and marketing inside the firm is internal marketing and therefore marketing tools that are used for external customers might be used for internal customers and the field of human resource management has started adopting appropriate marketing tools (Foreman & Money, 1995). Internal marketing has also been defined as a marketing technique within an organization which creates and communicates corporate values (Hogg & Carter, 2000) and it should be considered as part of the broader market orientation concept which was originally developed for marketing to external customers, however, the same

concept can also be used for marketing to internal customers (Naude,2002). However, Rafiq and Ahmed (1993) take issue with the concept of the employee as customer since employees may sometimes be coerced to do things in the organization whereas external customers have the freedom to buy or not buy from competing firms. To this end, Rafiq and Ahmed (1991) define internal marketing as a “planned effort to overcome organizational resistance to change and to align, motivate and integrate employees towards the effective implementation of corporate and functional strategies”. Shiu and Yu (2010) propose five components of internal marketing – employees as internal customers, customer oriented employees, human resource management viewpoint, internal exchange, and the use of strategic tools.

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

2.1.2 Phases of IM concept development

A careful examination of the literature over the last 20 years indicates the existence of three separate yet closely intertwined strands of theoretical development of the IM conceptualization, namely an employee satisfaction phase, a customer orientation phase, and a strategy implementation/change management phase. (Rafiq and Ahmed,1995)

Phase 1: Employee motivation and satisfaction

In the early developmental phase, the majority of the literature on internal marketing focused upon the issue of employee motivation and satisfaction. The major reason behind this was the fact that the roots of the internal marketing concept lie in efforts to improve service quality. Not being automatons, individuals exhibit inconsistencies in the performance of service tasks and as a consequence cause variation in the level of delivered service quality. The problem of “variability” focused organizational efforts on getting employees to deliver consistently high quality service. The overall effect of this was to bring to the fore the issue of employee motivation and satisfaction Viewing employees as internal customers.

As Berry’s (1981) defined internal marketing is viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization Viewing their job offerings as products and their employees as customer forces managers have to devote the same care to their jobs as they devote to the purchasers of their services (Sasser and Arbeit, 1976).

The focus on employee satisfaction within these new approaches to employee management can largely be attributed to the fact that in the marketing of services much of what customers buy is labor, or human acts of performance. Consequently, attraction of the best personnel, their retention and motivation becomes of critical importance (Thompson et al. 1978; Sasser and Arbeit, 1976).

Attraction, retention and motivation of high quality staff is especially critical in situations where the quality of the service is the only real differentiating factor between competitors. Infused with this logic, the challenge of creating satisfied employees and hence customer satisfaction received a vigorous impetus. The fundamental tool for achieving employee satisfaction is the treatment of employees as customers.

Phase 2: Customer orientation

The second major step in the development of the IM concept was undertaken by Grönroos (1981) whose starting point was the concern that because contact employees in services become involved in what he termed “interactive marketing” it is essential that they are responsive to customers’ needs. Grönroos recognized that not only do buyer-seller interactions have an impact on purchasing and repeat purchasing decisions but also, crucially, those buyer-seller interactions

provide a marketing opportunity for the organization. To take advantage of these opportunities requires customer-oriented and sales-minded personnel. Hence, the object of the IM is to “get motivated and customer conscious employees” (Grönroos, 1981). In this view, it is not sufficient that employees are motivated to perform better (as in the approach of Berry and his followers), but they must also be “sales” minded. Furthermore, effective service also requires effective coordination between contact staff and backroom support staff. Grönroos also views the IM concept as a means of integrating the different functions that are vital to the customer relations of service companies (Grönroos, 1981). Grönroos extended his original definition of IM in 1985 as a method of motivating personnel towards customer consciousness and sales mindedness, to include the use of marketing-like activities in this pursuit: holding that an organization’s internal market of employees can be influenced most effectively and hence motivated to customer-consciousness, market orientation and sales-mindedness by a marketing-like internal approach and by applying marketing-like activities internally (Grönroos, 1985).

The addition of marketing-like techniques (George, 1990) similarly accepts this position by asserting that IM holds that employees are “best motivated for service-mindedness and customer oriented behavior by an active marketing-like approach, where marketing-like activities are used internally”. The addition of marketing-like techniques internally, moves Grönroos’ definition closer to that of Berry’s (1981) definition, in that both sets of approaches stress the need to motivate employees, and advocate the use of “marketing-like” techniques to do it.

However, the critical difference between Grönroos’ approach and that of Berry and collaborators is that employees are not treated as customers, as is the case in the latter conceptualization. Additionally, Grönroos’ conceptualization focuses attention on creating customer orientation in employees through a process of influencing, rather than satisfying and motivating employees.

Phase 3: Strategy implementation and change management

A vehicle for strategy implementation: The beginning of the third phase is marked by insights drawn from a number of authors who explicitly began to recognize the role of IM as a vehicle for strategy implementation. Winter (1985) was one of the earliest to bring to prominence the potential role of IM as a technique for managing employees towards the achievement of organizational goals. Winter emphasizes that the role of IM is that of: Aligning, educating and

motivating staff towards institutional objectives. The process by which personnel understand and recognize not only the value of the program but their place in it. This emphasis appears to have implanted the initial notions of IM as an implementation mechanism.

The development of IM as an implementation vehicle was also aided by the growing belief that IM had potential as a cross-functional integration mechanism within the organization. In this phase the role of IM as an implementation tool/methodology is made more explicit. Initially, this viewpoint appeared in the context of services marketing in the works of Flipo (1986), and Tansuhaj et al. (1987). Later it was generalized to any type of marketing strategy by Piercy and Morgan (1991). These extensions led to IM being advocated as a general tool for the implementation of any organizational strategy whether internal or external. In due course, IM has come to be seen as a mechanism for reducing departmental isolation (Martin, 1992), reducing inter-functional friction, and overcoming resistance to change (Darling and Taylor, 1989; Rafiq and Ahmed, 1993).

This has led to a widening of IM applications to any type of organization, not merely to services. For example, Harrell and Fors (1992) apply the concept to manufacturing firms, and Ahmed and Rafiq (1995) propose it as a change management implementation methodology suitable for a wide range of contexts. The discussion of the third phase suggests that the scope of IM activity is much wider than motivation of employees towards customer consciousness. For instance, it can also be used to motivate non-contact employees towards behaving in a manner that enhances the service for end-customers.

2.1.3 Internal Marketing Mix

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

- **The price** - This element is concerned with what the organization is asking their internal customers to "pay" when they buy into the product and the marketing plan. It

may include the sacrifice of other projects that compete with the internal marketing plan and the psychological cost of adopting different key values and changing the way jobs are done. If the marketing plan were to be implemented successfully, the price to be paid by different parts of the internal market place could not be ignored as a major source of barriers and obstacles.

- **The product** - Strategically, the product is the marketing strategies and the marketing plan in which they are contained. The product to be "sold" is those values, attitudes and behaviors that are needed to make the marketing plan work. At the tactical level, the product could include new performance measures and new ways of handling customers. The product can also be used to refer to services and training courses provided by the Human Resource Department. At a fundamental level, the product is the job. Managers should concentrate on explaining (Ahmed & Rafiq, 2002:28).

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

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

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

of the organization as well as a valuable component of the external value proposition (Varey & Lewis, 2000:202).

- **Process** - It involves the procedures, tasks schedules, mechanisms, activities and routines that are used in the organization (Buttle, 1996:85). Stone *et al.* (2000:138) define a process as a structured way of handling a series of connected tasks.
- **Physical evidence** - It includes the physical facilities, surroundings and environment in which the service is performed.

2.1.4 Internal Customer Supply Chain

It is clear that in the twenty-first century companies can no longer afford to maintain barriers between functions and departments. Success is driven by integrating related functions within the organization – production, sales and distribution, services, advertising, sales promotion, product planning and market research; to achieve the business objectives. As suggested, IM looks to guide all people, functions and departments of an organization by its systematic appreciation of the needs, aspirations and costs of each. This underpins the internal customer-supply chain, which is replayed in organizational interaction by every single employee, from top management to middle managers, all the way down to shop-floor workers.

Organizationally, this hierarchy results in a network of relationships within which different collaborations evolve as a consequence of a multiplicity of interaction episodes. Each of these relationships and interactions can be managed, where appropriate, with a formal IM strategy and IM plan. The task of managing and coordinating a web of customer-supplier relationships is certainly not easy. It is important that everyone in the organization can see the linkage between what she/he does and its impact on the next customer. Therefore, creating and aligning internal relationships between departments, functions and employees inside the organization is necessary to improve the performance of the company and its employees. IM examines and manages the total set of relationships and interactions that bring about additional value-added. Companies must gain an understanding of how to develop and manage these internal relationships, with individuals and groups of individuals. This extends not only to employees, but also to others who fall within the boundary of internal markets, such as suppliers and distributors. It is the

management of these organizational sets of relationships that allows the delivery to what marketing has promised externally. (Rafiq and Ahmed, 2003)

2.1.5 Internal Marketing and Service Quality

Interest in internal marketing increased as one reason that support great role of service organizations in achieving employees' and customers' satisfaction. Kolter and Armstrong, (2006) has developed service marketing's triangle, which explains relation between organization and its employees and customers. In this triangle, they propose three forms of marketing each of which is considered a main factor in success of the organization.

First Type: External marketing that represents organization's relation with customers, and cares for traditional activities (product, price, distribution, and promotion).

Second Type: Interactive marketing that represents interactive relationship between service provider and customers. Interactive marketing means determining service quality depends firstly and largely on interaction of quality standard from the point of view of service provider and beneficiary, Gronross (1994).

Third Type: Internal marketing that is interested in relationship between organization and its workers. It means that service organizations will train workers and motivate them especially these working in direct contact with customers. Reaching customers and winning their satisfaction is achieved through reaching level of quality required in all marketing relations between organization and customers.

First benefit that Banks achieve from applying internal marketing programs is improvement of service goodness through bank individuals' focus on providing distinguished service to his/her colleagues which lead to find distinguished service that is received by customers Al-Ofaishat (2001). Lings (2000) explains that workers satisfaction is a basic condition and first step to achieve and customer's satisfaction. Besides, service goodness is connected basically with quality of individuals who produce and provide these services. Therefore, reaching quality of services required and achieving customers satisfaction depends on using internal marketing program that satisfies needs and conforms to aspirations of working individuals.

Customers' feeling of quality of service provided to them by individuals working in banks with whom they come in contact is affected by level of those workers's performance. Success of external marketing basically depends on individuals with whom the customers intercommunicate, since qualified and well motivating individuals basically participate in creating and magnifying organization's outputs.

2.1.6 Implementation of Internal Marketing Activities

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

2.1.7 Internal Marketing Models

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

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

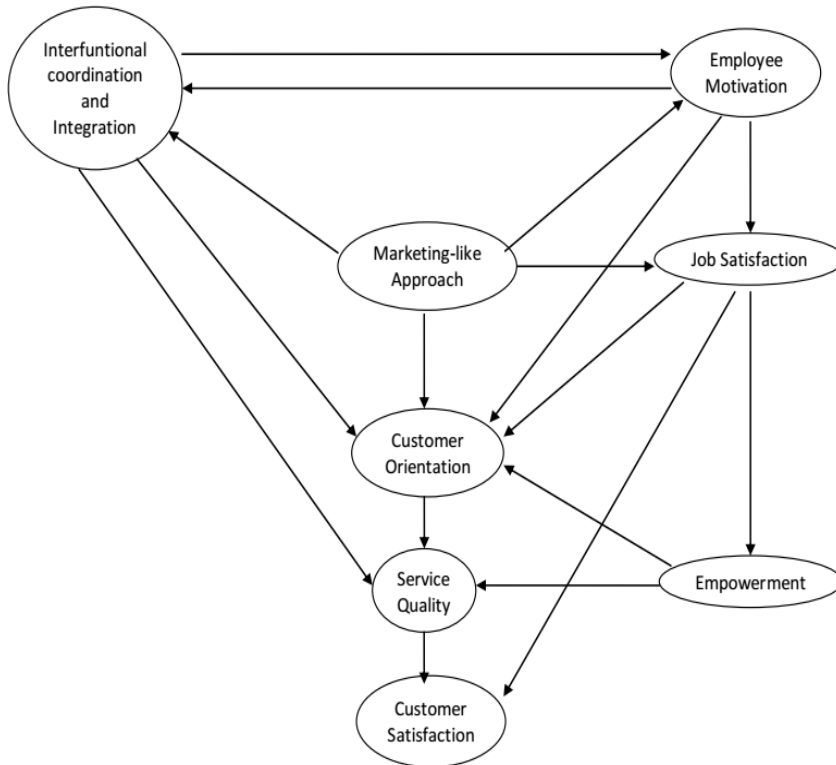


Figure 2.1 Functional coordination and integration

Source: Rafiq and Ahmed (2002)

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

customer interactions can result in an increase in perceived service quality, customer satisfaction, and repeat purchase behavior of service customers. According to the model, an internal marketing program influences employee attitudes and behavior, which in turn influence the impact of external marketing towards the customer.

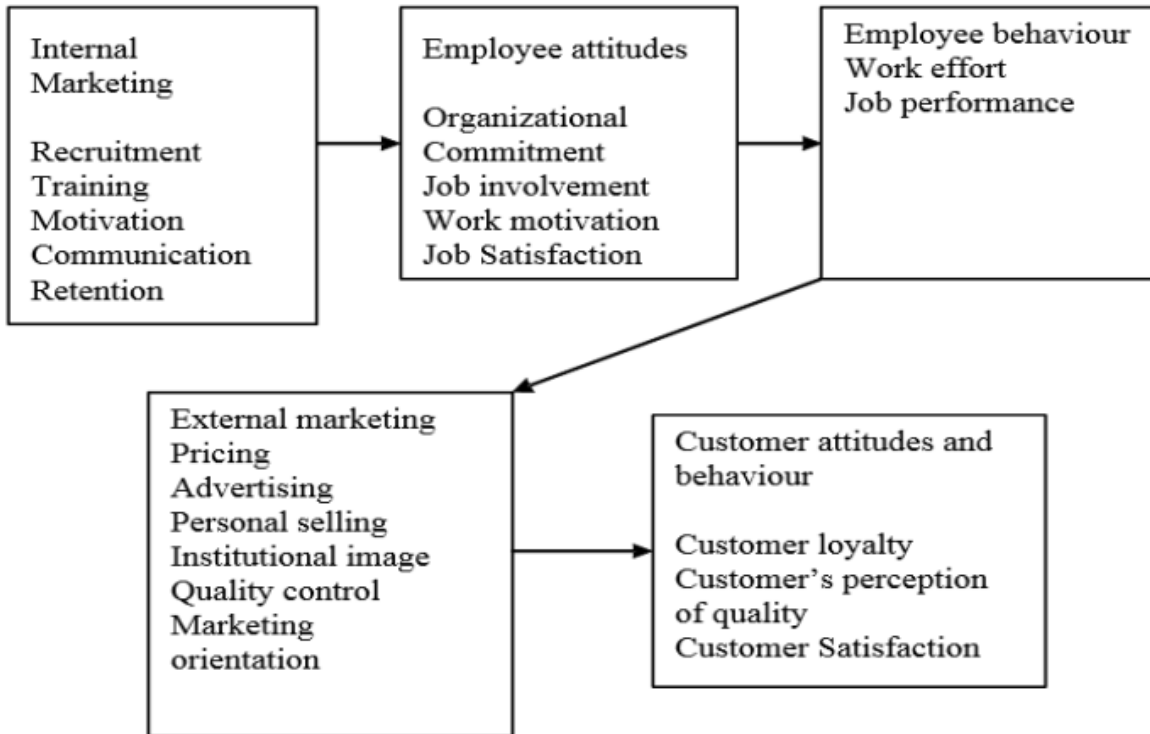


Figure 2.2 A model of services marketing management

Source: Tansuhaj (1988)

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

relates six key internal marketing practices to external customer satisfaction and loyalty, mediated by internal customer attitudes (i.e. loyalty to the firm, job satisfaction, trust in management) leading to extra role behaviors directed at external customers. Kotler (2000) explains that internal marketing is more important than conventional external marketing. Further, Green et al., (1994) point out that internal marketing is the key to excellence service and successful external marketing.

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

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

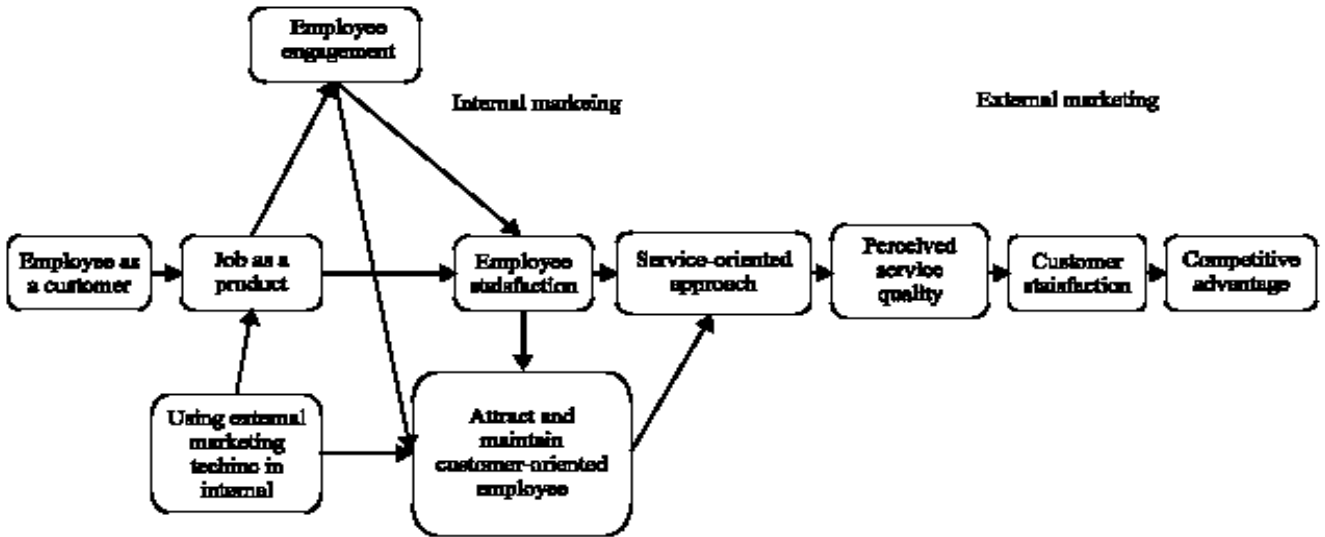


Fig 2.3 Relation between internal marketing and competitive advantage (Berry, 1981)

Grönroos's model (in Ahmed & Rafiq, 2002:11), as shown in Figure 2.4, is based on the second phase (customer orientation) of IM development and includes the idea that employees need to be customer conscious so that they can take advantage of customer interactions in order to offer better service (Simberova, 2007:471).

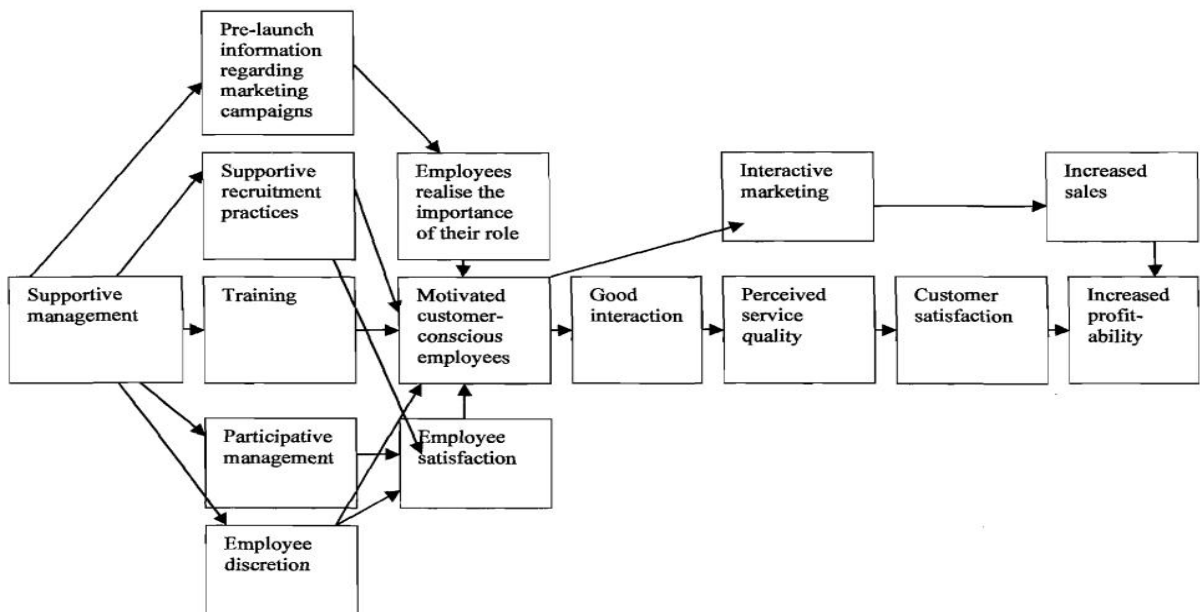


Figure 2.4 Marketing Internal Model Grönroos

Source: Grönroos adapted for Ahmed and Rafqui (2002)

2.1.8 Customer Satisfaction

Kotler(1996) defined customer satisfaction as “the level of a person’s felt state resulting from comparing a product’s perceived performance or out come in violation to his/her own expectations”. So, customer satisfaction could be considered a comparative behavior between inputs before hand and post obtainments. In businesses where the underlying products have become commodity-like, quality of service depends heavily on the quality of its personnel. This is well documented in a study by Leeds (1992), who documented that approximately 40 percent of customers switched banks because of what they considered to be poor service.

Leeds further argued that nearly three-quarters of the banking customers mentioned teller courtesy as a prime consideration in choosing a bank. The study also showed that increased use of service quality/sales and professional behaviors (such as formal greetings) improved customer satisfaction and reduced customer attrition. Indeed, customer satisfaction has for many years been perceived as key in determining why customers leave or stay with an organization. Organizations need to know how to keep their customers, even if they appear to be satisfied.

Reichheld (1996) suggests that unsatisfied customers may choose not to defect, because they do not expect to receive better service elsewhere. Additionally, satisfied customers may look for other providers because they believe they might receive better service elsewhere. However, keeping customers is also dependent on a number of other factors. These include a wider range of product choices, greater convenience, better prices, and enhanced income (Storbacka et al., 1994). Fornell (1992), in his study of Swedish consumers, notes that although customer satisfaction and quality appear to be important for all firms, satisfaction is more important for loyalty in industries such as banks, insurance, mail order, and automobiles.

Ioanna (2002) further proposed that product differentiation is impossible in a competitive environment like the banking industry. Banks everywhere are delivering the same products. For example, there is usually only minimal variation in interest rates charged or the range of products available to customers. Bank prices are fixed and driven by the marketplace. Thus, bank

management tends to differentiate their firm from competitors through service quality. Service quality is an imperative element impacting customers' satisfaction level in the banking industry. In banking, quality is a multi-variable concept, which includes differing types of convenience, reliability, services portfolio, and critically, the staff delivering the service.

2.1.9 Customer satisfaction within the Banking Industry

The quality of the services provided determines in great extent the level of customer satisfaction and analyzing the latter can help banks identify their weak points and act as a wake-up call for management and employees alike. For this reason most banks consider customer satisfaction as the primary criterion in their strategic planning since it is directly related to the institutions' profitability (Kessler, (1996).

Research conduct in order to measure customer satisfaction has become a necessary tool for banking marketing Gerson, (1993). Banking marketing can be defined as the sum of organized business activities conducted by a bank on the basis of banking deontology in order to cater for both the existing and future target market needs. According to Heskett et al., 1994 research, those businesses famous for the high standards of customer service,

- have significantly higher degree of maintaining their customers;
- have extensive benefits from word-of-mouth advertising;
- earn a significant market share from those businesses with low -level customer service;
- have good reputation that help attract and retain skilled employees and
- have doubled their capital and sales performances in relation to that of institutes with lower standard customer service.

According to Heskett et al., (1994) in order to improve the quality of its internal and external services, a banking organization has to take a number of steps such as: increase training levels especially on techniques aiming to improve communications, provide services knowledge, sales

skills, reward and recognition system improvement, increase of employee morale and hiring of experienced staff.

Heskett et al., (1994) presented an interesting concept of the Chain of “service-profit”. They support that there is a relation between the profitability deriving from loyal and satisfied customers and the loyal and productive staff of the company itself. In particular they believe that loyal customers contribute in the business’ profitability as their satisfaction is determined by the quality of the services delivered by the company employees. The latter deliver quality services when they are satisfied with the returns they achieve from the company they work for.

2.2 Empirical Review and Hypothesis Development

The next section contains a brief discussion on the supporting literature of each element of the IM mix elements.

2.2.1 Internal Marketing and Customers’ Satisfaction

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

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

(take care of your employees and they will take care of your customers) (Sybil & Debra, 2000). This is also supported by selamawit(2015) study on the impact of internal marketing practices represented by the empowerment, training, communication and Reward and Organizational support, on job satisfaction of employees of Zemen bank; the correlation result shows that all variables of internal marketing have a Positive association with employees' job satisfaction.

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

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

Wambung(2015) study on the Impact of Internal Marketing on Service Quality and Customers Satisfaction "A Case Study of Equity Bank, Kengeleni Branch" result shows that how Internal Marketing influences service delivery by the employees and how they are linked to the customer satisfaction of the banks customers. It seems that Equity bank deem employee training and evaluation of performance with reward system as crucial. A study made by Yomiyu(2014) finding shows that internal marketing variables(training and development, customer orientation, Employee empowerment, commitment to service quality, employee motivation and job satisfaction and internal communication) shows that there is a strong positive correlation between IM variables and customer satisfaction.

This leads to the following hypotheses:

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

2.2.2 Empathy & Consideration and Customers' Satisfaction

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

Gounaris (2006:437) posits that the stronger the manager-employee relationship, the more likely the employee is to believe communication transmitted by the manager. Good relationships between employees and management allow for the free flow of feedback and also increase the trust employees have in the organization. Niemand and Bennett (2002:287) found that the benefit of strong manager-employee relationships, based on empathy and consideration, is that it allows an opportunity for the employees to ask questions and gain a common understanding regarding the information provided by the manager, which in turn is likely to have an influence on external customers satisfaction. Satisfaction of internal customers is indispensable in achieving satisfaction of external customers (Kondo, 2001).

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

It is therefore, hypothesized that:

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

2.2.3 Benchmarking and Customer Satisfaction

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

From the above, the following hypothesis is put forward:

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

2.2.4 Job Quality & Reward and Customer Satisfaction

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

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

Based on the above, it is hypothesized that:

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

2.2.5 Upward Communication and Customer Satisfaction

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

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

From this discussion the following hypothesis is formulated:

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

2.2.6 Value & Information sharing and Customer Satisfaction

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

From this discussion the following hypothesis is postulated:

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

2.2.7 Promotional activities and Customer Satisfaction

Promotional activities are a means for the organization to clearly define its values, align these to its external messages and communicate this throughout the organization. Promotional activities encompass the utilization of all communication channels within an organization with the purpose of conveying a congruent message to all employees. IM is a means for building or strengthening the corporate brand through its emphasis on employee satisfaction and on the creation of customer-orientated cultures (Papasolomou & Vrontis, 2006:181). IM is essentially the process whereby the promises made to external customers are believed and supported by internal customers. A successful promotional program increases the extent to which a message is conveyed as well as the likelihood that it will build organizational awareness and increase motivation and satisfaction amongst employees (Papasolomu & Vrontis, 2006:182).

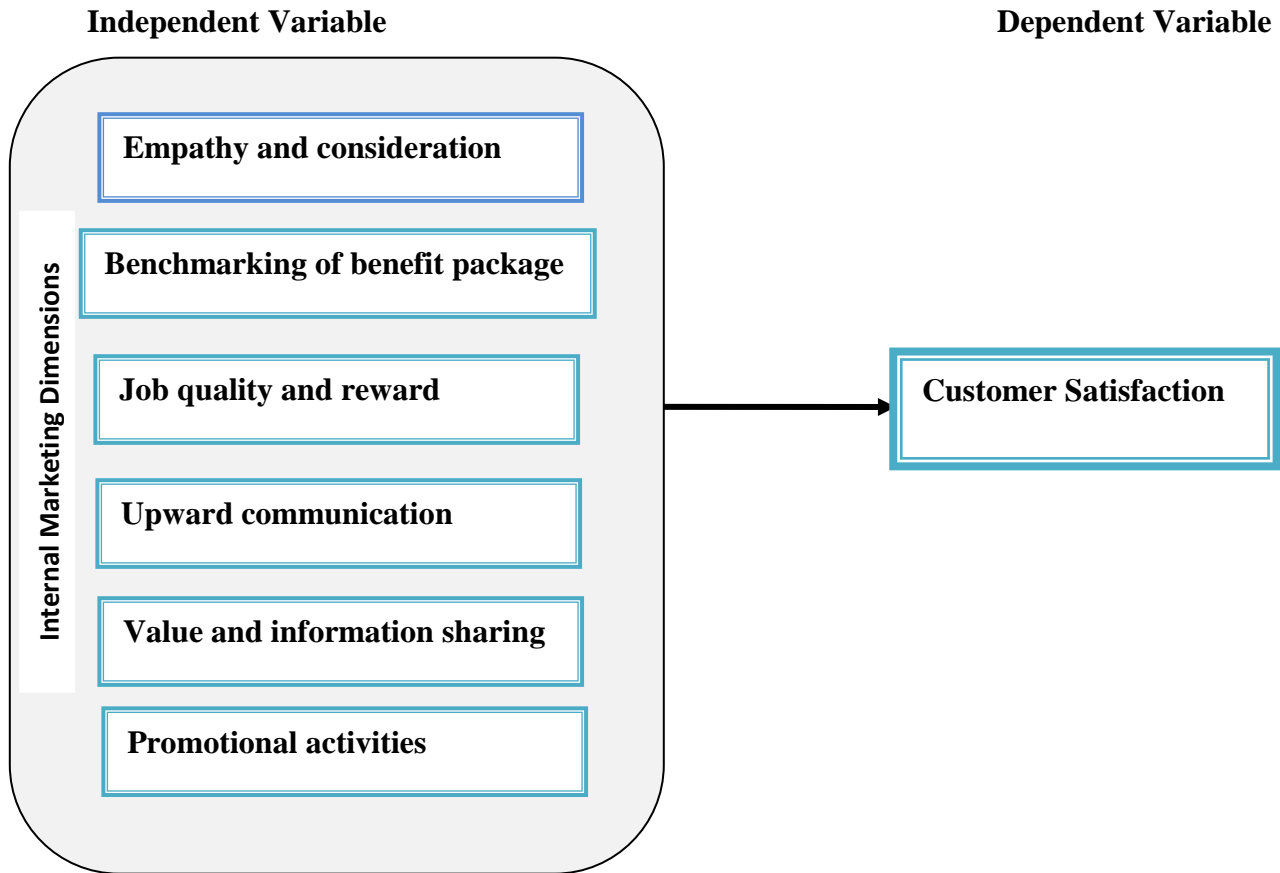
As such the following hypothesis is formulated:

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

2.3 The Conceptual Framework for the study

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

Figure 2.5: The conceptual frame work to be studied in this research



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

2.4 Summery

In this chapter theoretical review related with Internal Marketing concepts, origin of internal marketing, elements of internal marketing concepts, the meaning of customer satisfaction, and customer satisfaction in banking industry and like issues was thoroughly discussed. With regard to the empirical review prior research works related to the general and specific research question of this paper was discussed and the hypothesis was developed. Finally the conceptual framework of this study was developed based on the six IM scales developed by jou,et al(2008).

CHAPTER THREE

RESEARCH METHODOLOGY

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

3.1 Description of the Study Area

The study was focused on CBE branches in Addis Ababa. Branches are the main outlets where the bank's products and services offered to customers. It is also a unit where majority of the employees of the bank are working. The bank's major strategies are also implemented through these branches and front-line employees have the key role in bringing the desired level of customer satisfaction. CBE has 1165 branches (CBE January 2017) all over the country and 368 branches is found in Addis Ababa and surrounding city under four district office-South, East, North and West.

3.2 Research Approach

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

3.3 Research Design

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

3.4 Population and Sampling Design

3.4.1 Population of the study

Population of the study refers to the population as an aggregate or totality of all the objects, subjects or members that conform to a set of specifications (Polit and Hungler ,1999:37). The study was particularly interested to identify the effect of the internal marketing activities external customer satisfaction of a case study of CBE. Accordingly, the target population of the study was employees working in different branches. The study was considered employees working in branches located in Addis Ababa City having different working experience. The study population encompassed both male and female employees working in different shift program. Focusing on employees working in branches who have direct contacts with external customers will help the researcher to uncover adoption of IM philosophy affects some critical aspects of employee performance; so that top management can gain a more comprehensive understanding of the value of implementing an internal marketing program throughout the organization.

In order to assess the external customer satisfaction level, all bank customers were also the target group for this study. Individual customers will be included in the target population because they constitute the large number from the total customer of the bank and they frequently visits branches in person when compared to business customers. Customers are currently are using branches and technology based outlets like ATM, POS machine, Internet Banking and Mobile

Banking. The target population was encompassed customers who use single service to multiple service of the bank and both sex.

3.4.2 Sampling Technique

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

Customers were selected for the sample based on their availability on the branch counter for service to fill the questioner for external customers. With regard to employees, a questioner will be provided based on convenience and their availability on their duty on different shift programs.

3.4.3 Sampling Size

Sampling is a means of selecting a subset of units from a target population for the purpose of collecting information. This information is used to draw inferences about the population as a whole. The subset of units that are selected is called a sample. The sample design encompasses all aspects of how to group units on the frame, determine the sample size, allocate the sample to the various classifications of frame units, and finally, select the sample (Bethel, 1989).

The sample size for the employees was determined by using the sloven's sampling formula. Prior researchers have also used sampling formula to determine the size of the sample to be included in the study(Maryam, Mahdieh & Masoud,2016; Davis J., 2005;Semer,2014). According to this

formula, the total population and sampling error shall be determined to calculate the sample result. CBE has 28,467 permanent employees as of June 30, 2016 data.

$$n = \frac{N}{1+N(e)^2}$$

Where:

N=total population (28467)

e= sampling error (.05)

$$n = \frac{28,467}{1+28,467(.05)^2}$$

$$n = 395$$

Regarding the sample taken from customer, because of the large number of the sample unit time and cost constraints the sample was drawn from the targeted customers by using convenience sampling technique. Although non probability sampling has problem related to selection bias, in small inquires and researches by individuals, the sampling technique can be adopted Kothari, (2004). As Roscoe (1979) proposed that the rules of thumb for determining the sample size which more than 30 and less than 500 are appropriate for the most research and also adopted by Yomiyu(2014). Therefore the sample size of this study was 250 from the customer side. As a result the total number of sample was 645.

Table 3.1 Number of samples

Target Population	Sample size	Percentage
Employees	395	61
Customers	250	39
Total	645	100

The questionnaire was distributed to the following fourteen branches of CBE selected from the four districts in Addis Ababa based on convenience.

Table 3.2 Selected Sample Branches

S.No.	Name of Branch	District Office
	Arada Ghiorgis	North
2.	Addis Ababa	North
3.	Selassie	North
4.	Arat Kilo	North
5.	Finfine	South
6.	Gofa sefer	South
7.	Temnja Yaj	South
8.	Kirkos Kebele	South
9.	Bole	East
10.	Andinet	East
11.	Tefera Degife	East
12.	Addis Ketema	West
13.	Abakoran	West
14.	Torhayloch	West
	Total	

3.5 Source of Data

Data can be obtained from existing sources or from surveys and experimental studies designed to collect new data (Anderson et al., 2011). The data sources used in this study were primary and secondary data sources. Primary data was used to collect responses of customers and employees by administering five point likert scale questioner and secondary data source was used to collect data from different sources that includes mainly past studies, company website, progress report journal articles, dissertations and published literatures that could support the study from empirical & conceptual backgrounds.

3.6 Data Collection Procedures

The IM related data was collected in a two-part questionnaire. The first part of the questionnaire was related to generic information of socio-demographic content. The second part was intended for I.M. practical information and as such an adapted I.M. questionnaire was used on the basis of the tool developed by Jou, Chou and Fou (2008) and also adopted by Azedoa, Alves and Wymerc (2012) . The scale of Jou, et,al (2008) is a validated scale for the population of Taiwan that intends 648 to assess the collaborators' perception of I.M., including validity, stability and liability, with good internal consistency figures (over 0.9) and a six-factor structure: Empathy and consideration, benchmarking, job quality and rewarding, upward communication, and value and information sharing. Likert scale with 5 points that varied between 1 - completely disagree and 5- completely agree. After defining the data collection tool, a pre-test was given to 20 employees in order to test the tool understanding and eliminate possible mistakes. The survey questioners were distributed and collecting from April-May, 2017.

Regarding the sampling technique, fourteen branches are selected to distribute the questionnaire. Customers who were walk in to each of these branches & who are willing to fill out the questionnaire were asked to fill out the questionnaire. Employees who are on duty on different shift programs were asked to fill the questioner. A total of 645 questionnaires were distributed to potential respondents. A questionnaire was sent to the Branch Manager of each branch included in the sample to distribute the questioners to be filled by respective employees. The questionnaire was developed and distributed in English, no translation was involved. This is because the respondents here represent professionals who have first and second degree, and one of their job requirements is to be professionals in English.

A customer satisfaction questioner is adopted from general customer satisfactions questionnaire scales used by Tesfaye (2015). Since the bank has both registered and unregistered (non-account holders) customers, it was difficult to obtain a complete sampling frame from the bank. Using the rule of thumb sample was determined to be 250 customers. The sample units were divided among selected branches considering the number of customer service windows. Due to geographical distribution of branches, time and cost constraints, only 14 branches located in Addis Ababa were selected. The branches were selected in a way as to represent all the four

districts. In order to save time and cost, the questioners will be distributed to employees working on front window in the selected branches to be filled by customer based on their level of literacy and willingness. The questionnaire adopted was originally designed in English, and then was translated into ‘Amharic’ language. This is because many of the customers, even though running business and making banking transactions, may not be fully proficient with written English.

Secondary information was secured from, journal articles, dissertations, published/unpublished materials, from the Bank’s website and newsletters of the organization. Finally, a careful inspection was done to extract important inputs for the study.

3.7 Data Collection Instrument

In order to conduct this study two questionnaires were designed, one for employees and the other for external customers of the commercial bank of Ethiopia. The first group of questions related to internal marketing and has three parts. The first part is about general background information about the respondents. The second part contains questions about internal marketing perception based on the six internal marketing dimensions adopted from Jou,Chou,and Fu(2008) (Participants will answer the twenty seven questions of the questionnaire by using a five point Likert scale (from completely disagree = 1 to completely agree = 5), where the score of agreement or disagreement is stated. Part three measures the employee overall satisfaction for the internal marketing program of the bank with one scale adopted from Lovelock & Wright (1999). Customer satisfaction will be investigated with the second group of questions using overall satisfaction measurement scales used by Tesfaye (2015). A five point Likert scale was used for this section too.

3.8 Ethical Consideration

All targeted individuals were able to decline to respond at any stage of the survey and since the questioners will be self administered, the researcher will be unable to influence respondents in terms of participation or responses. All completed responses were used when analyzing data and no reference will be made to individuals when reporting findings.

3.9 Data Analysis

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

3.10 Validity and Reliability

The concept of validity answers to this question that to what extent measuring instrument gauges the desired option. Data accuracy cannot be reliable without knowledge of the validity of measuring instruments. There were several methods such as face validity method for validation. The face validity test is done by showing the instrument to experts and actual subjects and analyzing their responses qualitatively. (Gaur A. & Gaur S. 2009). In this regard the study will use a standardized well known overall satisfaction measurement for customer satisfaction which forward after a lot of conceptual and empirical investigations. For the measurement of the IM programs, a scale developed by Jou,Chou and Fu was used. Therefore the researcher tested the face validity of the instrument by showing it to CBE managerial and non managerial staffs and some customers.

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

CHAPTER FOUR

DATA ANALYSIS AND PRESENTATION

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

4.1 Sample and Response Rate

The target population of this study was employees and customers of Commercial Bank of Ethiopia. Questionnaires had been collected at the mid of May 2017 where the researcher personally administrated all 250 questioners to customers of the bank and 395 questionnaires through respective Managers of sample branches. Among 645 total questionnaires distributed 518 were completed and returned back from employees and customers of the bank. A total of 504 of these questionnaires that do not have missed data were completed and used for the data analysis which means at 78% respond rate.

Questioners	Employees	Customer	Total	Percentage
Returned	305	213	518	80.3%
Unreturned	90	37	127	19.7%
Total	395	250	645	100%
Usable	291	213	504	78.13%

Table 4.1: Response Rate of Questioners

4.2 Reliability and Validity

4.2.1 Measure of Reliability for IM Constructs

Appropriate reliability and validity tests of the measurement were taken in order to validate the results empirically. Reliability refers to the instrument's ability to prove consistent results in repeated uses, whereas validity refers to the degree to which the instrument measures the concept the researcher wants to do. This provides confidence that the empirical findings accurately reflect the proposed constructs (Flynn, 1994 as cited in Nardos 2012).

The value of Cronbach's alpha for six IM construct was ranging from .701-.813 as shown on table 4.2 which is all above 0.7. Taking in to account the small number of items used to measure IM the value of alpha is acceptable.

Reliability Statistics		
Variable	N of Items	Cronbach's Alpha
Empathy and Consideration	5	.701
Benchmarking	2	.768
Job Quality and Reward	6	.729
Upward Communication	3	.757
Value and Information Sharing	6	.813
Promotional Activities	4	.756

Table 4.2: Reliability test for the IM scales

4.2.2 Measure of reliability for Customer Satisfaction Constructs

The overall customer satisfaction scales were tested and found to be acceptable for the five scales and the value of Cronbach's alpha was .891 as shown on table 4.3 and that were greater than 0.7, and this revealing satisfactory reliability as all items are developed based on theories and literature.

Cronbach's Alpha	N of Items
.891	5

Table 4.3: Reliability test for the customers satisfaction scales

4.3 Descriptive Statistics

4.3.1 Characteristics of Employees

Demographic statistics are provided here under in table 4.4. When we see the sex composition, 118 (40.5%) were female, and male were 173(59.5%) from the total 291 respondents. Hence, the majority of the respondents were male for sample employees.

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	118	40.5	40.5	40.5
Male	173	59.5	59.5	100.0
Total	291	100.0	100.0	

Table 4.4: Number of employees by gender

The table below illustrates respondent's age proportion in four age category. The majority of Employee are between the Ages of 21-30 (80.8%) next to this, Employee between 31-40 (15.5%)

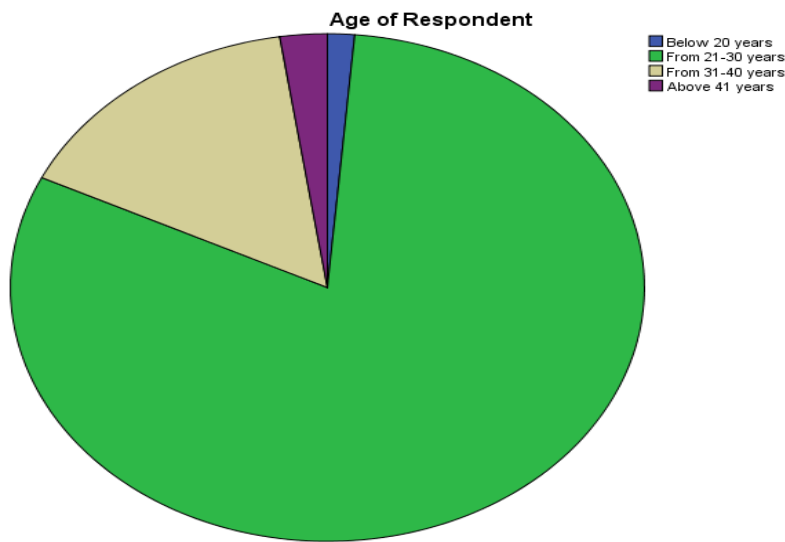
and above 41 years(15.8%) age group and below 21 years (1.1%) were the third and the fourth respectively groups of Employee.

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 20 years	4	1.4	1.4	1.4
From 21-30 years	235	80.8	80.8	82.1
Valid From 31-40 years	45	15.5	15.5	97.6
Above 41 years	7	2.4	2.4	100.0
Total	291	100.0	100.0	

Table 4.5: Employees Age category

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

Fig 4.1: Age of respondents –employees



The bar chart in figure 4.2 shows the employees educational level in four categories. When we see the education level of employees the majority of the employees about 226(77.7%) are first degree holders, 56(19.2%) have masters degree, 8(2.7) are high school graduates and only one

employee not completed high school. This shows that the bank has well educated employees that are crucial to implement different marketing strategies to achievement of organizational goals.

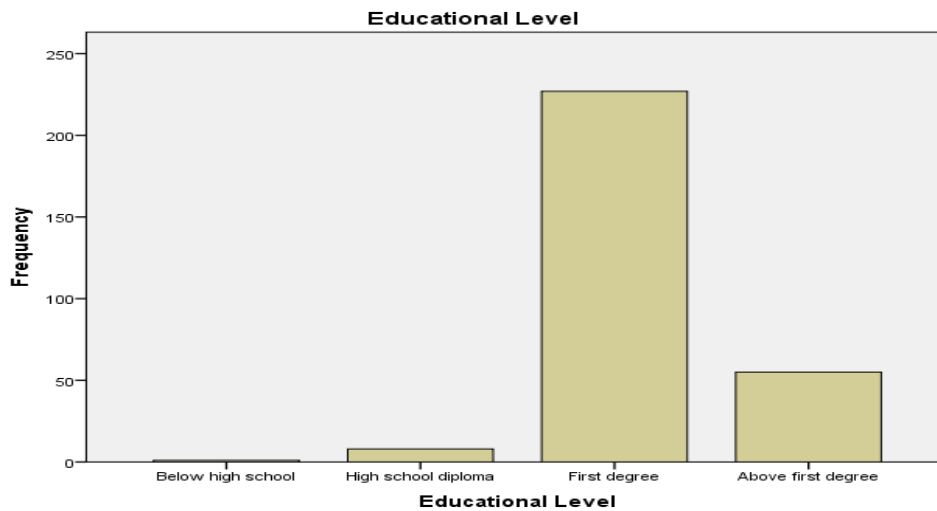


Fig 4-2: Employees Educational Level

When we see employees years of tenancy in branches, 139 employees have work experience from 2-5 years, 89 employees have experience below 2 years, 46 employees from 6-10 years work experience and only 17 employees reports having work experience more than 10 years. Employees who have less than 5 years working experience accounts for 78.4% of the total respondents and this shows that the bank has to do more on internal marketing programs to increase their competency and making them loyal to the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 2 years	89	30.6	30.6	30.6
From 2-5 years	139	47.8	47.8	78.4
Valid From 6-10 years	46	15.8	15.8	94.2
Above 10 years	17	5.8	5.8	100.0
Total	291	100.0	100.0	

Table 4.6: Employees years of experience

4.3.2 Characteristics of Customers

When we look at customer respondent's sex, 99 (46.5%) were female and male were 114(53.5%). Thus, the majority of the respondents are male for customers. This result shows that males are more using banking services in most of the sample branches.

	Frequency	Percent	Valid Percent	Cumulative Percent
Female	99	46.5	46.5	46.5
Valid Male	114	53.5	53.5	100.0
Total	213	100	100.0	

Table 4.7: Customers by Gender

The table in 4.8 shows respondents age proportion in 4 categories. From the total customers respondents 97(45.5%) were in the age from 21-60 and the reset from 31-40(27.7%), above 41 years (21.1) and below 20(5.6%) in their proportion respectively. From the result we can infer that majority of the customers, 51.1% are below the age of 30 and this show that younger generation prefer more the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 20	12	5.6	5.6	5.6
From 21-30	97	45.5	45.5	51.2
Valid From 31-40	59	27.7	27.7	78.9
Above 41	45	21.1	21.1	100.0
Total	213	100.0	100.0	

Table 4.8: Age of customers

The bar chart in figure 4.3 shows the customers educational level in four categories and majority of them have first degree 90(40.35%),the second highest is high school graduates 52(24.4%), below high school are the third group which accounts 41(19.2%) and 30(14.1%) of customers have masters degree. This result shows that most of the customers are educated and this can

enable the bank to introduce different technology related products to increase their level of satisfaction.

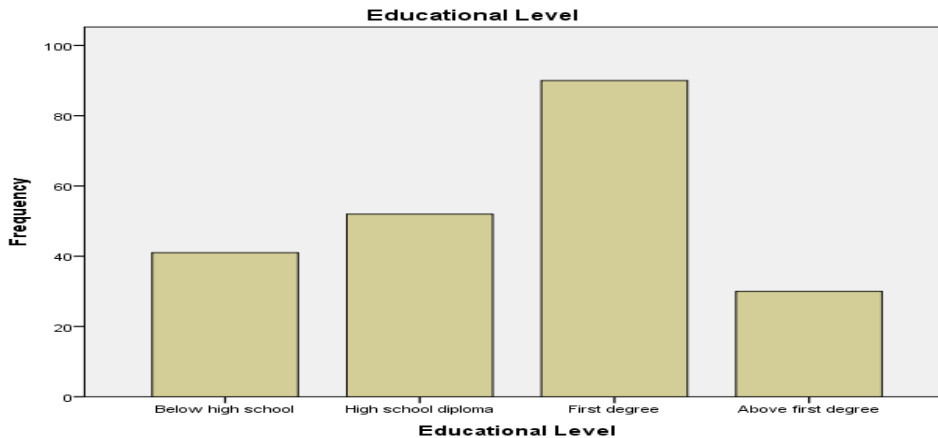


Figure 4.3: Customers educational level

The table in 4.9 illustrates the numbers of years customers stayed as customer of CBE, 78(36.6%) have 6-10 years of experience as a customer, 71(33.3%) have a customer relationship from 2-5 years, 43(20.2%) had been customers for more than 10 years and only 21(9.69%) of the customers have banking relationship with less than 2 years. The result shows that 43.2 % have less than or equal to 5 years banking relationships and this calls for proper retention strategy to make them satisfied and loyal to the bank.

	Frequency	Percent	Valid Percent	Cumulative Percent
Below 2 years	21	9.9	9.9	9.9
From 2-5 years	71	33.3	33.3	43.2
Valid From 6-10 years	78	36.6	36.6	79.8
Above 10 years	43	20.2	20.2	100.0
Total	213	100.0	100.0	

Table 4.9: Relationship in years as customer of CBE

4.4 Descriptive Analysis of the Variables

4.4.1 Internal Marketing Dimensions:

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

Likert scale was used to measure the importance level of factors affecting practices of internal marketing. The higher the score, the more the variable are practiced. Five point scales were used to measure the importance of factors in such a way that mean score could be calculated to determine the importance of factors in the IM practice. With five point scales, the intervals for breaking the range in measuring each variable are calculated as follows: (Kidane, 2012; as cited by Semere,2014)

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

Therefore, in the difference of 0.8 the mean value categorized from the lowest up to the highest score. It means that the scores falling between the following ranges can be considered as:

The score between 1.00-1.80 mean lowest practiced (Lowest)

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

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

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

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

The following Table 4.10 indicates that employees of Commercial Bank of Ethiopia perceived promotional activities, $M = 4.12$ the most dominant of internal marketing practices and evident to a considerable extent and considered as **High**; next benchmarking with the higher mean value i.e. $M = 4.09$ and practiced high in the bank followed by upward communication $M=4.07$, the least scored among the independent variable is empathy and consideration and job quality and reward which counts mean score of 3.85 and 3.48 respectively.

Among the variables employees rate higher for promotional activities which shows that the banks' promotional activities is better. However, the bank is not doing well in job quality and reward when compared to other variables.

	N	Minimum	Maximum	Mean	Std. Dev.
Empathy and Consideration	291	2	5	3.85	.615
Benchmarking	291	2	5	4.09	.799
Job Quality and Reward	291	2	5	3.48	.659
Upward Communication	291	2	5	4.07	.672
Value and Information Sharing	291	2	5	4.05	.603
Promotional Activities	291	2	5	4.12	.652

Table 4.10 Descriptive Statistics of IM variables

Empathy and consideration is further divided into five attributes. The mean scores have been computed for all the five attributes of empathy and consideration. The result is presented in Table 4.11. The mean scores of empathy and consideration for all the seven attributes range from 3.03, effort of the supervisor to know employees faces problems to 4.14, my direct supervisor tries to understand what his/her subordinates think about the way she/he leads. Overall, empathy and consideration has a mean score of 3.85 which was high. This shows that the bank is more emphatic and considers its employees as its main asset to achievement of its objectives.

Items	Minimum	Maximum	Mean	Std. Dev.
My direct supervisor always discusses our future career development in this company with us.	1	5	3.89	.778
My direct supervisor tries to understand what his/her subordinates think about the way she/he leads.	1	5	4.14	.788
My direct supervisor often pays attention to the family life of his/her subordinates	1	5	4.04	.953
My direct supervisor makes effort to become fully familiar with his/her subordinates work performance.	1	5	4.13	.826
My direct supervisor makes voluntary effort to know whether we encounter problems at work.	1	5	3.03	1.314

Table 4.11: Descriptive statistics of empathy and consideration

Benchmarking of competitions benefits packages is further divided into two attributes. The mean scores have been computed for the two attributes. As it can be seen from Table 4.12, investigation and collection of information on fringe benefits provided by other bank mean score was 4.14 that is high and benchmarking of other banks salary mean score was 4.04 and that is high again. The overall mean for benchmarking is 4.09, which was above average.

	N	Minimum	Maximum	Mean	Std. Deviation
Our bank regularly investigates and collects information on what salaries are provided by other banks in the industry.	291	1	5	4.04	.853
Our bank regularly investigates and collects information on what fringe benefits are provided by other banks in the industry.	291	1	5	4.14	.816
Valid N (listwise)	291				

Table 4.12: Descriptive statistics of benchmarking

Table 4.13 shows the mean and standard deviation of six job quality and reward attributes. As we can see in the table the highest mean score was for respecting of employees M=4.14 and least score is for two attributes that is promotion opportunity offered by the bank and work environment with a mean score of 3.19. Fringe benefits offered by the bank and kindness of the bank to its employees have mean score of 3.29 and 3.44 respectively. The overall mean for job quality and reward is 3.48, which was above average.

	N	Minimum	Maximum	Mean	Std. Deviation
My bank tries to make work content interesting.	291	1	5	3.61	1.023
My bank offers good fringe benefits.	291	1	5	3.29	1.197
My bank offers many opportunities for promotion.	291	1	5	3.19	.986
My bank respects its employees.	291	1	5	4.14	.816
My bank is kind to its employees.	291	1	5	3.44	.964
My bank tries its best to give us a comfortable work environment.	291	1	5	3.19	1.043
Valid N (listwise)	291				

Table 4.13: Descriptive statistics of job quality and reward

Upward communication is further divided into three attributes. The mean scores have been computed for the three attributes. As it can be seen from Table 4.14, expressing of any thought on company's action or work has got the highest mean score of 4.16 .official channel of appeal and sufficient channel of vertical communication scored mean of 4.11 and 3.93 respectively. The overall mean for upward communication is 4.07, which was high.

Item	N	Minimum	Maximum	Mean	Std. Deviation
When we have any thoughts on our company's action or our work, we can always express those options officially to our branch manager via email or a suggestion box.	291	1	5	4.16	.810
My bank provides us with good official channel of appeal.	291	1	5	4.11	.845
My bank has sufficient channel of vertical communication.	291	1	5	3.93	.802
Valid N (listwise)	291				

Table 4.14: Descriptive statistics of upward communication

Similarly, value and information sharing is further divided into eight items. As it is shown in Table 4.15, educational training and understanding on our companies polices and activities through participating in formal meetings at branch and district level were the highest rated dimension relative to others with a mean score of 4.16 and 4.15 , with the standard deviation of .812and .801 respectively. Meeting to honor the highest performer employees and utilizing branch meetings to deliver work related policies/procedure was perceived both as the lowest by respondents with a mean score of 3.90. The overall mean for value and information sharing was 4.05, which scored high perception.

	N	Minimum	Maximum	Mean	Std. Deviation
My Branch Manager often utilizes branch meetings to deliver to us work related corporate polices/procedures.	291	1	5	3.90	.764
We often can gain understanding on our companies polices and activities through participating in formal meetings at branch and district level.	291	1	5	4.15	.801
My bank often announces new policies and procedures to us by means of workshop/meeting.	291	1	5	4.09	.952
My bank often uses educational training to express to us its corporate values and goals.	291	1	5	4.16	.812
My bank uses regular meetings that honor high performance employees to send out message to us.	291	1	5	4.10	.858
My branch often holds contests among employees and recognize best performer to improve performance.	291	1	5	3.90	.832
Valid N (listwise)	291				

Table 4.15: Descriptive statistics of value and information sharing

Furthermore, four items was included under promotional activities as it is shown in Table 4.16. The mean scores of promotional activities for the four items range from 4.09 (for the item: My bank often supports employees in their informal organization such as social, cultural in attempt to raise all employees’ commitment to the company) to 4.16 (for the item: My bank often tries to raise our commitment to this organization through varies activities such as live video links and company events). The overall mean for promotional activities is 4.12, which was average or medium.

	N	Minimum	Maximum	Mean	Std. Deviation
My direct supervisor always gives us a feeling that we should work our best for him/her.	291	1	5	4.15	.801
My bank often supports employees in their informal organization such as social, cultural in attempt to raise all employees' commitment to the company.	291	1	5	4.09	.952
My bank often tries to raise our commitment to this organization through varies activities such as live video links and company events.	291	1	5	4.16	.812
My bank often holds organizations-wide events to increase chances of interactions between its employees.	291	1	5	4.10	.858
Valid N (listwise)	291				

Table 4.16 Descriptive statistics promotional activities

4.1.2 Satisfaction of employees on the IM programs of the bank

From the below table majority of employees respondents 139(47.4%) are somehow satisfied or they are somehow agree with the internal marketing programs in assisting employees to serve their customers in good manner. About 96(33%) of respondents responded that they are agreed with the firm's internal marketing satisfaction and 26(8.9%) of them were disagreed with their satisfaction on IM programs. About 22(7.9%) and 8(2.7%) of the respondents strongly disagree and strongly disagree respectively related to overall satisfaction on internal marketing program of the bank. The mean result of perception of employees on overall satisfaction of the internal marketing program of the bank was 3.14 which was average. Further if we look employees satisfaction based on their age out of the total 234 are between 21-30, 46 from 31-40, 7 are 41 years and above and 4 are below 20 years old. From the total somehow agree and disagree the age group 31-30 accounts 110 and 22 respectively. This shows the youngest employees are not satisfied on the IM practice of the bank that needs attention.

In addition, as shown in the table below from the total respondents 282(97%) are employees have first degree and above. From the total employees those disagree and strongly disagree with the satisfaction with the internal marketing program of the bank, 34(100%), all are having first degree and above. This indicates that employees that have first degree and have more demand on the quality of the internal marketing program of the bank and that needs the attention of the top management of the bank. The same is true for those disagree and strongly disagree employees, those having work experience below 5 years are 28(82%) out of the total 34 respondents. This clearly shows that bank is not performing in the IM programs as per the expectation of its new employees that a potential treat to lose them.

		Employees satisfaction on IM programs					Total
		Strongly disagree	Disagree	Somehow agree	Agree	Strongly agree	
Age of Respondent	Below 20 years	0	0	2	1	1	4
	From 21-30 years	7	22	110	75	20	234
	From 31-40 years	1	4	20	20	1	46
	Above 41 years	0	0	7	0	0	7
	Total	8	26	139	96	22	291
Educational Level	Below high school	0	0	0	1	0	1
	High school diploma	0	0	4	2	2	8
	First degree	7	20	106	74	19	226
	Above first degree	1	6	29	19	1	56
	Total	8	26	139	96	22	291
For how many years you are working in Commercial Bank of Ethiopia	Below 2 years	4	5	42	26	12	89
	From 2-5 years	3	16	59	54	7	139
	From 6-10 years	1	4	25	13	3	46
	Above 10 years	0	1	13	3	0	17
	Total	8	26	139	96	22	291

Table 4.17: Employees IM satisfaction

4.4 Inferential statistics

4.4.1 Correlation Analysis

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

Table 4.18 shows that the independent variables are significantly and positively correlated with Customer satisfaction. The most correlated dimensions were job quality and reward ($r=.815$) followed by benchmarking ($r=.697$), value and information sharing ($r=.535$), promotional activities ($r=.498$), empathy and consideration ($r=.448$) and finally upward communication ($r=.383$).

Table 4.18 Correlation analysis between Internal Marketing Dimensions and Customer Satisfaction

		EM	BM	JQR	UC	VIS	PA	Customer satisfaction
EM	Pearson Correlation	1	.804**	.519**	.635**	.827**	.790**	.448**
	Sig. (2-tailed)		0	0	0	0	0	0
	N	291	291	291	291	291	291	213
BM	Pearson Correlation	.804**	1	.523**	.696**	.816**	.842**	.697**
	Sig. (2-tailed)	0		0	0	0	0	0
	N	291	291	291	291	291	291	213
JQR	Pearson Correlation	.519**	.523**	1	.543**	.577**	.530**	.815**
	Sig. (2-tailed)	0	0		0	0	0	0
	N	291	291	291	291	291	291	213
UC	Pearson Correlation	.635**	.696**	.543**	1	.795**	.761**	.383**
	Sig. (2-tailed)	0	0	0		0	0	0
	N	291	291	291	291	291	291	213
VIS	Pearson Correlation	.827**	.816**	.577**	.795**	1	.960**	.535**
	Sig. (2-tailed)	0	0	0	0		0	0
	N	291	291	291	291	291	291	213
PA	Pearson Correlation	.790**	.842**	.530**	.761**	.960**	1	.498**
	Sig. (2-tailed)	0	0	0	0	0		0
	N	291	291	291	291	291	291	213
Customer satisfaction	Pearson Correlation	.448**	.697**	.815**	.383**	.535**	.498**	1
	Sig. (2-tailed)	0	0	0	0	0	0	
	N	213	213	213	213	213	213	213

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

Empathy=**EM**, Benchmarking=**BM**, Job Quality and Reward=**JQR**, Upward

Communication=**UC**, Value and Information sharing=**VIS**, Promotional Activities=**PA**

The correlation among the six IM dimensions has shown statistically significant relationship in the above table. The highest correlation coefficient has been between promotional activities and value and information sharing (r=.960) showing a strong relationship between

them. The second highest was between benchmarking and promotional activities ($r=0.842$). In the third place correlation between value and information sharing and empathy ($r=.827$) followed by the relationship between benchmarking and value and information sharing ($r=.816$). Even though the least correlation is between job quality and reward and benchmarking ($r=.523$) it still shows positive and significant relation between them.

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

4.4.2 Regression Analysis

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

4.4.2.1 Assumption Testing for Regression Analysis

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

Multi-collinearity

Field (2005) explains that economic variables may move together in systematic ways when the data are the result of an uncontrolled experiment. Such variables are believed to

have problems with collinearity or multi-collinearity when several variables are involved (Hill et al., 2003). Generally, as multi-collinearity rises, it will complicate the interpretation of the variables because it is more difficult to confirm the effect of any single variable, owing to their interrelationship (Hair et al., 1996). According to (Hill et al., 2003), multicollinearity is not a violation of the assumptions of regression but it may cause serious difficulties.

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

Model		Collinearity Statistics	
		Tolerance	VIF
	(Constant)		
	Empathy	.481	2.078
	Benchmarking	.268	3.724
	Job Quality and Reward	.559	1.789
	Upward Communication	.527	1.898
	Value and information sharing	.072	13.917
	Promotional Activities	.085	11.715

Table 4.19: Collinearity Statistics Result

Linearity

The linearity of the relationship between the dependent and independent variable represented the degree to which the change in the dependent variable is associated with the independent variable (Hair et al., 1998). In a simple sense, linear models predict values falling in a straight line by having a constant unit change (slope) of the dependent variable for a constant unit change of the independent variable (Hair et al., 1998). Conventional regression analysis will underestimate the relationship when nonlinear relationships are present, i.e., R2 underestimates the variance explained overall and the betas underestimate

the importance of the variables involved in the non-linear relationship Malhotra,N.K. (2007). Substantial violation of linearity implies that regression results may be more or less unusable (Malhotra et al. 2007).

The scatter plot of standardized residuals versus the fitted values (see Appendix 4-A) for the regression models were visually inspected. The plots did not reveal any systematic pattern, thus providing support for the specified linear relationship, as suggested by (Malhotra et al. 2007)

Normality of the Error Term Distribution

In terms of this assumption, a check for normality of the error term is conducted by a visual examination of the normal probability plots of the residuals (Malhotra et al., 2007). Malhotra et al.(2007) propose that normal probability plots are often conducted as an informal means of assessing the non-normality of a set of data. According to Hair et al.(1998), the plots are different from residuals plots in that the standardized residuals are compared with the normal distribution. In general, the normal distribution makes a straight diagonal line, and the plotted residuals are compared with the diagonal (Hair et al., 1998). If a distribution is normal, the residual line will closely follow the diagonal (Hair et al., 1998). Malhotra et al. (2007) explain that the “correlation coefficient” will be near unity if the data fall nearly on a straight line. The “correlation coefficient” will become smaller if the plot is curved.

The normality probability plots were plotted to assess normality (Appendix 4-A). The P-P plots were approximately a straight line instead of a curve. Accordingly, the residuals were deemed to have a reasonably normal distribution, as suggested by Hair et al. (1998)

Homoscedasticity of the Error Terms

Hair et al. (1998) identify homoscedasticity as homogeneity of variance. This assumption is referred to as the description of data in which the variance of the error terms (e) appears constant over the range of values of an independent variable. The assumption of equal variance of the population ε (where ε is estimated from the sample value, e) is critical to

the proper application of linear regression. When the error terms have increasing or modulating variance, the data are considered as heteroscedastic (Hair et al., 1998).

In contrast, Maddala (2001) explains two basic consequences of heteroscedasticity: (1) the least squares estimators remain unbiased, but inefficient, and (2) the estimates of the variances are biased. This contributes to underestimation of the true variance of the ordinary least squares estimator, influences the confidence intervals, and invalidates the tests of significance of the independent variables. Hair et al. (1998) show that heteroscedastic variables can be remedied through data transformations similar to those used to reach normality. In addition, Hair et al. (1998) indicate that data transformations provide an approach to modifying variables for one of two reasons: (1) to correct violations of the statistical assumptions underlying the multivariate techniques, or (2) to improve the relationship (correlation) between variables. In general, heteroscedasticity is the result of non-normality of one of the variables, and the correction of the non-normality remedies the unequal dispersion of variance (Hair et al., 1998).

The error terms were expected to have equal variances. In the scattered residual plots (see, Appendix 4-A), the residuals scattered randomly about the zero line and did not exhibit a triangular-shaped pattern, thus providing sufficient evidence to satisfy the assumption for homoscedasticity of the error terms.

4.4.2.2 The multiple regression analysis result of this study

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

Accordingly, the adjusted R Square value was .857 and this implied that IM dimensions (predictors) accounts for 85.7% of the variation in customer satisfaction which is significant.

As a rule of thumb for Durbin Watson result, statistic that informs about whether the assumption of independent errors is tenable, a conservative rule values less than 1 or greater than 3 should definitely raise alarm bells (Field, 2009). For this model the Durbin Watson on the last column shown on table 4.20 was 2.247, which is within the acceptable suggested range and therefore the models is fit. Therefore, the model is appropriate in predicting customer satisfaction.

Table 4.20 Regression model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.928 ^a	.861	.857	.289	.861	212.754	6	206	.000	2.247

a.Predictors: (Constant), Promotional Activities, Job Quality and Reward, Empathy, Upward Communication, Benchmarking, Value and information sharing

The analysis of variance (ANOVA) result as shown on Table 4.21 shows the F value that is calculated by dividing the average improvement in prediction by the model by the average difference between the model and the observed data. ANOVA is used here because ANOVA is just a special case of regression(Field,2009, P 349) If the improvement due to fitting the regression model is much greater than the inaccuracy within the model then the value of *F* will be greater than 1(Field, 2009). The F value on the table below shows 212.754 which highly significant.

Table 4.21 ANOVA of Customer Satisfaction

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1 ^b	Regression	106.532	6	17.755	212.754	.000 ^b
	Residual	17.192	206	.083		
	Total	123.723	212			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Promotional Activites, Job Quality and Reward, Emphathy, UPward Communication, Benchmarking, Value and information sharing

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

From the regression result on the table 4.18, we can see that all the IM dimensions is positively correlated with customer satisfaction and in the previous analysis of the model fitness adjusted R square result it was indicated that 85.7% variation in external customers’ satisfaction can be explained by the six IM dimensions (empathy and consideration, value and information sharing, upward communication, benchmarking of benefit packages, job quality and reward and promotional activity).

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

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

On Table 4.22 the regression result under first parts of the table gives us estimates for these *beta* values and these values indicate the individual contribution of each predictor to the model. The b-values tell us about the relationship between empathy and consideration on external customers’ satisfaction. If the value is positive there is a positive relationship between the predictor and the outcome, whereas a negative coefficient represents a negative relationship (Andy,2009).The b-

value for empathy and consideration is -.286 at 95% confidence interval ($P < 0.05$) and this shows negative relationship.

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

Coefficients ^a												
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error				Beta	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance
(Constant)	1.034	.285		3.634	.000	.473	1.595					
Empathy and Consideration	-.286	.069	-.155	-4.153	.000	-.422	-.150	.448	-.278	-.108	.481	2.078
Benchmarking	.818	.060	.684	13.646	.000	.700	.936	.697	.689	.354	.268	3.724
Job Quality and Reward	.955	.041	.802	23.077	.000	.874	1.037	.815	.849	.599	.559	1.789
1 UPward Communication	-.271	.049	-.198	-5.542	.000	-.367	-.174	.383	-.360	-.144	.527	1.898
Value and information sharing	-1.216	.198	-.595	-6.146	.000	-1.606	-.826	.535	-.394	-.160	.072	13.917
Promotional Activites	.669	.152	.392	4.414	.000	.370	.968	.498	.294	.115	.085	11.715

a. Dependent Variable: Customer satisfaction

Table 4.22 Coefficients Result of Multiple Regressions

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

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

Table 4.19 presents the regression results of benchmarking of benefit package and customer satisfaction. The b-value for benchmarking was .818 at 95% confidence interval ($P < 0.05$) and this shows positive relationship.

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

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

To test the effects of the variable of job quality and reward on the variable of level of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression results of job quality and reward and customer satisfaction. The b-value for benchmarking was .955 at 95% confidence interval ($P < 0.05$) and this shows positive relationship.

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

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

Similarly to test the effects of the variable of upward communication on the variable of level of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression results of upward communication and customer satisfaction. The beta value for benchmarking was -.271 at 95% confidence interval ($P < 0.05$) and this shows negative relationship.

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

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

To test the effects of the variable of value and information sharing on the variable of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression results of value and information sharing and customer satisfaction. The beta value for benchmarking was -1.216 at 95% confidence interval ($P < 0.05$) and this shows negative relationship.

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

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

Again to test the effects of the variable of promotional activities on the variable of external customer satisfaction, simple regression analysis was used. Table 4.22 presents the regression results of promotional activities and customer satisfaction. The beta value for benchmarking was -.669 at 95% confidence interval ($P < 0.05$) and this shows significant positive relationship.

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

Based on the initial multiple regression analysis, three hypotheses were accepted. An objective of the study was to determine which elements of IM predicted customer satisfaction as per research question #2. Once it was found that three predictors, namely *promotional activities, benchmarking of benefit package and job quality and reward* were identified as having a significant prediction on the outcome customer satisfaction, a step-wise regression was subsequently conducted to determine the relative contribution of each of these elements.

4.4.3 Step-wise regression analysis results for this study

In a step-wise regression decisions regarding the order in which predictors are entered into the model are based on a mathematical criterion (Fields, 2005:160). The independent variable which most explains the dependent variable is added first, with subsequent variables added based on their incremental contribution over the first variable (Cooper & Schindler, 2003). All independent variables are required to meet the criterion for entering the equation, in this case, having a p-value of less than 0.05.

In Table 4.23 in the column labeled “R” represent the values of the multiple correlation coefficients between the outcome, employee satisfaction, and the predictors. The R value represents how much variability in employee satisfaction can be accounted for by the predictors (Fields, 2005:187). When only job quality and reward was used as a predictor, the R -value was 0.664, which means that job quality and reward can account for 66.4% variation in customer satisfaction. However, when the other predictor, benchmarking, was added in model 2, this value increased to 0.779 or 77.9% variance in employee satisfaction. Therefore, if job quality and reward account for 66.4% of the variance in employee satisfaction, empathy and consideration only accounts for an additional 11.5% variation. In both models 1 and 2 the difference between the values is 0.2% (0.664-0.662 and 0.781-0.779 respectively) indicating that if these models were derived from the population rather than the sample it would account for approximately 0.2% variance in outcome. The Durbin-Watson statistic indicates whether the assumption of independent errors is tenable, with any value less than 1 or greater than 3 causing concern (Fields, 2005:189). The closer the value is to two, the better, and in this case the value of 1.933 is so close to two that the assumption was met.

Table 4.23 Stepwise regression model summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.815 ^b	.664	.662	.444
2	.884 ^c	.781	.779	.359
3	.889 ^d	.790	.787	.353
4	.909 ^e	.826	.822	.322

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Job Quality and Reward

c. Predictors: (Constant), Job Quality and Reward ,Benchmarking,

d. Predictors: (Constant), Job Quality and Reward, Benchmarking, Empathy and consideration

e. Predictors: (Constant), Job Quality and Reward ,Benchmarking, Empathy and consideration, value and information sharing

Table 4.24 below contains the analysis of variances that tests if the model is significantly better at predicting customer satisfaction than using the mean. Specifically the F-ratio which shows the ratio of improvement in prediction that results from fitting the model (Fields, 2005:190).

The df value represents the degrees of freedom and the residual value is equal to the number of observations (283) minus the number of coefficients in the regression model (Field, 2005;190). From Table 21 it can be seen that the first model has two coefficients (one for the constant and one of the predictor), with the second model having three (one for the constant and two predictors). Therefore, model 1 has 211 degrees of freedom whereas model 2 has 210,model 3 has 209,etc. The F-ratio is then calculated and indicates the ratio of improvement in prediction that results from fitting the model (Fields, 2005:189). For the initial model the F-value is 416.346 which is unlikely to have happened by chance ($p < 0.001$). The F-value for the second model is 374.541, indicating that the second model significantly improved the ability to predict customer satisfaction, but the first model does so even better because the F-value is more significant. The F value for the rest of the model is also significant as shown in the table.

Following on from the summary statistics of the step-wise regression, it is necessary to report the coefficients of the model (refer to Table 22). The b-value gives an indication of the relationship between customer satisfaction and each of the two predictors whereby it indicates how much the customer satisfaction will increase if a specific predictor is increased while the other is held constant (Cooper & Schindler, 2003:581). Positive values suggest a positive relationship between employee satisfaction and the predictors, whilst

Table 4.24: the step wise regression ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	82.110	1	82.110	416.346	.000 ^b
	Residual	41.613	211	.197		
	Total	123.723	212			
2	Regression	96.633	2	48.316	374.541	.000 ^b
	Residual	27.090	210	.129		
	Total	123.723	212			
3	Regression	97.714	3	32.571	261.735	.000 ^b
	Residual	26.009	209	.124		
	Total	123.723	212			
4	Regression	102.171	4	25.543	246.513	.000 ^b
	Residual	21.552	208	.104		
	Total	123.723	212			

a. Dependent Variable: Customer satisfaction

Multiple regression model equations have several unknown quantities or b-values and from Table 4.25, one can interpret both models into regression equations. If one replaces the b-values in model one, the equation is:

$$\begin{aligned} \text{Customer satisfaction} &= B_0 + B_1 \text{Job quality and reward} \\ &= -0.086 + 0.971 \end{aligned}$$

This model can be interpreted to mean that for every increase of one unit in job quality and reward, customer satisfaction would increase by 0.971.

$$\begin{aligned} \text{Model 2} &= B_0 + B_1 \text{Job quality and reward (JQR)} + B_2 \text{Benchmarking of benefit package (BM)} \\ &= -1.323 + .470\text{JQR} + .742\text{BM} \end{aligned}$$

$$\text{Model 3} = -.827 + .749\text{JQR} + .578\text{BM} - .244\text{EM}$$

$$\text{Model 4} = .566 + .840\text{JQR} + .825\text{BM} - .256\text{EM} - .638\text{VIS}$$

In order for the b-value to have a significant contribution to the model, a significant level of less than 0.05 is required. In Table 25, for model 1, job quality and reward contributes significantly to the model ($p < 0.001$). When more than one predictor is present, it is useful to consider the magnitude of the t-value in conjunction with the significance when considering overall contribution to the model (Fields, 2005:193). The smaller the significance value and the

greater the t-value, the greater the contribution of the predictor. For model 2, job quality and reward ($t=16.816$, $p<0.001$) and empathy and consideration ($t=10.610$, $p<0.001$) are both significant predictors of employee satisfaction. From the t-values however, one can conclude that job quality and reward has a greater impact on the outcome than empathy and consideration. For model 3 only job quality and reward and benchmarking has positive contribution in increasing customer satisfaction, whereas empathy has negative b- value.

Table 4.25: Coefficient of the step-wise regression

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	-.086	.170		-.507	.613
	Job Quality and Reward	.971	.048	.815	20.405	.000
2	(Constant)	-1.323	.180		-7.347	.000
	Benchmarking,	.470	.044	.393	10.610	.000
	Job Quality and Reward	.742	.044	.623	16.816	.000
3	(Constant)	-.827	.244		-3.388	.001
	Job Quality and Reward	.749	.043	.629	17.261	.000
	Benchmarking	.578	.057	.483	10.157	.000
	Empathy	-.244	.083	-.132	-2.948	.004
4	(Constant)	.566	.308		1.839	.067
	Benchmarking	.825	.064	.690	12.861	.000
	Empathy	-.256	.075	-.139	-3.392	.001
	Job Quality and Reward	.840	.042	.705	20.021	.000
	Value and information sharing	-.638	.097	-.313	-6.558	.000

4.4.4 Excluded variables

Excluded variables are those not entered into the step-wise regression model. Table 4.26 contains the variables excluded from the first model, where the outcome (customer satisfaction) had only one predictor, namely job quality and reward. As can be seen from the values highlighted in bold print in Table 4.26, five excluded predictors showed a significant contribution ($p<0.05$), namely those of empathy and consideration, upward communication,

value and information sharing, promotional activities and gender. Benchmarking is included in model 3 because the t value was the highest.

Table4.26: Excluded variables in Model one

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error				Beta	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	-.132	.529		-.250	.803	-1.175	.910						
Empathy	-.205	.130	-.112	-1.580	.116	-.462	.051	.448	-.109	-.078	.483	2.072	
Benchmarking	.962	.113	.805	8.544	.000	.740	1.184	.697	.511	.419	.271	3.684	
Upward Communication	-.052	.091	-.038	-.575	.566	-.230	.126	.383	-.040	-.028	.548	1.826	
Value and information sharing	.671	.340	.329	1.974	.050	.001	1.342	.535	.136	.097	.087	11.539	
Promotional Activities	-.584	.267	-.342	-2.185	.030	-1.111	-.057	.498	-.150	-.107	.098	10.211	

a. Dependent Variable: Customer satisfaction

Table 4.27 contains the variables excluded from the first model, where the outcome (customer satisfaction) had only one predictor, namely job quality and reward. As can be seen from the values highlighted in bold print in Table 4.27, five excluded predictors showed a significant contribution ($p < 0.05$), namely those of empathy and consideration, upward communication, value and information sharing, promotional activities and benchmarking. Benchmarking is included in model 2 because the t value was the highest.

Table 4.27: Excluded Variables in model two

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF
(Constant)	-2.065	.555		3.724	.000	-3.159	-.972					
Emphathy	.421	.125	.229	3.377	.001	.175	.666	.448	.228	.192	.707	1.414
UPward Communication	.096	.103	.070	.930	.353	-.107	.299	.383	.064	.053	.568	1.759
Value and information sharing	.872	.394	.427	2.215	.028	.096	1.649	.535	.152	.126	.087	11.484
Promotional Activites	-.109	.304	-.064	-.361	.719	-.708	.489	.498	-.025	-.021	.102	9.771

a. Dependent Variable: Customer satisfaction

Table 4.27 contains the variables excluded from the first model, where the outcome (customer satisfaction) had only one predictor, namely job quality and reward. As can be seen from the values highlighted in bold print in Table 4.24, four excluded predictors showed a significant contribution ($p < 0.05$), namely those of empathy and consideration, upward communication, value and information sharing, promotional activities. Empathy and consideration is included in model 3 because the t value was the highest.

Table 4.28 contains the variables excluded from the first model, where the outcome (customer satisfaction) had only one predictor, namely job quality and reward. As can be seen from the values highlighted in bold print in Table 4.24, four excluded predictors showed a significant contribution ($p < 0.05$), namely those of empathy and consideration, upward communication, value and information sharing, promotional activities. Value and information sharing is included in model 3 because the t value was the highest. Once value and information sharing is added as a predictor, the significance of all other factors become greater than

0.05, indicating a lower than acceptable level of significance and therefore no further predictors are added to the step-wise model.

Table 4.28: Excluded Variables in model three

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics	
	B	Std. Error				Beta	Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance
(Constant)	-1.438	.535		2.685	.008	-2.493	-.382					
Value and information sharing	1.165	.394	.570	2.959	.003	.389	1.941	.535	.201	.173	.092	10.929
Promotional Activities	-.128	.311	-.075	-.412	.681	-.741	.485	.498	-.028	-.024	.102	9.767
UPward Communication	.075	.105	.055	.715	.475	-.132	.283	.383	.049	.042	.570	1.753

a. Dependent Variable: Customer satisfaction

CHAPTER FIVE

CONCLUSION AND RECOMMENDATIONS

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

5.1 Summary of major findings

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

- From data analysis the Cronbach's Alpha of this study for internal marketing scales was ranging from .701-.813 and for customer satisfaction scale is .891 which shows that there is internal consistency among the variables.
- A total of 645 questionnaires were distributed but 518 questioners were filled and returned. The year of experience for employees respondents have in the company was categorized in to four. Respondents experience which have less than two year, are 30.6% respondents, 2.5 years 47.8% respondents, 6-10 years 15.8% respondents and more than 10years are 5.8% . Most of the respondents 78.4% have less than five years of experience in the company.
- The academic qualification of the employees' respondents was classified in to four. That is, certificate, diploma, BA degree, above first degree and PhD. Most of respondents are BA degree holder 77.7%, master's degree 19.2%, certificate 2.7% and only one employee is not completed high school
- The employees' respondent's age were also categorized into four. Most of the respondents 80.8% fall under the age category of 21-30, 15.5% respondents fall under the age category of 31-40, 2.4% respondents are more than the ages of 41 and 1.4% respondents are less than 20 years of age.

- Customer's years of relationships as a customer with bank were categorized in to four. Most of the customers 36.6% have 6-10 experience, 33.3% from 2-5 years, 20% above 10 years and 9.9% below 2 years.
- The academic qualification of customers was classified in to four.. Most of respondents are BA degree holder 40.35%, certificate 24.4%, below high school 19.2% and 14.1% have masters degree.
- The customers' age were also categorized into four. Most of the respondents 45.5% fall under the age category of 21-30, 27.7% respondents fall under the age category of 31-40, 21.1% respondents are more than the ages of 41 and 5.6% respondents are less than 20 years of age.
- The computed grand mean scores of IM variables-empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing, promotional activities were 3.85, 4.09, 3.48, 4.07, 4.05 and 4.12 respectively.
- Employees of CBE satisfaction on the internal marketing program of the bank average mean score was 3.14 which was average. About 138(47.4) of the employees somehow agrred, 96(33%) of respondents responded that they are agreed with the firm's internal marketing satisfaction and 26(8.9%) of them were disagreed with their satisfaction on IM programs. About 23(7.9%) and 8(2.7%) of the respondents strongly disagree and strongly disagree respectively related to overall satisfaction on internal marketing program of the bank.
- The correlation result shows that shows that the independent variables are significantly and positively correlated with Customer satisfaction. The most correlated dimensions were job quality and reward ($r=.815$) followed by benchmarking ($r=.697$), value and information sharing($r=.535$), promotional activities($r=.498$), empathy and consideration($r=.448$) and finally upward communication ($r=.383$).
- The correlation among the six IM dimensions has shown statistically significant relationship. The highest correlation coefficient has been between promotional activities and value and information sharing ($r=.960$) showing a strong relationship between them. The second highest was between benchmarking and promotional activities ($r=0.842$). In the third place correlation between value and information sharing and empathy ($r=.827$) followed by the relationship between benchmarking and value and information sharing

(=.816). Even though the least correlation is between job quality and reward and benchmarking ($r=.523$) it still shows positive and significant relation between them

- The result of regression analysis showed that the adjusted R Square value was .857 and this implied that IM dimensions (predictors) accounts for 85.7% of the variation in customer satisfaction which is significant and 14.3% are other extraneous variables that can affect marketing performance.. The IM variables- empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing, promotional activities beta value of -.286,.818,.955,-.271,-1.216 and .669 respectively. As a result only benchmarking, job quality and reward, and promotional activities positive contribution towards customer satisfaction.
- Based on the data analysis the entire hypotheses made were tested. From the regression result; internal marketing programs have a positive effect on customers' satisfaction. The hypothesis on the positive impact of benchmarking, job quality and reward and promotional activities on customer satisfaction is accepted. The hypothesis on the positive impact of value and information sharing, upward communication and empathy and consideration on customer satisfaction is rejected as per the regression result.

5.2 Conclusion of the study

The primary objective of this study was assessing the effect of internal marketing on customer satisfaction in the context of Commercial Bank of Ethiopia. Accordingly, six internal marketing dimensions (empathy and consideration, benchmarking, job quality and reward, upward communication, value and information sharing, promotional activities) were hypothesized to assess the effect on customers' satisfaction. The descriptive statistics shows that all the IM variables scored a cumulative mean score from 3.48-4.12 as measured using a five point likert type scale. This implies that the variables are important in determining customer satisfaction.

With regard to this paper, correlation statistics is undergone to check whether there is significant relationship between internal marketing dimensions and customer satisfaction. The result then assured that there is significant association existed between IM dimensions and customer

satisfaction. The independent variables are also interrelated to each other and the strongest relation is between value and information sharing and promotional activities.

To investigate whether the independent variable determine customer satisfaction, regression was carried out. It revealed that job quality and reward, promotional activities and benchmarking of benefits packages are the significant dimensions that determine customer satisfaction. This variable explained 85.7% the variation in customer satisfaction.

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

The third objective was to assess overall satisfaction of employees on internal marketing program of the bank. The study was revealed that the overall satisfaction of CBE employees working at branch level their satisfaction with the internal marketing program of the bank that shows average satisfaction level. Employees have working experience less than five years are more dissatisfied with the program when comparing to other category. Also, employees whose age less than or equal to thirty years of age have high expectation from the bank side which was not addressed by the bank that creates dissatisfaction.

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

- Empathy and consideration with beta value of $-.286$ have negative effect on the customer satisfaction and external customer satisfaction.
- Benchmarking of competitors' benefit package with beta value of $.818$ have strong positive contribution on customer satisfaction
- job quality and reward which have the highest beta value of $.955$ have the strongest positive effect on customer satisfaction when comparing with other variables.

- Upward communication has negative relationship with customer satisfaction with beta value of -.271
- Value and information sharing also have negative relationship with customer satisfaction as it was revealed a negative beta value of 1.1216 and,
- Positive relationship exists between promotional activities and customer satisfaction.

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

5.3 Relating the finding with the literature

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

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

5.4 Recommendation

As drawn in the conclusion the internal marketing variables have positive contribution towards customer satisfaction which is one of the core values the bank strives to achieve. Accordingly, the under listed recommendations are proposed for practice by the management of the bank at different level:

- They should assess the internal marketing program of the bank, identify problems, areas of dissatisfaction and employees' needs and then proactively respond to area of problems by benchmarking of best practices and evaluating expectations of employees and customers.
- The bank top management who is responsible for the various internal marketing tools identified in this study should improve on creating awareness of the need to incorporate these tools into the culture of the company to bring customer satisfaction to the level required. Also, continuous assessment mechanisms shall be in place to assess the level of implementation and satisfaction level of internal and external customers.
- Conducive environment for implementation of internal marketing programs like clear structure, continuous training programs, proper feedback mechanisms and performance management system shall be well organized across the bank.
- Customer-employee bond can have a significant effect on the level of customer loyalty. Therefore, managers might consider ways they might facilitate the development of interpersonal bonds, including encouraging the development of friendships between customer contact employees and customers, reducing employee turnover so that familiarity with customers can be developed, and encouraging self-disclosure by both customers and employees.
- Managers shall consider designing jobs with features that appeal to the employees rather than just concentrating on the task requirements of the job that can increase employees' satisfaction.
- Management must consider the organization as its first market, and depend on the marketing tools along with the human resources practices to identify and satisfy the needs of its internal customers. Management must also conduct regular improvements in the work environment and depend on the latest technology in order to improve the performance.
- To improve internal communication making that sure internal communication channels has to be strengthen to effectively share information on how to market ideas and services internally.
- Managers of CBE should develop an employee suggestion system to encourage ideas on improving the quality of customer service

5.5 Future Researches and Limitations

Every scientific research is affected by some limitations. This research is not exception in this regard. The instrument of the data collection in this research was the questionnaire that has its own limitations. Among such limitations we can refer to the following points: employees' unfamiliarity with the internal marketing and confusing it with the external marketing and the need for explaining the difference between these two approaches, lack of cooperation among some employees and customers, lack of precision in answering the questions and consequently, removing some questionnaire in the process of data analysis.

The researcher recommends that this study may be replicated in different CBE departments that have direct contact with customers and branches located in other region of the country. This will enable top management of the bank to assess the impact of internal marketing on customer satisfaction and identifying which IM elements that could significantly predict customer satisfaction to implement the IM programs successfully and incorporates to the corporate culture of the bank.

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Appendix 1

Customer Survey Questioners-English



Addis Ababa University School of Commerce
Department of Marketing Management



A survey on “**the effect of internal marketing on customer satisfaction**”

(Questionnaire To be Filled By Commercial Bank of Ethiopia Customers)

Dear Respondent,

I would like to share your wonderful insights on this questionnaire with regards to your banking experience you have had in the past within Commercial Bank of Ethiopia. The questionnaire is designed “ *to measure the effect of internal marketing on customer satisfaction in the case of Commercial Bank of Ethiopia*” within the sampling area and the consumption is purely for academic research purpose for partial fulfillment of a post graduate program in Marketing Management at Addis Ababa University School of Commerce. Thank you for sharing your valuable time in filling this questionnaire. The questionnaire has 2 parts each referring to your satisfaction level of the service given by the bank.

Should you require any further information about this study, or have problem in completing this questionnaire, please contact the researcher by the following address: **Mengistu Solomon**, cell phone: **+251-911-445238**, e-mail: **mstadesse@yahoo.com**

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

Part 1: Personal Information

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

- | | | |
|------------------------------|-----------------------------|-------------------------------|
| 1. Sex: | 1. Female | 2. Male |
| 2. Age: | 1. Below 20 years | 2. From 21-30 years |
| | 3. From 31-40 years | 4. Above 41 years |
| 3. Educational Level: | 1. Below High school | 2. High School Diploma |
| | 3. First Degree | 4. Above First Degree |

- 4. For how many years you are customer of Commercial Bank of Ethiopia:**
1. Below 2 years **2.** From 2-5 years **3.** From 6-10 years **4.** Above 10 years

Part II: Overall Customer Satisfaction Level

Direction: Please indicate your degree of agreement/disagreement with the following statement by circling the appropriate number regarding your level of satisfaction in Commercial Bank of Ethiopia. (1-Strongly disagree; 2-Disagree; 3-Neutral; 4-Agree; and 5-Strongly agree) Key: SDA= strongly disagree; DA= Disagree; N=Neutral; A= Agree, SA= strongly agree.

S. No.	Statements	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree
1.	I am satisfied with overall banking service of Commercial bank of Ethiopia.	1	2	3	4	5
2.	My experience with the bank is above my expectation.	1	2	3	4	5
3.	I will recommend others to become a customer of Commercial Bank of Ethiopia.	1	2	3	4	5
4.	The bank is customer friendly.	1	2	3	4	5
5.	The bank gives more benefits to its customers than the competition	1	2	3	4	5

Thank you for the time you have spent in completing this questionnaire.

Appendix 2

Customer Survey Questioners-Amharic



አዲስ አበባ ዩኒቨርሲቲ ንግድ ሥራ ት/ቤት

የገበያ አመራር ትምህርት ክፍል

የውስጥ ግብይት በደንበኞችን እርካታ ላይ ያለውን ውጤት ለመለካት የሚደረግ ጥናት

(በኢትዮጵያ ንግድ ባንክ ደንበኞች የሚሞላ መጠይቅ)

የተከበሩ ደንበኞች፣

የዚህ መጠይቅ ዓላማ በኢትዮጵያ ንግድ ባንክ ባሉ የተለያዩ ቅርንጫፎች እስካሁን ሲገለገሉ ያሎትን ልምድ መሰረት በማድረግ የውስጥ ግብይት በደንበኞችን እርካታ ላይ ያለውን ውጤት ለመለካት በተመረጡ ናሙና አከባቢዎች የሚደረግ ጥናት ሲሆን የምዘናውም ውጤት ሙሉ በሙሉ በአዲስ አበባ ዩኒቨርሲቲ የንግድ ስራ ትምህርት ቤት ለገበያ አመራር ድህረ ምረቃ መመሪቂያ ፅሁፍ ማሟያ ብቻ የሚውል መሆኑን አረጋግጣለሁ።

መጠይቁ 2 ክፍል ያለው ሲሆን በጠቅላላው በኢትዮጵያ ንግድ ባንክ አገልግሎት እርካታ ላይ እርስዎ ሊሆን ይገባል ብለው በሚያምኑትና እስካሁን ባሎት ትክክለኛ ልምድ ላይ መሰረት ያደረጉ ጥያቄዎችን የያዘ ነው።

መጠይቁ ላይ ወይም መጠይቁን በመሙላት ረገድ ለሚፈልጉት ተጨማሪ መረጃ ከታች በተጠቀሰው አድራሻ መሰረት መጠየቅ ይችላሉ፡ መንግስቱ ሰለምን ኢ-ሜይል፡ mstadesse@yahoo.com ስልክ፡ +251-911-445238 (የድህረ ምረቃ መርህ ግብር አጩ ተመራቂ)

ይህንን መጠይቅ ለመሙላት ፍቃደኛ በመሆንዎ ክልብ አመሰግናለሁ።

ክፍል1: የመላሹ/ሿ ግላዊ መረጃ

ይህ የመጀመሪያ ክፍል የእርስዎን ግላዊ መረጃ የሚጠይቅ ሲሆን በትክክል የእርስዎን ምላሽ የሚያመለክተው ምላሽ ላይ በማክበብ ምላሽዎን እንዲሰጡ በአክብሮት እጠይቃለሁ።

- | | | |
|--|-------------------------------|-------------------------------|
| 1. ስም: | 1. ሴት | 2. ወንድ |
| 2. ዕድሜ: | 1. ከ20 ዓመት በታች | 2. ከ1-40 ዓመት |
| | 3. ከ21-30 ዓመት | 4. ከ41 ዓመት በላይ |
| 3. የትምህርት ደረጃ: | 1. ከሁለተኛ ደረጃ ትምህርት በታች | 2. ሁለተኛ ደረጃ ትምህርት ዲፕሎማ |
| | 3. የመጀመሪያ ዲግሪ | 4. ከመጀመሪያ ዲግሪ በላይ |
| 4. እርስዎ በኢትዮጵያ ንግድ ባንክ በደንበኝነት የተገለገሉበት ጊዜ: | 1. ከ2 ዓመት በታች | 2. ከ2-5 ዓመት |
| | 3. ከ6-10 ዓመት | 4. ከ10 ዓመት በላይ |

ክፍል 2: አጠቃላይ የደንበኞች እርካታ ደረጃ

በኢትዮጵያ ንግድ ባንክ የደንበኞች እርካታ ላይ ያለውን አመለካከት የሚወክል መግለጫን አንብቦ መስማማት/አለመስማማትውን ትክክለኛው ምላሽ ላይ ያክብቡ፡ (1-በጣም አልስማማም 2-አልስማማም 3-በጥቂቱ እስማማለሁ 4-እስማማለሁ እና 5-በጣም እስማማለሁ)

ተ. ቁ	ዓረፍተ ነገሮች	በጣም አልስማማም	አልስማማም	በጥቂቱ እስማማለሁ	እስማማለሁ	በጣም እስማማለሁ
1.	በአጠቃላይ በኢትዮጵያ ንግድ ባንክ ባገኘሁት አገልግሎት እረክቻለሁ	1	2	3	4	5
2.	እስከ አሁን ባለኝ ልምድ በባንኩ የማገኘው አገልግሎት ከምጠብቀው በላይ ነው	1	2	3	4	5
3.	እኔ ሌሎች ሰዎችን የኢትዮጵያ ንግድ ባንክ ደንበኛ እንዲሆኑ እመክራለሁ	1	2	3	4	5
4.	ባንኩ ደንበኞቹን እንደ ወዳጅ ይመለከታቸዋል	1	2	3	4	5
5.	ባንኩ ከተወዳዳሪዎቹ በበለጠ ለደንበኞች ተጨማሪ ጥቅሞችን ይሰጣል	1	2	3	4	5

ግዜዎትን ሰጥተው ይህንን መጠይቅ በመሙላትዎ ክልብ አመሰግናለሁ፡፡

Appendix 3

Employees Survey Questioners-English



Addis Ababa University School of Commerce

Department of Marketing Management

(Questionnaire to Be Filled By Employees at Commercial Bank of Ethiopia)

Dear Respondent,

I would like to seek your assistance in completing the attached questionnaire which forms a basic part of my MA thesis. The purpose of this research is to study the “**Effect of Internal Marketing on Customer Satisfaction the Case of Commercial Bank of Ethiopia**”. The questionnaire is designed to measure Internal Marketing practice of the bank within the sampling area and the consumption is purely for academic research purpose for partial fulfillment of a post graduate program in marketing management at Addis Ababa University School of Commerce.

Your genuine answer to the questions has an immense value to the completion of this study. Therefore, please kindly indicate your response by circling the appropriate answer in the space provided. All the information that you provide will be kept strictly confidential and anonymity of your identity is guaranteed. Thus, it is not necessary to write your name.

Should you require any further information about this study, or have problem in completing this questionnaire, please contact me through the following address: **Mengistu Solomon, Tel. no. +251-911-445238, e-mail- mstadesse@yahoo.com**

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

Part I: Personal Information

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

1. Sex: 1. Female 2. Male

2. Age: 1. Below 20 years 2. From 21-30 years 3. From 31-40 years 4. Above 41 years

3. Educational Level:

1. Below High school 2. High school Diploma

3. First Degree 4. Above First Degree

4. For how many years you are working in Commercial Bank of Ethiopia

1. Below 2 years 3. From 6-10 years

2. From 2-5 years 4. Above 10 years

Part II: Internal Marketing Perception

Direction: Internal marketing is a new discipline in holistic marketing with the principle that satisfied customers come from satisfied employees. Please indicate your degree of agreement/disagreement with the following statements by circling the appropriate number. (1-Strongly disagree; 2-Disagree; 3-

Somehow agree; 4-Agree; and 5-Strongly agree) Key: SDA= strongly disagree; DA= Disagree; N=Neutral; A= Agree, SA= strongly agree.

S. no.	Statements	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree
Empathy and Consideration						
1.	My direct supervisor always discusses our future career development in this company with us.	1	2	3	4	5
2.	My direct supervisor tries to understand what his/her subordinates think about the way she/he leads.	1	2	3	4	5
3.	My direct supervisor often pays attention to the family life of his/her subordinates.	1	2	3	4	5
4.	My direct supervisor makes effort to become fully familiar with his/her subordinates work performance.	1	2	3	4	5
5.	My direct supervisor makes voluntary effort to know whether we encounter problems at work.	1	2	3	4	5
Benchmarking						
6.	Our bank regularly investigates and collects information on what salaries are provided by other banks in the industry.	1	2	3	4	5
7.	Our bank regularly investigates and collects information on what fringe benefits are provided by other banks in the industry.	1	2	3	4	5
Job Quality and Reward.						
8.	My bank tries to make work content interesting.	1	2	3	4	5
9.	My bank offers good fringe benefits.	1	2	3	4	5
10.	My bank offers many opportunities for promotion.	1	2	3	4	5
11.	My bank respects its employees.	1	2	3	4	5
12.	My bank is kind to its employees.	1	2	3	4	5
13.	My bank tries its best to give us a comfortable work environment.	1	2	3	4	5
Upward communication						
14.	When we have any thoughts on our company's action or our work, we can always express those options officially to our branch manager via email or a suggestion box.	1	2	3	4	5
15.	My bank provides us with good official channel of appeal.	1	2	3	4	5
16.	My bank has sufficient channel of vertical communication.	1	2	3	4	5

Value and information sharing						
17.	My Branch Manager often utilizes branch meetings to deliver to us work related corporate polices/procedures.	1	2	3	4	5
18.	We often can gain understanding on our companies polices and activities through participating in formal meetings at branch and district level.	1	2	3	4	5
19.	My bank often announces new policies and procedures to us by means of workshop/meeting.	1	2	3	4	5
20.	My bank often uses educational training to express to us its corporate values and goals.	1	2	3	4	5
21.	My bank uses regular meetings that honor high performance employees to send out message to us.	1	2	3	4	5
22.	My branch often holds contests among employees and recognize best performer to improve performance.	1	2	3	4	5
Promotional activities						
23.	My direct supervisor always gives us a feeling that we should work our best for him/her.	1	2	3	4	5
24.	My bank often supports employees in their informal organization such as social, cultural in attempt to raise all employees' commitment to the company.	1	2	3	4	5
25.	My bank often tries to raise our commitment to this organization through varies activities such as live video links and company events.	1	2	3	4	5
26.	My bank often holds organizations-wide events to increase chances of interactions between its employees.	1	2	3	4	5

Part III: Overall Satisfaction on Internal Marketing Program of the Bank

Please read the statement that represents the view you attach to the level of satisfaction on Internal Marketing programs of the bank by circling the appropriate number. (1-Strongly disagree; 2-Disagree; 3-Neutral; 4-Agree; and 5-Strongly agree) Key: SDA= strongly disagree; DA= Disagree; N=Neutral; A= Agree, SA= strongly agree.

	Statements	Strongly Disagree	Disagree	Somehow Agree	Agree	Strongly Agree
1.	I am satisfied with bank's internal marketing programs in assisting me to properly serve customers.	1	2	3	4	5

Thank you for the time you have spent in completing this questionnaire.

Appendix 4–SPSS output

A. P-Plot

Model Description		
Model Name		MOD_5
	1	Emphathy
	2	Benchmarking
	3	Job Quality and Reward
Series or Sequence	4	UPward Communication
	5	Value and information sharing
	6	Promotional Activites
	7	Customer satisfaction
Transformation		None
Non-Seasonal Differencing		0
Seasonal Differencing		0
Length of Seasonal Period		No periodicity
Standardization		Not applied
	Type	Normal
Distribution	Location	estimated
	Scale	estimated
Fractional Rank Estimation Method		Blom's
Rank Assigned to Ties		Mean rank of tied values

Applying the model specifications from MOD_5

Case Processing Summary							
	Emphath y	Benchmarkin g	Job Quality and Reward	UPward Communication	Value and information sharing	Promotional Activites	Customer satisfactio n
Series or Sequence Length	291	291	291	291	291	291	291
Number of Missing Values in the Plot	User- Missing 0	0	0	0	0	0	0
	System- Missing 0	0	0	0	0	0	78

The cases are unweighted.

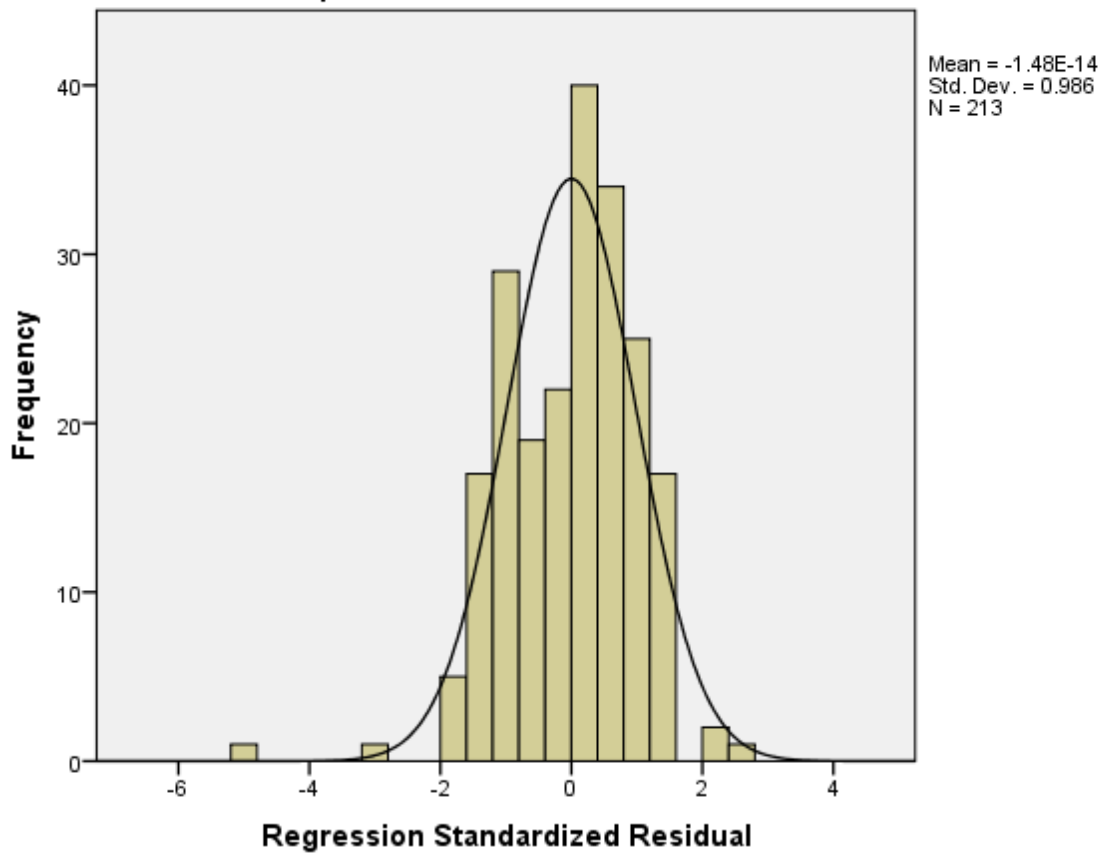
Estimated Distribution Parameters

	Emphath y	Benchmarkin g	Job Quality and Rewar d	UPward Communicatio n	Value and informatio n sharing	Promotiona l Activites	Customer satisfactio n
Normal Locatio Distributio n	3.85	4.09	3.48	4.07	4.05	4.12	3.32
Scale	.615	.799	.659	.672	.603	.652	.764

The cases are unweighted.

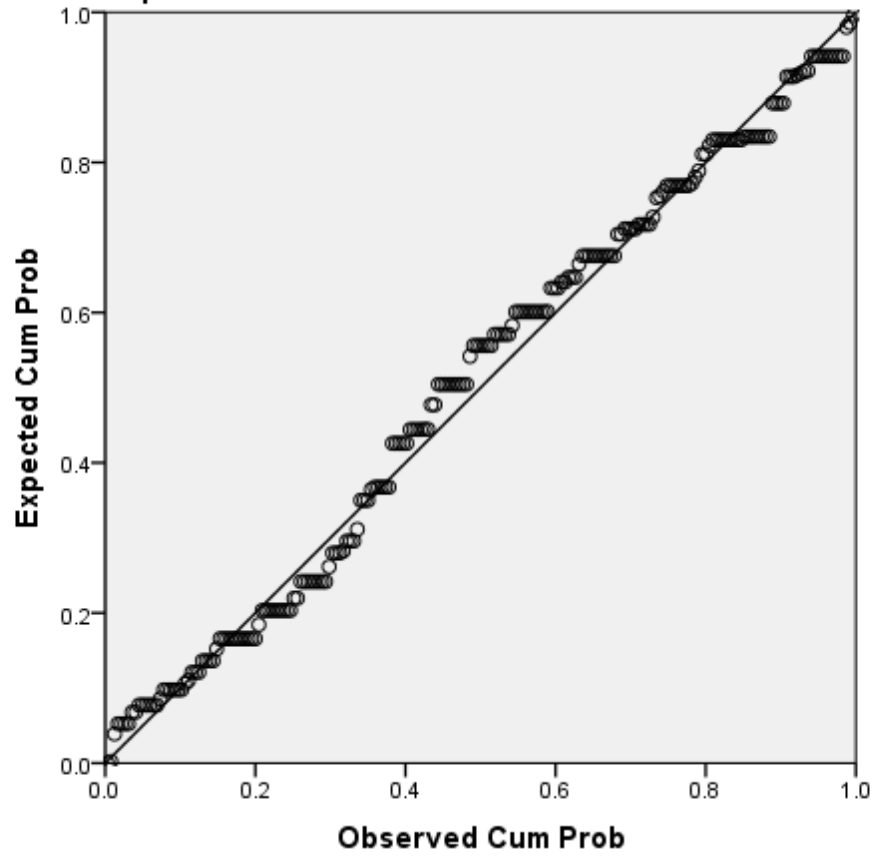
Histogram

Dependent Variable: Customer satisfaction



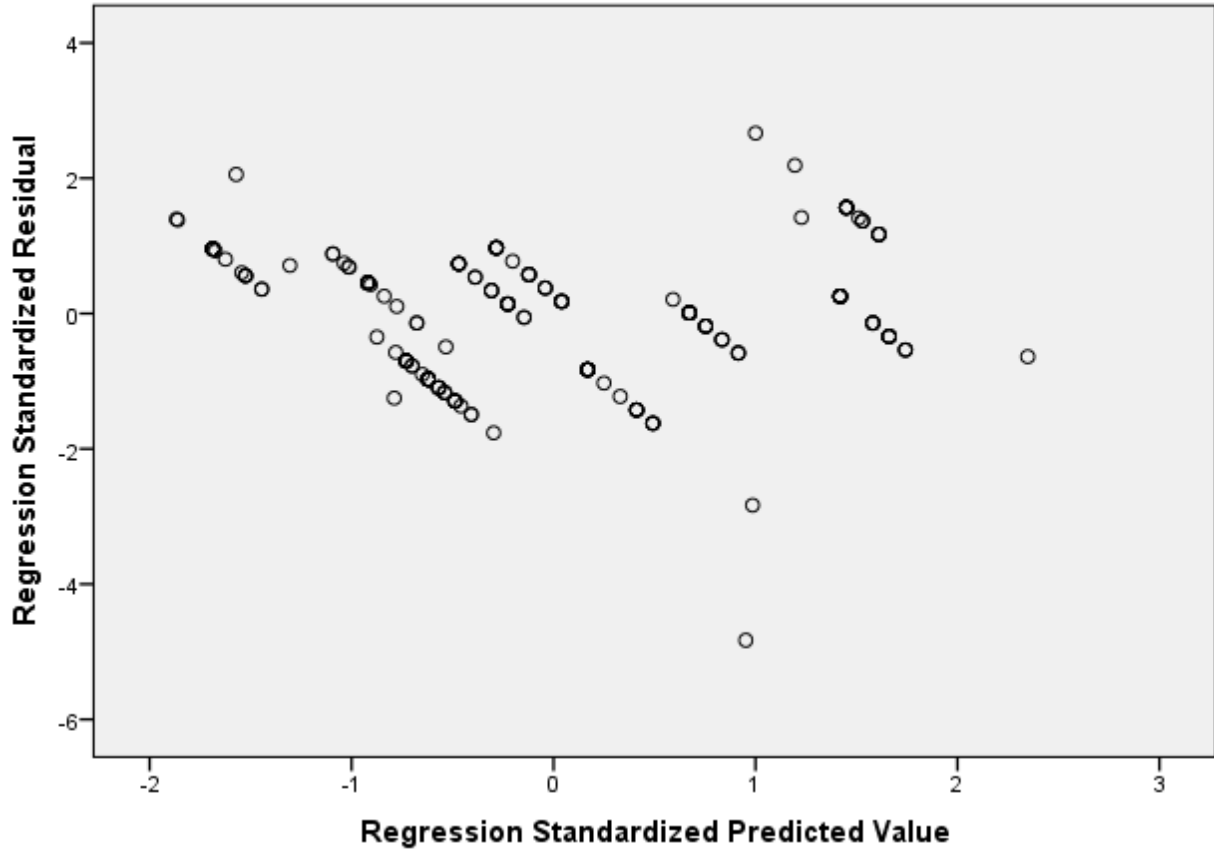
Normal P-P Plot of Regression Standardized Residual

Dependent Variable: Customer satisfaction



Scatterplot

Dependent Variable: Customer satisfaction



B. Reliability

Scale: Empathy and consideration

		N	%
Cases	Valid	291	100.0
	Excluded ^a	0	.0
	Total	291	100.0

Cronbach's Alpha	N of Items
.701	5

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

Scale: Reliability for Benchmarking of benefit package

		N	%
Cases	Valid	291	100.0
	Excluded ^a	0	.0
	Total	291	100.0

Cronbach's Alpha	N of Items
.768	2

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

Scale: Reliability for Job quality and reward

		N	%
Cases	Valid	291	100.0
	Excluded ^a	0	.0
	Total	291	100.0

Cronbach's Alpha	N of Items
.729	6

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

Scale: Reliability for Upward communication

		N	%
Cases	Valid	291	100.0
	Excluded ^a	0	.0
	Total	291	100.0

Cronbach's Alpha	N of Items
.757	3

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

Scale: Reliability for Value and information sharing

		N	%
Cases	Valid	291	100.0
	Excluded ^a	0	.0
	Total	291	100.0

Cronbach's Alpha	N of Items
.813	6

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

Scale: Reliability for Promotional Activites

		N	%
Cases	Valid	291	100.0
	Excluded ^a	0	.0
	Total	291	100.0

Cronbach's Alpha	N of Items
.756	4

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

C. Correlations

Correlations

		Emphathy	Benchmarking	Job Quality and Reward	UPward Communication	Value and information sharing	Promotional Activites	Customer satisfaction
Emphathy	Pearson Correlation	1	.804**	.519**	.635**	.827**	.790**	.448**
	Sig. (2-tailed)		.000	.000	.000	.000	.000	.000
	N	291	291	291	291	291	291	213
Benchmarking	Pearson Correlation	.804**	1	.523**	.696**	.816**	.842**	.697**
	Sig. (2-tailed)	.000		.000	.000	.000	.000	.000
	N	291	291	291	291	291	291	213
Job Quality and Reward	Pearson Correlation	.519**	.523**	1	.543**	.577**	.530**	.815**
	Sig. (2-tailed)	.000	.000		.000	.000	.000	.000
	N	291	291	291	291	291	291	213
UPward Communication	Pearson Correlation	.635**	.696**	.543**	1	.795**	.761**	.383**
	Sig. (2-tailed)	.000	.000	.000		.000	.000	.000
	N	291	291	291	291	291	291	213
Value and information sharing	Pearson Correlation	.827**	.816**	.577**	.795**	1	.960**	.535**
	Sig. (2-tailed)	.000	.000	.000	.000		.000	.000
	N	291	291	291	291	291	291	213
Promotional Activites	Pearson Correlation	.790**	.842**	.530**	.761**	.960**	1	.498**
	Sig. (2-tailed)	.000	.000	.000	.000	.000		.000
	N	291	291	291	291	291	291	213
Customer satisfaction	Pearson Correlation	.448**	.697**	.815**	.383**	.535**	.498**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	.000	
	N	213	213	213	213	213	213	213

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

D. Regression result

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.928 ^a	.861	.857	.289	.861	212.754	6	206	.000	2.247

a. Predictors: (Constant), Promotional Activites, Job Quality and Reward, Emphathy, UPward Communication, Benchmarking, Value and information sharing

b. Dependent Variable: Customer satisfaction

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	106.532	6	17.755	212.754	.000 ^b
	Residual	17.192	206	.083		
	Total	123.723	212			

a. Dependent Variable: Customer satisfaction

b. Predictors: (Constant), Promotional Activites, Job Quality and Reward, Emphathy, UPward Communication, Benchmarking, Value and information sharing

Model	Collinearity Statistics	
	Tolerance	VIF
(Constant)		
Emphathy	.481	2.078
Benchmarking	.268	3.724
Job Quality and Reward	.559	1.789
1 Upward Communication	.527	1.898
Value and information sharing	.072	13.917
Promotional Activites	.085	11.715

Appendix -5

Translated Amharic Customer Survey Questioner