



# School of Commerce

## THE EFFECT OF INTERNAL MARKETING ON CUSTOMER PERCEIVED SERVICE QUALITY: THE CASE OF AYAT SHARE COMPANY

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**Addis Ababa, Ethiopia**

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CUSTOMER PERCEIVED SERVICE QUALITY:  
THE CASE OF AYAT SHARE COMPANY**

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

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### **Statement of Certification**

This is to certify that Berehane Zegeye Gebre has carried out her research work on the topic entitled the effect of internal marketing on customer perceived service quality: The case of Ayat share company. Since the work is unique, it can be submitted for consideration for a master's degree in marketing management.

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**Statement of Declaration**

I, Berehane Zegeye, declare that the thesis entitled — entitled the effect of internal marketing on customer perceived service quality: The case of Ayat share company is my original work. I have carried out the present study independently with the guidance and support of the research advisor, Saleamlak Molla (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: Berehane Zegeye**

**Signature**\_\_\_\_\_

**Date**\_\_\_\_\_

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## **List of Acronyms**

ANOVA= Analysis of Variances

IM= Internal Marketing

CSQ= Customer service quality

SPSS= Statistical Package Software for Social Science

JS = Job satisfaction

EM= Employees Motivation

R= Reward

IC= Internal Communication

T= Training

## ABSTRACT

*The purpose of this paper is to investigate the effect of internal marketing on customer perceived service quality: The case of Ayat share company. The study was Explanatory and quantitative in its approach. A structured questionnaire was developed. The hypotheses were simultaneously tested on a sample of 283 out of 292 questionnaires distributed to employees and out of 285 distributed to customers 283 fully returned. convenience sampling technique used, and data collected from employee and customer who are willing to filling the questionnaire in time of data collection. Pearson correlation and multiple linear regressions were used to examine the relationships among the variables in the study. The software utilized for analysis was SPSS V20. The results indicated a significant impact of internal marketing dimensions on employee job satisfaction and customer perceived quality of service at a significance level of  $\alpha \leq 0.05$ . All dimensions of internal marketing were found to have a positive correlation with customer service quality. Motivation, internal communication, training and reward are predictors of customer perceived service quality with beta values of .168, .374, 0.043 and .380 respectively, that have positive contributions for variation in customer perceived service quality. The study's findings clearly show that it was limited to Ethiopia, so the results' applicability in other nations may differ. Additionally, since the study was carried out in the real estate sector, its application in other industries, such as finance and health, might not yield the same results.*

**Key Words: INTERNAL MARKETING, EMPLOYEE SATISFACTION, INTERNAL MARKETING DIMENSIONS, CUSTOMER PERCIVED SERVICE QUALITY**

# CHAPTER ONE-INTRODUCTION

This chapter consists of background of the study, statement of the problem, research question, objective of the study, significance of the study, Scope of the study, definition of terms, and organization of the paper are explained here under.

## 1.1 Background of the study

Internal marketing is the concept that develops the idea of satisfied employees for the benefit of satisfied customers. The idea of internal marketing, according to Berry (1981), is predicated on the idea that workers are internal customers, and that their jobs are internal products that meet their needs and desires while advancing the goals of the company.

Numerous studies on internal marketing contend that in order for an organization to satisfy the needs of its external clients, it must first address any issues pertaining to unmet internal customer needs. This is because meeting employee needs increases employee motivation and retention, and as a result, the more satisfied employees are with their jobs, the more likely they are to receive positive feedback from clients and become loyal advocates (Zampetakis and Moustakis, 2007).

Hartline M. and Ferrell OC (1996) assert that there is a positive correlation between job satisfaction and customer satisfaction, meaning that contented employees deliver higher-quality services. The intangible nature of services renders employees one of the most important factors in the process by which a service organization generates value. This is particularly true in the case of the services industries. Employee satisfaction influences customer satisfaction, according to research by Jeon and Choi (2012). Consequently, happy employees are a prerequisite for happy customers. The idea of internal marketing advocacy, according to George (1990).

As Hung and Lin (2008) point out, most service organizations have struggled to create and carry out internal marketing strategies because they don't know enough about or comprehend the various elements that make up the internal market environment.

## **1.2 Statement of the problem**

Internal marketing (IM) has been put forth as a philosophy that centers on company personnel to increase their effectiveness in providing better customer service (George, 1990; Lings and Greenley, 2009). Organizations that successfully integrate both internal and external dimensions of efficient and effective management are considered successful (Olorunleke, 2000).

The way in which employees follow the company's established procedures determines how well customers perceive the quality of the services they receive. Correspondingly, existing research (Tewodros, 2015; Demirew G. et al. 2015) and others demonstrates that, frequently, the competency and demeanor of service providers in Ethiopia's service delivery industry fall short of what is necessary, which leaves clients with misgivings about the industry. In addition, the employees' readiness to assist customers as needed by them is not up to par; in certain instances, they even mistreated them. Thus, in the real estate industry, internal marketing is necessary for happy employees to easily satisfy clients who use their services. Various academics—Berry 1984; Johnson et al. 1986; Kotler and Armstrong, 1991) discussed how internal marketing aims to determine and meet employee needs to retain staff members and enable them to deliver exceptional customer service to outside clients.

In Ayat Real Estate the marketing and sales department play a crucial role in generating revenue, and its often consider the back bone of Ayat. Sales team function is not only to sell the company product or service but also to maintain healthy relationship with customers, analyze market trend and device strategies to boost sales performance. The company has been highly affected by staff turnover and has been taking steps to remedy this situation and keep highly skilled professionals as of September 2022; the organization increased its Sales staff salaries by 100 percent and increase its commission from 3% to 5% and annual Bonus. Gopal (2006) highlights the significance of internal marketing as useful tools for employees' job satisfaction and suggests that a strategy to retain good employees involves understanding what they want in addition to a salary and benefits. According to Gronross (1985), a staff that is loyal to the organization helps to lower the costs associated with formation, integration, recruitment, and selection. It also guarantees continuity during challenging times for the organization.

The study looks to examine the effects of internal marketing because employee performance in real estate is determined by it. in the case of Ayat Real estate, motivation, internal communication, training, and reward) on customer perceived service quality. While research in this area has not been done in the Real Estate sector, internal marketing is crucial to a company's long-term success.

## **Research question**

1. What is the effect of motivation on customers perceived service quality?
2. What is I the effect of training practice on customers perceived service quality?
3. What is the effect of internal communication on customers perceived service quality?
4. What is the effect of reward on customers perceived service quality?

## **1.4. Objective of the study**

### **1.4.1 General Objectives**

The main objective of the study was to examine the effect of internal marketing on customers perceived service quality in Ayat S.C

### **1.4.2 Specific Objectives of the Study**

To achieve the objectives of this study, the following specific objectives are taken as indicators to study.

- To examine the effect of motivation on employee customers perceived service quality
- quality
- To examine the effect of training and development performance of real estate on customers perceived service quality
- To investigate the effect of communication on customers perceived service quality
- To investigate the effect of reward system on customers perceived service quality

## **1.3 Significance of the Study**

The results obtained from this study will benefit Ayat Real Estate and other real estate firms in Ethiopia as well as other scholars who are interested

in the field of internal marketing in general. This study can help simplify the understanding

of how internal marketing affects employees' job satisfaction. Because it provides a reasonable guideline for developing internal marketing strategies, officials of Ayat Real Estate can use it to address areas of weakness in their organization's operations. Similarly, it contributes to other real estate firms to develop and execute internal marketing plans inside their own businesses. Additionally, it will open doors for scholars who are interested in looking into the matter further.

## **1.6 Scope of the Study**

This study focuses on the effects of internal marketing on customer perceived service quality in the real estate sector in Addis Ababa, specifically at Ayat Real Estate. The dimensions of internal marketing as independent variables, with customer perceived quality of service as the dependent variable.

## **1.7. Limitation of the study**

The researcher collects the data from employees of the organizations and customer by using non-probability sampling. Non-probability sampling is used for collecting data from the employee and customer through convenience sampling technique because of the vast number of employees. The use of nonprobability 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). So, this can limit the generalizability of the finding.

## **1.8. Definition of the Terms**

**Internal marketing:-** Internal marketing is described as "viewing jobs as internal products that satisfy these internal customers' needs and wants while addressing the firm's objectives" and "viewing employees as internal customers" (Berry and Parasuraman, 1991).

**Job satisfaction:-** job satisfaction is a concept that encompasses not only the attitude and feelings people have about their work, but also the mental and physical fulfillment that employees derive from their work and the environment they work in. As per Armstrong (2006), job satisfaction is indicated by positive and favorable attitudes towards the job, while job dissatisfaction is indicated by negative and unfavorable attitudes towards the job.

**Training:** “is the process of preparing employees to perform their tasks efficiently by providing them with the right knowledge and developing their marketing skills” (Ali, 2010).

**Motivation:** Motivation can be defined as an employee's desire to use their own initiative to perform a task to the best of their abilities (Rudolph and Kleiner, 1989). 22 "all forms of communication from management to employees in service organizations" are considered internal communication (Lovelock & Wright, 1999).

**Internal Communication:** “all forms of communication from management to employees in service organization” (Lovelock & Wright, 1999).

**Reward:** is something that is given in recognition of service, effort, or achievement (Shelley, 2011). It ranges from monetary incentives, such as bonus payments, as well as non-monetary awards, such as praise and public recognition. Rewards can also be intrinsic, as with the pleasure that can be derived by employees in the performance of a service.

**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).

## **1.8 Organization of the study**

Five chapters will make up the structure of the research report. The research background, problem statement, study objective, study significance, study scope, study limitations, and term definitions are all included in the first chapter. The development of hypotheses, conceptual framework, and relevant literature reviews were covered in the second chapter. The third chapter describes the research design, sampling strategies, and other methods along with the research methodology that was employed. The fourth chapter discusses the results and interpretation. Lastly, a summary of the main finding, a conclusion, recommendation, study limitations, and future research suggestion will all be covered in the final chapter.

## **CHAPTER TWO**

### **2. RELATED REVIEW OF LITERATURE**

This section reviews a variety of literatures on important concepts that are crucial to the investigation. The relationship between internal marketing and employee job satisfaction, internal marketing variables, concept and definitions of internal marketing, employee job satisfaction, and the conceptual framework of the study are all reviewed.

#### **2.1 THEORETICAL REVIEW**

##### **2.1.1 The origins of the internal marketing**

The origins of internal marketing: Sasser and Arbeit (1976) asserted that "people are a service company's first market." This statement served as the inspiration for the concept of internal marketing. Viewing employees as internal customers and jobs as internal products that satisfy these internal customers' needs and wants while addressing the organization's objectives is how internal marketing is defined by Berry (1981), who was the first to do so.

The internal marketing idea that views employees as external clients leads to the supposition that internal clients also want their needs to be met. Meeting needs of workers increases worker satisfaction, and happier workers are more likely to inspire external satisfaction and loyalty (Ahmed and Rafiq, 2003). Internal marketing is hard to define, but it usually involves three main themes: motivating employees, focusing their attention on internal activities that need to change to improve marketplace performance, and emphasizing customer-oriented and service-minded behaviors (Mosley, 2007). Although academics have not yet provided an exact definition, internal marketing is generally understood to refer to the practice of employers treating their employees as customers to gain a competitive edge that is impossible to replicate. The following tables provide definitions for internal marketing from various scholars.

## **2.1.2 Services marketing triangle**

Internal marketing initially appeared in the literature on services marketing before spreading to other fields like relationship marketing and service management (Voima, 2000). External, interactive, and internal marketing are the three fundamental subprocesses and goals of service marketing (Gronroos, 1998).

### **External marketing**

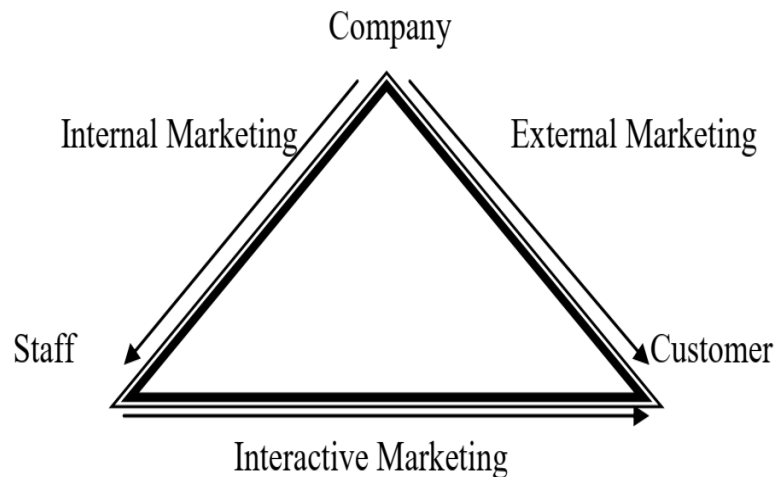
Building relationships between businesses and external customers is the primary goal of the first type of marketing, known as external marketing. To draw clients and grab the market's attention, several conventional marketing techniques are used, including pricing strategies, promotional campaigns, and various forms of communication with the company's external customers. At this point, the business will make a promise to its clients in order to obtain the ability to provide services (Li, 2010).

### **Interactive Marketing**

The interaction between front-line staff and outside clients is described by the second type of marketing, known as interactive marketing (Gronroos, 1985). According to Paraskevas (2001), this type of interaction is also characterized as a service encounter, wherein employees are tasked with providing services that external customers require. He contended that the front-line staff members who interact directly with the clients on the outside are crucial to the service interaction since any shortcomings on their part will result in the loss of the clients. Also, there will be a major harm to the results of the other two marketing campaigns.

### **Internal marketing:**

The last type in the service marketing triangle is called internal marketing, which is the marketing of building the relationship between company and its employees. It entails internal communication, empowerment, trainings, and motivation (Li, 2010).



*Fig.1: Three types of service marketing; Adapted from Gronroos(1998).*

### **2.1.3 Elements of internal marketing**

On the internal marketing dimension, academics have provided a variety of variables. Authors disagree on what makes up internal marketing elements, and there is a great deal of disagreement regarding the components of an internal marketing mix. In the academic literature, there are numerous proposals regarding the IM elements. The following are mentioned by

- Rafiq and Ahmed (1993): implementation of corporate or functional strategies; coordination and integration across functional boundaries; customer orientation and satisfaction; employee motivation and satisfaction; and marketing-like approach.
- Employee training and skill development, internal communication, reward, and employee empowerment are all mentioned by Lings (2004).
- Information management, staff retention and training, rewards, leadership and management, and communication are all covered by Barnes, Fox, and Morris (2004).
- Gounaris (2006): Empowerment or incentive systems, training and development, and selection.
- Ali (2010): Motivation and rewards; internal market research and segmentation; employee empowerment; employee recruitment; internal communication; employee training; and employee empowerment.

Internal Marketing can be understood through the dimensions mentioned above. While it is ideal to consider all dimensions when analyzing internal marketing, this study will focus on

four key dimensions - training & development, motivation, internal communication, and reward. These dimensions were frequently highlighted by scholars and are believed to adequately explain internal marketing practices.

## **MOTIVATION**

Motivation, originating from the Latin word “movere”, relates to the concept of transferring or pushing. According to Kelly (1974), motivation is characterized as any action driven by needs and aimed at achieving corresponding goals. Sansone and Harackiewicz (2000) describe motivation as an internal force guiding behavior, serving as the catalyst for employees to improve their performance for organizational success (Sekhar et al., 2013). Ultimately, Motivation is the readiness to exert effort. The effectiveness of managers in motivating their team members directly impacts organizational achievement, though understanding the reasons behind individual behavior can be challenging. In this study, motivation is defined based on Webster’s as any action by employers to encourage employees, encompassing rewards, incentives, feedback, evaluations, and competitive compensation. Supporting scholars include Tsai and Tang (2008), Gounaris (2006), Rafiq and Ahmed (1993), and more.

## **TRAINING AND DEVELOPEMENT**

Internal marketing scholars such as Ahmed and Rafiq (2003), Gounaris (2006), and Tsai and Tang (2008) have identified training as one of the dimensions that can be clarified through internal marketing, and it is one of the dimensions that are most frequently mentioned. "The goal of training is to equip staff members with the necessary knowledge and enhance their marketing abilities, so they can carry out their jobs effectively" (Ali, 2010). Research indicates that investing in training can yield noticeable outcomes, such as enhanced attitudes, better abilities to promote service quality, and increased employee satisfaction and loyalty (Dubrin, 2004). Employees who receive training can better grasp a service strategy by learning about the roles that people play in relation to one another, the different departments within the company, and the clients (Cronin and Taylor, 1992).

the psychologist Maslow (1954) and theorist Herzberg (1966) acknowledged the role that development plays in inspiring individuals. Maslow placed self-actualization and self-esteem at the top of his hierarchy of needs, while Herzberg listed work itself, responsibility, achievement, and recognition as sources of motivation. Employee development is defined by

Foreman and Money (1995) as a strategic investment made by an organization in the training of its members. Should employees be expected to execute their duties with excellence, they must possess the requisite expertise and understanding? Employees must receive the necessary training and development to carry out internal marketing's service role for an organization to use it effectively, according to Piercy and Morgan (1991). An organization can enhance business performance by fully utilizing its resource, which is its workforce, when it has a well-developed workforce. It may be difficult for businesses to retain qualified workers if they don't provide career opportunities, opportunities for advancement, and opportunities to expand their knowledge and skill set. People will be able to achieve and grow with the aid of training and development.

## **INTERNAL COMMUNICATION**

Internal communication, according to Ahmed and Rafiq (2003), is the sharing of information among employees within the company to foster a sense of accountability, responsibility, and ownership. They go on to say that when staff members are aware of what customers expect from them as well as the state and well-being of the company, they are more likely to carry out their responsibilities with diligence, which enhances business performance. Additionally, they think that since internal communication is essential to fostering understanding among employees, it should be considered a crucial component of internal marketing.

## **REWARD**

A reward is essentially defined as something that is given in appreciation for a job well done, an effort made, or an accomplishment (Shelley, 2011). It includes both monetary rewards like bonuses and non-monetary ones like public acclaim and commendation. Incentives may also be intrinsic, such as the satisfaction that staff members get from providing a service. To encourage employees to commit to continuing their service with the company, most employ reward systems. Employee perceptions of fairness are a crucial component of organizational reward systems (Slatten, 2009). Fair reward programs foster employee loyalty because they make workers feel good about their work and perform better because of the emotional connection they have to the programs (Jeon and Choi, 2012; Lenka, Suar, & Mohapatra, 2010). Previous studies have found that employees are highly satisfied when they believe they are being fairly compensated for their work (Jeon & Choi, 2012; Lenka et al. 2010).

### **2.1.4 Definition of service**

Different definitions of service have been offered by several authors. Among those definitions, Kotler (2000) defined a service as an activity or benefit that is offered for sale, essentially intangible, and does not confer ownership. Lovelock (2011) defined a service as an economic activity that is provided by one party to another, frequently in exchange for time-based performance, and that results in a desired change in the user. (Gronroos, 2007) defines a service as "a process consisting of a series of more or less intangible activities that normally, but not always, take place in interactions between the customer and systems, physical resources, or goods of the service provider, which are provided as solutions to customer problems.". It is a performance or act that is given to someone else.

### **2.1.5 Perceived Service Quality**

Providing high-quality services is a crucial strategy for the success of service industries in the current competitive landscape. Businesses must gain a competitive edge through providing high-quality services if they are to succeed and endure. Delivering excellent customer service that results in customer satisfaction is essential for fostering customer loyalty. As the service industry expands, quality of service has drawn increased attention and is now a topic of interest for research. Service quality was defined differently by several researchers. Researchers who conceptualized service quality included Gronroos (1984), Parasuraman et al. (1985), and Cronin and Taylor (1992).

Service quality was conceptualized by Parasuraman et al. (1988) using the disconfirmation paradigm. Service quality was operationalized as the difference between customers' expectations of service and their perceptions of the service experience. They defined it as a type of attitude related to satisfaction but not identical to it. It arises from comparing expectations with perceptions of performance. Consumers use perception and expectation to determine whether a business offers high-quality services.

Perceived service quality refers to the customers' assessment of the overall excellence of the services provided by the service provider. When consumers compare their expectations of a service with their perceptions of its actual performance, they arrive at a global judgment or attitude regarding perceived service quality (Parasuraman, et al., 1985). The basis for this

decision is the difference between the actual services a customer receives from his service provider and his expectations (Gronroos 1984; Parasuraman, et al; 1988). Perceived service quality is a multidimensional, higher-order construct that cannot be measured in a single dimension, according to the theoretical conceptualization of the concept (Cronin, 2001). Oliver (1997) treated perceived service quality as a cognitive construct by defining it as an overall assessment of the service. Customers' assessment of an organization's service, based on their overall experience of a continuous service encounter, is known as perceived service quality (Woodruffe 1995).

### **2.1.7 Dimension of service quality**

Many scholars have offered lists of factors that influence service quality, but the most well-known factors stem from Parasuraman and his associates, who identified five dimensions of service quality: tangibility, reliability, responsiveness, assurance, and empathy (Parasuraman et al. 1988; Zeithaml and colleagues. 1990. 2011; Santhiyavalli). Below is a quick explanation of these measurements.

#### **Reliability**

The capacity to deliver promised services on time, accurately, and consistently is referred to as reliability (Arizon, 2010). Services should be available as soon as customers are supposed to receive them. As per Santhiyavalli (2011).

#### **Assurance**

This dimension deals with staff members' expertise, civility, and capacity to exude confidence and trust (Arizon, 2010). Customers' satisfaction levels can rise dramatically when financial institution employees behave in a trustworthy manner. It might also favorably affect consumers' intentions to make additional purchases (Ndubisi, 2006).

#### **Tangibles**

This category includes things like how physical buildings, machinery, personnel, and communication materials seem (Arizon, 2010). In a nutshell, tangibles are all about making an impact. Every business wants to leave a lasting, positive impression on their customers. They will benefit the most if they concentrate on this specific dimension. (2012) Swar and Sahoo.

## **Responsiveness**

Reactivity refers to an organization's readiness to help clients and offer timely services (Arizon, 2010). It can be gauged by the time required to address issues raised by customers and the time it takes to respond to a service request made by the customer (Santhiyavalli, 2011).

## **Empathy**

Empathy can be defined as staff members' understanding of each customer's needs and their ability to provide personalized attention (Arizon, 2010). Empathy forges an emotional bond with clients, giving them a sense of significance in the eyes of the company. Retention and the development of a new customer base result from this (Wieseke et al. (2012).

## **2.2 EMPIRICAL REVIEW**

An extensive summary of research on internal marketing using various variables can be found below. It is well known that a model created in one nation's context might not apply to other nations. according to Omar Salem K. M (2013) discovered a significant correlation between employee job satisfaction and internal marketing, considering internal marketing dimensions such as internal communication, internal response, and internal marketing research, and employee job satisfaction as the dependent variable. In a similar vein, Mohammedi et al. (2012) study demonstrates that there is a strong positive correlation and an indirect impact that internal marketing has on customer orientation through the mediational variable of organizational commitment, as well as a significant positive correlation between them. Isabella R. Dot et al. (2005, cited in Nardos 2012) observed that paying more attention to employee-customer interactions can lead to an increase in the customers' satisfaction, perceived service quality, and likelihood of making repeat purchases. Since employee experiences in their organizations have an impact on customer perceptions, attitudes, and intentions, if employees don't feel valued, neither will your customers. Businesses may rely on this presumption, which means that contented workers will lead to enduring loyalty.

The above statement is supported by Havir (2001, as referenced in Nardos 2012), which states that external customer satisfaction increases with perceived service quality. Consequently, there would be a greater desire to use the service provider again. According to research done

by Sara Gulelat (2014), the majority of customers rate the overall quality of the customer service they receive as being above average, indicating that there is a positive correlation between internal marketing and service quality. The precise and transparent exchange of information between staff members and management is referred to as internal communication for the purposes of this study. Building relationships and cultivating a respectful environment for everyone within the company are key components of internal communication (Argenti, 2009)

### **2.2.1 Motivation and Job Satisfaction**

Evidence from previous research has indicated a correlation between Motivation and Job Satisfaction (Singh. K. additionally (Viveki, 2011). For instance, a 2011 study by Singh and Viveki, employing data from 45 white workers at BSNL, one of India's largest public sector companies, demonstrated a significant positive correlation between job satisfaction and motivation.

The results of another empirical study on the connection between job satisfaction and work motivation by Nadia and Shagufta (2011) are identical. Workplace motivation and job satisfaction are positively correlated, according to the study's sample of 80 middle managers from various Pakistani banks. According to these two findings, there is a positive and significant correlation between changes in the value of motivation and changes in job satisfaction. Furthermore, research has demonstrated that staff members' job satisfaction is significantly impacted by their motivation (Metabis and Hawary, 2013; Kanyurhi and Bugandwa Mungu Akonkwa, 2016). Based on the above analysis, motivation effect can be can be hypothesized as,

**H1: Motivation has a positive and statistically significant effect on job satisfaction.**

### **2.2.2 Training and Job Satisfaction**

Recent research suggests that training and development can have a significant impact on job satisfaction (Rahayu, Rasid, & Tannady, 2019). Employee development, as defined by Karen (2007), is a system designed to help employees grow in their current roles and achieve their future goals. Job satisfaction is seen as the emotional response employees have towards their jobs, according to researchers Rahayu, Rasid, & Tannady (2019). In a study conducted by

Karen (2007) on the effect of employee development programs on job satisfaction and retention, it was found that job satisfaction increases when employees are given opportunities for growth and development, as well as fair and equitable HR practices. Based on the above explanation, the effect of training can be hypothesized as,

**H2: Training has a positive and significant effect on job satisfaction.**

### **2.2.3 Relationship between Internal Communication and Job Satisfaction**

The exchange of messages among individuals within an organization is known as internal communication, and it is an essential component of an effective internal marketing culture. According to Naude and Murphy (2003), interdepartmental coordination cannot occur if individuals are unable or unprepared to communicate with one another. Based on research, it has been found that internal communication plays a significant role in influencing job satisfaction (Hrund, 2011; Yammarino and & Naughton, 1988). When there is active and measurable communication, employees feel more connected to and knowledgeable about their jobs. Better work and increased job satisfaction resulted from this. Based on the above evaluation the following hypotheses developed.

**H3: Internal Communication has positive significant effect on job satisfaction**

### **2.2.4. Reward and employee job satisfaction**

Rewards are a common tool used by most organizations to persuade staff members to stay on staff. Perceived fairness by employees is a crucial aspect of organizational reward systems (Slatten, 2009). According to Jeon and Choi (2012) and Lenka, Suar, and Mohapatra (2010), fair reward systems lead to devoted workers because they make them feel good about their work and perform better because of their emotional connection to the program. According to earlier studies, employees feel highly satisfied when they feel their efforts are being adequately rewarded (Jeon & Choi, 2012; Lenka et al. in 2010). This leads us to hypothesize that:

**H4: Adequate reward has a positive influence on employee satisfaction**

A positive impact on job satisfaction has been shown in various studies, which may help employees provide customers with high-quality service. A positive and significant

relationship between employee satisfaction and service quality was found, as supported by numerous literatures.

## **2.2.5 Relationship of Employees' Job Satisfaction and Customers**

### **Perceived Service Quality**

The research conducted by Priyathanalai and Moenjohm (2012) demonstrated this relationship. The relationship between employee perceptions of job satisfaction and ability to serve and their views of service quality was found to be positive by Schlesinger and Zornitsky (1991). Low job satisfaction can lower service performance, according to Bitner's (1990) observations. This implies that job satisfaction, employee performance, and customers' satisfaction with the quality of the services are significantly correlated. Consequently, the hypothesis is that.

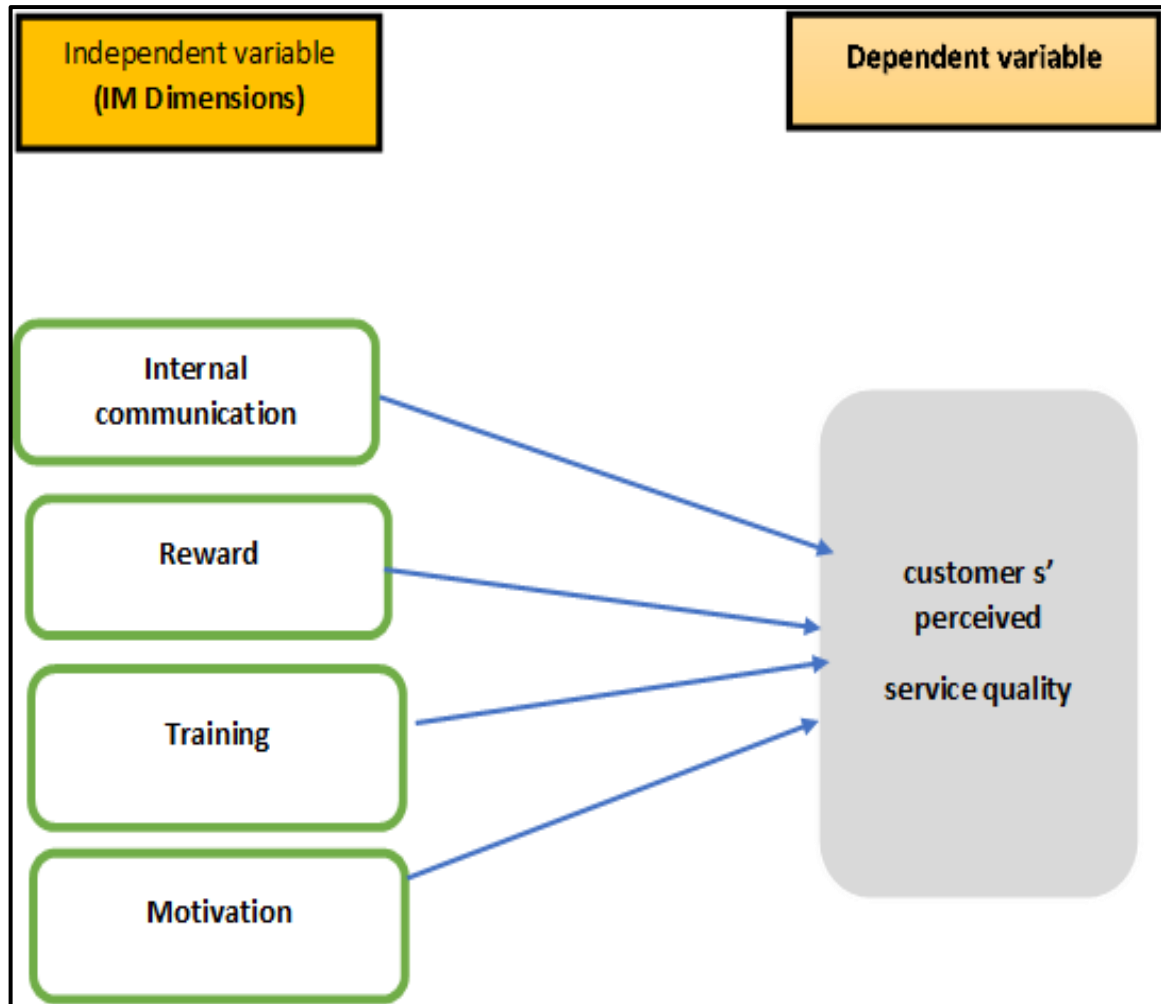
**H5: Employees job satisfaction has a positive and significant effect on customers perceived service quality**

## **2.3 Conceptual frame work**

A conceptual framework is a diagram that shows the expected relationship between variables, or the traits or attributes that the researcher wishes to examine. Written or visual, conceptual frameworks are typically created through a review of the body of research on a subject.

To support the connections between internal marketing components and job satisfaction, Ahmed and Rafiq's (2000) models of internal marketing and the literature review that was previously presented served as the foundation for the development of the conceptual framework for this study.

*Fig 2. Conceptual Framework*



Source: adapted from Ahmed and Rafiq (2000)

## **CHAPTER THREE**

### **3. RESEARCH METHODOLOGY**

This chapter provides an overview of the study area, research methodology, research design, the population being studied, the sampling process, and the data collection technique. The research instrument's validity and reliability are addressed. Concerning the research, ethical issues are also discussed.

#### **3.1 Description of the Study Area**

The research done on Ayat Real Estate considered every employee in the marketing and sales departments. Founded in 1997, Ayat Real Estate is a shareholder's company that was among the first in Ethiopia to enter this market. They are among the most seasoned in this industry, having completed over 7,000 residential units. Given their background and history, Ayat Real Estate is the leading real estate company in Ethiopia that specializes in building homes for residential use.

#### **3.2 Research Approach**

Formalized and highly structured research methodology is known as quantitative research. This method enables researchers to draw a broad generalization by looking at a few variables across several subjects. Israel, G. d. (1992). Since the primary goal of this work is to investigate how various internal marketing components affect employee job satisfaction, a quantitative approach was taken for this investigation.

#### **3.3 Research design**

The purpose of research design is to make it possible to obtain pertinent evidence with the least amount of time, money, or effort (Kothari, C. (2014)). Studying a situation or issue to explain the cause-and-effect relationship between specified variables is the focus of explanatory studies. To achieve that, a clearly defined research problem and articulated hypotheses are required (Saunders et al. (2003). Finding that this research design satisfies the requirement, the researcher proceeds to determine which of the hypothesized factors is the dominant driver of job satisfaction.

### 3.4 Population and sampling design

#### 3.4.1 population of the study

According to Marczyk, G., the population of the study is the overall collection of all the subjects, objects, or participants who meet a given set of requirements. R., Heilbrun, K. T. Lander, as well as DeMatteo, D. (2006). Workers who were employed by Ayat Real Estate comprise the study's target population. 1080 sales representatives from various Ayat branches and 1000 customers make up the target population.

#### 3.4.2 Sampling Size

To create a sample, a certain number of objects must be chosen from the universe. A sample size that is optimal will not be one that is either too big or too small. A sample considered optimal is one that satisfies all four criteria: reliability, flexibility, representativeness, and efficiency. Determine the required precision and an appropriate degree of confidence for the estimate while choosing the sample size, according to the researcher.

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To calculate the sample size the researcher intended to use the simplified formula by Yamane (1967) given as:

**Yamane's Formula;**

**n= Sample size**

**N = Population size**

**e = Level of precision 0.05 (5%)**

$$n = \frac{N}{1 + Ne^2}$$

Total population size = 1080

The researcher used standard and convenient confidence level of 95%. Hence, margin of error was 5% or 0.05 as a result

$$n = \frac{1080}{1 + 1080(0.05)^2}$$

**n= 292 employee**

$$\text{for customer } n = \frac{1000}{1 + 1000(0.05)^2}$$

**n= 285 customers**

### **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 used a non-probability sampling (convenience sampling technique) to select respondents. By convenience sampling technique referred a technique that goes for the sample that is available in the light of easy access (Bryman & Bell, 2007). Convenience sampling method used 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).

### **3.5 Data Source and Type**

According to Anderson (2011), surveys and experimental studies intended to gather new data can also be used to obtain data from already-existing sources. Primary data used in this investigation. The primary data gathered from respondents in a sample drawn from various branches.

### **3.6. Data Collection Method**

Primary data is gathered using a structured questionnaire adopted from Desalech (2022), the questionnaire has been modified based on various literatures. A structured questionnaire based on a 5-point Likert scale rating from 1 (strongly disagree) to 5 (strongly agree) used to investigate the current internal marketing practice and its impact on customer perceived service quality.

### **3.7 Ethical Consideration**

The study emphasized the importance of ethical issues. Respondents were free to choose whether to take part in the study. They were fully aware of the research's purpose and have informed it. The questionnaires did not ask respondents' names to protect the privacy of the respondents and their responses

### **3.8 Method of Data Analysis**

The relationship between the independent variables and the dependent variables was

examined using descriptive and inferential statistics after the data were collected from respondents using the SPSS software package. Ratios, percentages, means, and standard deviations were among the appropriate descriptive statistical analyses that are employed. Pie charts, bar graphs, tables, and graphs displaying the analyzed data are all shown. Furthermore, in the data analysis method, coefficient of correlation and regression are used to measure the relationship and effect between Internal Marketing dimensions and customer perceived service quality.

### **3.9 Validity and Reliability**

Validity is the degree to which discrepancies identified using a measurement tool accurately represent real discrepancies among the subjects under examination. The variables in this study have been validated and utilized by numerous researchers, as evidenced in the literature review. To further establish the content validity, the research were seek input from professionals, including university professors and my advisor. The literature discusses the connection between each of the chosen dimensions of internal marketing.

As defined by Mooi and Sarstedt (2011), reliability is the extent to which a measurement is free from random error and is related to the consistency or stability of the resultant score from an assessment or measure over time and in various contexts. According to Marczyk et al., there is less likelihood that measurement error and random factors contributed to the score obtained when the measurement is reliable. (2005)). The reliability of the measure in this study were examined using Cronbach's alpha ( $\alpha$ ). By running a pilot test on a subset of actual state employees and customer, the instrument was validated. The instrument validated by conducting pilot test in part of the real state employee and customers.

***Table 3.1 Reliability test***

<b>Variables</b>	<b>No of items</b>	<b>Cronbach's Alpha</b>
Employee Motivation	7	0.733
Training and Development	9	0.804
Reward	5	0.816
Internal Communication	9	0.840
Customer's service quality	20	0.882

## CHAPTER FOUR

### 4. DATA PRESENTATION, ANALYSIS AND INTERPRETATION

This chapter presents the results of the data analysis and a discussion of the study findings. Both descriptive statistics, which concentrate on describing the sample population, and inferential statistics, which draw conclusions about the population from the sample population's data. A computer statistics package was used to assist with the data analysis (SPSS version 20).

#### 4.1 Sample and Response Rate

Employees of Ayat Real Estate were the study's target population. By the end of March 2024, 292 questionnaires had been gathered, and the researcher had personally given each employee access to them. Out of the 292 questionnaires that were distributed, 283 were filled out by employees and returned. 283 of these surveys with complete responses—that is, 96.9 percent and 285 questionnaires distributed to customers and 283 (98.5%) returned were used for data analysis. No missing data was found on any of these surveys.

*Table 4.1 Response rate of questionnaire*

<b>Questionnaire</b>	<b>Employee</b>	<b>Customer</b>	<b>Total</b>
<b>Returned</b>	283	283	566
<b>Unreturned</b>	9	3	12
<b>Total</b>	292	286	100%
<b>Usable</b>	283	283	
<b>percentage</b>	96.9%	98.5	

**Source: own survey, 2024**

## 4.2 Reliability Analysis

### 4.2.1 measuring reliability for Internal marketing

To validate the results empirically, appropriate measures were taken for measurement validity and reliability. Whereas validity refers to how well the instrument measures the idea the researcher wants to investigate, reliability refers to the instrument's capacity to demonstrate long-term, reliable outcomes. This gives assurance that the proposed constructs are accurately reflected in the empirical findings (Flynn, 1994). Cronbach's alpha for the Four IM construct ranged from 0.733 to 0.840, all of which are above 0.7, as table 3.1 illustrates. The value of alpha is appropriate when considering the limited number of items used to measure IM.

### 4.2.2 Measure of reliability for employee Satisfaction Constructs

The overall employee satisfaction scales were tested and determined to be acceptable for all five scales. Table 3.2 displays the value of Cronbach's alpha, which is 0.888 and greater than 0.7, indicating very good reliability because all the scales' items are derived from theories and literature.

## 4.3 Descriptive Statistics

### 4.3.1 Demographic characteristics of Employees

Table 4.2 below provides demographic statistics. Of the 283 respondents, 123 (43.5%) were male and 160 (56.5%) were female. This is the sex composition of the sample. Therefore, for the sample employees, most respondents were female.

*Table 4.2 Number of employees by sex*

**Descriptive statistics**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	123	43.5	43.5
	Female	160	56.5	56.5
	Total	283	100.0	100.0

*Source: own survey result, 2024*

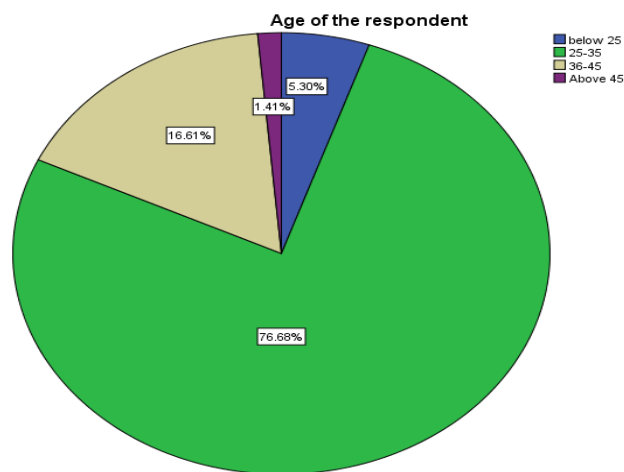
The age distribution of respondents across four age groups is observed in the table below. The bulk of workers are between the ages of 25 and 35 (76.3%). Following this are workers between the ages of 36 and 45 (16.6%); workers under 25 (5.3%) and workers over 41 (1.8%) make up the third and fourth groups of workers, respectively.

**Table 4.3. Age of the respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
below 25	15	5.3	5.3	5.3
25-35	217	76.7	76.7	82.0
36-45	47	16.6	16.6	98.6
Above 45	4	1.4	1.4	100.0
Total	283	100.0	100.0	

Source: Own Survey, 2024

Among all respondents, most workers are adult newcomers to the company and fall into the adult age group.



source: Own surveyresult,2024  
**Fig 3. Age of Respondents -employees**

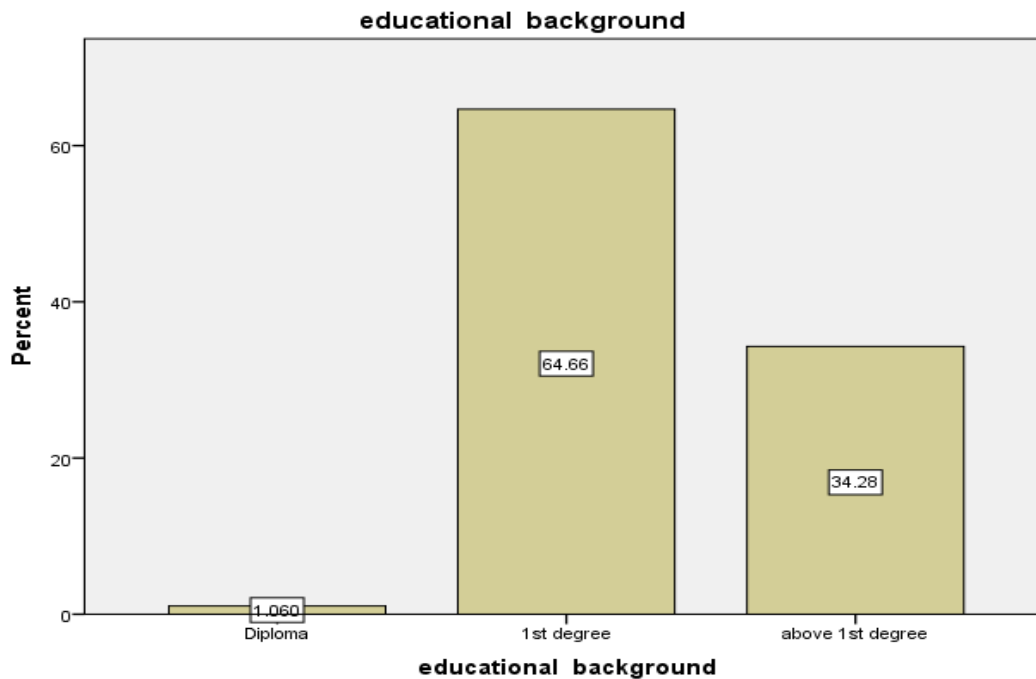
**Table 4.4. Educational background**

	Frequency	Percent	Valid Percent	Cumulative Percent
Diploma	3	1.1	1.1	1.1
1st degree	183	64.7	64.7	65.7
Valid above 1st degree	97	34.3	34.3	100.0
Total	283	100.0	100.0	

**Source: own survey, 2024**

Employee education levels are displayed in three categories on the bar chart in Figure 3.

Most employees, or roughly 183 (64.66 percent), have a first degree; 97 (34.28 percent) have a degree higher than a first; and 3 (1. percent) hold diplomas. The result implies 8+organization employs highly educated personnel, who are essential in executing diverse marketing tactics in order to accomplish organizational objectives.



**Fig. 4 Educational background of the respondent**

**Source: own survey result, 2024**

In terms of work experience, 145 employees report having had their jobs for two to five years, 57 have had their jobs for less than two years, 65 have had their jobs for six to ten years, and only 16 have had their jobs for more than ten.

**Table 4.5 Employees Years of Experience**

**Descriptive statistics**

	Frequency	Percent	Valid Percent	Cumulative Percent
below 2 years	57	20.1	20.1	20.1
2-5 years	145	51.2	51.2	71.4
6-10 years	65	23.0	23.0	94.3
10-15 years	16	5.7	5.7	100.0
Total	283	100.0	100.0	

*Source: own survey result, 2024*

### 4.3.2 characteristics of customer

**Table 4.6 Sex of the respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	207	73.1	73.1	73.1
Female	76	26.9	26.9	100.0
Total	283	100.0	100.0	

Table 4.6 shows that, among 283 sample customers 207 or 73.1 % of the respondents of customers are male and 76 or 26.9 % of respondents are female. This implies that majority of respondents are male category. As the result as shown in the table male involvement to the Ayat Customers is better than female.

**Table 4.7 Age of the respondent**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid 25-35	8	2.8	2.8	2.8
36-45	22	7.8	7.8	10.6
Above 45	253	89.4	89.4	100.0
Total	283	100.0	100.0	

Table 4.7 depicts that, 8 or 2.8 % of the customers were between 25-35 years. While 22 or 7.8 % of the customers were 36-45 years old and 253 or 89.4 % of the respondents were above 45 years old. This implies that as shown the table the majority of the customers respondents' age were above 45.

**Table 4.8 Educational background**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid Diploma	106	37.5	37.5	37.5
1st degree	119	42.0	42.0	79.5
above 1st degree	58	20.5	20.5	100.0
Total	283	100.0	100.0	

Table 4.8 demonstrates that, the number of educational level of customers category. As depicted in the above table 106 or 37.5 % of the respondents have status of diploma and the majority 119 or 42.0 % of the respondents has degree. Among 283 customers, 58 20.5% were having above first degree.

**Table. 4.9 Years of customer experience as customer of Ayat**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid below 2 years	134	47.3	47.3	47.3
2-5 years	108	38.2	38.2	85.5
6-10 years	33	11.7	11.7	97.2
10-15 years	8	2.8	2.8	100.0
Total	283	100.0	100.0	

Table 4.9 illustrates, the numbers of years customers stayed as customer of Ayat majority off customer 134 or 47.3 % have Less than two years of experience as a customer, 108 or 38.2% have a customer relationship from 2--5 years 33 or 11.7% had been customers 6-10 years and 8 or 2.8% had been customers for 10-15 years in Ayat. This calls for proper customers' service strategy to make them satisfied on Ayat services.

### **4.3.3 Descriptive Statistics of variables**

The concept of a variable's central tendency is conveyed by its mean value. Standard deviation is used to provide insight into how a variable's values vary from its mean. A five-point Likert scale was used to measure each variable, with 1 denoting strongly disagree and 5 denoting strongly agree. According to Alhakimi and Alhariry (2014), the Likert scale results can be interpreted as follows: scores of 1 to 2.32 indicate low level, scores of 2.33 to 3.65 indicate medium level, and scores of 3.66 to 5 indicate high level.

This study uses four dimensions to measure internal marketing, starting with motivation. Internal communication, training, and reward. As a result, each factor needs to have measurement items unique to it. As a result, there are 7 items that measure motivation, 7 items that measure training activities, 9 items that measure internal communication, 5 items that measure rewards.

**Table 4.10 Descriptive statistics for Motivation**

<b>Descriptive Statistics</b>			
	N	Mean	Std. Deviation
The performance measurement and reward system encourage employee to work hard	283	3.65	.838
My income and the annual increment are based on periodic performance evaluation and the preset KPI fulfillment	283	3.50	.873
I received feedback from my supervisor on my job performance regularly	283	3.71	.808
Promotion is an important factor in my work motivation	283	3.65	.754
When I do something extraordinary I know that I will receive reward	283	3.55	.812
Praise and recognition are given individually employees who have performed well and exceeded management expectation	283	3.57	.820
The incentive given to employees are motivating And on competitive basis	283	3.69	.768
<b>Motivation</b>	<b>283</b>	<b>3.62</b>	<b>.810</b>

*Source: own survey result, 2024*

*Source: own survey result, 2024*

As demonstrated in Table 4.10, the mean value of all seven motivational practice measurement items is greater than three in the item-to-item analysis construct measurement. Consequently, it is superior to average. The mean value of the seven items ranged from the smallest 3.50 ( my income and annual increment are based on periodic performance evaluation and the preset KPI fulfillment) to -the largest 3.71 (I received feedback from my supervisor on my job performance regularly). This suggests that there is a moderate perceived motivational practice in real estate.

*Table 4.11 Descriptive Statistics of Training*

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The company facilitate enough training	283	3.46	.864
The training facilitates by company fit to employees need	283	3.44	.858
The training gives me new skills and knowledge	283	3.54	.851
The training facilitated by the company help me to move ability to do my job	283	3.59	.868
The training program conducted by the company helps me to be familiar to the emerged technology	283	3.54	.795
The company conducted training sessions that helps me to understand current and future client needs	283	3.57	.806
The company arranges the job training outside the work environment	283	3.47	.872
<b>Training</b>	<b>283</b>	<b>3.516</b>	<b>.845</b>

*Source: own survey result, 2024*

Regarding how Ayat Real Estate employees perceive their training practices, Table 4.11 shows that, out of the seven items that measure these practices, all of them range from 3.44 to 3.59. In the table, we can see that the training facilities by the company fit to employees need have the lowest mean score (3.44), while the highest mean score (3.59) was assigned the training facilitated by the company help me to move ability to do my job. The measurement items' grand mean value is 3.51. this indicate employee are agree with moderately with company training program.

**Table 4.12: Descriptive Statistics of internal communication**

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
The company collects feedback form the employees regularly	283	3.48	.881
There is internal communication program for all in the company	283	3.55	.748
The company communicate individually to identify the employee needs	283	3.55	.729
There is well developed interdepartmental communication	283	3.62	.831
I can get information about the company easily	283	3.69	.732
There is a two-way communication of management with employee in the company	283	3.60	.700
The company commutate my job description in different way	283	3.72	.660
The management encourage interpersonal communication	283	3.68	.693
The company communicate clear vision and mission to me	283	3.76	.695
<b>Internal communication</b>	<b>283</b>	<b>3.628</b>	<b>0.741</b>

*source: own survey result, 2024*

Table 4.12 shows that the nine items used to measure internal communication, ranging from 3.48 lowest (the company collects feedback from the employees regularly) and highest 3.76. (The company communicate clear vision and mission to me). Over all mean value 3.62 is above average and show that internal communication system has moderately effective in raising employee satisfaction.

**Table 4.13 Descriptive Statistics of Reward**

<b>Descriptive Statistics</b>			
	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>
When I do something extraordinary, I know that I will received some financial bonus/reward	283	3.76	.732
The design monthly salary (my permanent income) and annual increases closely to my qualification and my performance	283	3.69	.731
I got an annual bonus regardless of my performance	283	3.67	.701
The company recognized and incentivized my individual efforts and achievement's	283	3.60	.753
I will be rewarded for the job well done	283	3.74	.755
<b>Reward</b>	<b>283</b>	<b>3.692</b>	<b>0.7344</b>

*Source: own survey result, 2024*

The above table displays the five items that comprise reward. Out of 5 item four of them score the highest. The mean value of each item ranging from 3.60 to 3.76. It suggests that the real estate industry's compensation structure has a highest impact on raising employee satisfaction levels. The real estate incentive practice is weaker than other reward activities, even though all the measurement items had above-average scores. The real estate incentive program is generally highest to inspire the marketing staff of Ayat real estate. The overall mean of the measurement items in the program is 3.69.

### **Descriptive Statistics Analysis for Service Quality Dimensions**

Table 4.15 indicates, mean score of the general perceived service quality which measures the 283 customers overall service perception related to the service performance of t Ayat Share company. According to the survey customers of Ayat S.C perceived the total service quality dimension of the company with the Mean value range from 3.33to 3.53 this indicate that the customer perceived the service performance of the organization at moderate level & they are

not reach at the strong & very strong satisfaction level towards the five dimensions of the company service quality delivery.

***Table 4.14 Mean Level of Customers perception on service quality dimensions***

<b>customer service quality dimensions</b>	<b>Mean</b>	<b>std. Deviation</b>
Tangibility	3.47	0.69
Reliability	3.33	0.74
Responsiveness	3.43	0.73
Assurance	3.51	0.71
Empathy	3.53	0.7

#### **4.4 Correlation Analysis**

The strength and direction of the relationship between the variables under investigation are examined using correlation analysis. Convergent validity was demonstrated via Pearson correlation. Two variables' degree of linear association is measured by the Pearson correlation coefficient. Between 0 and +1 points, which indicate no correlation at all, and -1 or +1 points, which indicate a perfect connection between two variables, is the range of values. The degree of association is stronger the higher the correlation coefficient (Hair, Jr. Robert P. David J. and George W. 2003; Ortinau). Using the correlation coefficient (r) as a reference, Gupta (1999) determined that a relationship is high when  $r > 0.5$ , low when  $r = 0.1 - 0.29$ , and medium when  $r = 0.3 - 0.49$ .

**Table 4.15. Correlation Analysis between IM Dimensions and job Satisfaction and customer perceived service quality**

		Correlations					CUSTOMER SERVICE QUALITY
		motivation	Training	reward	internal communication		
motivation	Pearson Correlation	1	.852**	.866**	.877**	.881**	
	Sig. (2-tailed)		.000	.000	.000	.000	
	N	283	283	283	283	283	
Training	Pearson Correlation	.852**	1	.847**	.923**	.871**	
	Sig. (2-tailed)	.000		.000	.000	.000	
	N	283	283	283	283	283	
reward	Pearson Correlation	.866**	.847**	1	.910**	.918**	
	Sig. (2-tailed)	.000	.000		.000	.000	
	N	283	283	283	283	283	
internal communication	Pearson Correlation	.877**	.923**	.910**	1	.925**	
	Sig. (2-tailed)	.000	.000	.000		.000	
	N	283	283	283	283	283	
Customer service quality	Pearson Correlation	.881**	.871**	.918**	.925**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	283	283	283	283	283	

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

Source: own survey 2024

As table 4.15 demonstrates., the internal marketing dimensions of internal communication and customer service quality had the highest coefficient of correlation, which stands at 0.925 followed reward 0.918, motivation .881 and training .871. All the variables are positively and significantly correlated with the dependent variable, Customer service quality, as indicated by

the correlation matrix above. This suggests that raising the independent variables will also raise customer service quality

The above table also displays a statistically significant relationship between the four IM dimensions. Internal communication and training have the highest correlation coefficient ( $r=0.923$ ), indicating a strong relationship between the two. The second-highest correlation ( $r=0.910$ ) between internal communication with reward. The relationship between internal communication and motivation ( $r=0.877$ ) came in third. Even so, the relationship between training and reward has the lowest correlation ( $r=0.847$ ) still demonstrates a positive relationship.

The above correlation matrix also shows that all variables are positively and significantly correlated with the dependent variable; customers service quality which implies that the increase of the independent variables will also enhance customers' service quality.

#### **4.5. Regression Analysis**

Regression analysis is a method used to forecast a dependent variable's value based on one or more independent variables (Albaum, 1997). Malhotra (2007) demonstrated the use of regression analysis as a statistical method for examining correlations between variables. To determine the causal influence of one variable on another, researchers collect data on the underlying variables of the causal variables on the variable they influence. Typically, researchers assess the statistical significance of the estimated relationships, or the degree of confidence that the true relationship is close to the estimated relationship Malhotra (2007).

##### **4.5.1. Assumptions Testing for Regression**

This section presents the results of testing certain statistical assumptions necessary for the analysis of regression and correlation. The following is a discussion of the basic assumptions that were verified and found to be reasonable.

###### **4.5.1.1 Multi-Collinearity Test**

Regression models that exhibit multicollinearity have two or more independent variables that exhibit strong correlations with one another. This phenomenon makes it challenging to isolate the contributions of each independent variable to the dependent variable.

A multi-collinearity test was conducted using tolerance and variance inflation factor (VIF) measurements to model customer service quality as a function of the independent variables (internal marketing at Ayat Real estate). As table 4.16 indicated that the tolerance value for motivation is 0.198 (VIF =5.04.), training .243 (VIF 4.10), internal communication 5.23 (VIF 0.191 and reward 3.66 (VIF 0.273). The Result of VIF value are less than 10 confirm there is no collinearity issue.

**Table 4.16 Coefficient result of multiple regression**

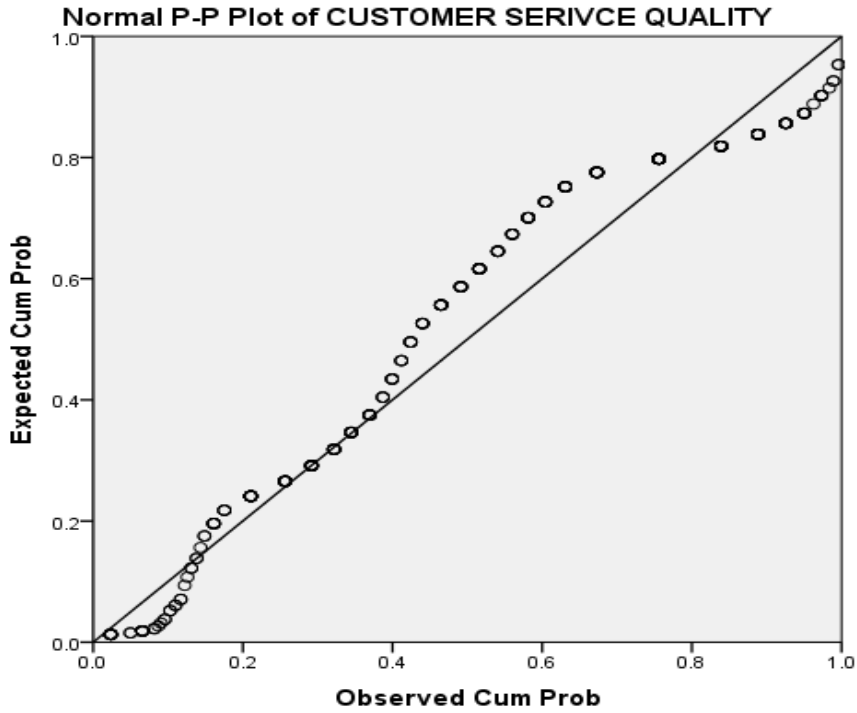
Coefficients							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0.29	0.067		4.317	0.00		
1 motivation	0.168	0.04	0.182	4.156	0.00	0.193	5.188
Training	0.043	0.049	0.046	0.886	0.38	0.14	7.146
internal communication	0.374	0.064	0.382	5.856	0.00	0.087	5.514
reward	0.338	0.044	0.375	7.599	0.00	0.152	6.576

a. Dependent Variable: CUSTOMER SERVICE QUALITY

Source: Own Survey, 2024

#### 4.5.1.2 Normality Test

The purpose of the normality test is to ascertain whether the sample data was taken from a normally distributed population or if the population that provided the data was normally distributed. Using SPSS, two terms were used to check for normality: kurtosis and skewness. This ensured that both kurtosis and skewness had normal values. The normal value for skewness is expected to be less than 6, while the normal value for kurtosis is less than 3 (Asghar and Saleh, 2012).



*Fig. 5 Normality test*

**Table 4.17 Normality of Variables in the Model for Customer service quality**

**Descriptive Statistics**

	<b>N</b>	<b>Mean</b>	<b>Std. Deviation</b>	<b>Skewness</b>		<b>Kurtosis</b>	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
Motivation	283	3.4868	.57533	-.304	.145	-.641	.289
Training	283	3.4463	.55706	-.351	.145	-.576	.289
Internal communication	283	3.4880	.54333	-.520	.145	-.193	.289
Reward	283	3.5114	.58993	-.364	.145	-.615	.289
Customer service quality	283	3.5165	.53176	-.676	.145	.138	.289
Valid N (listwise)	283						

*Source: Own Survey, 2024*

Table 4.17 results show that skewness value range from -0.304 to -0.676 which confirm that the value of skewness is less than 6 and kurtosis value range from -.615 to 0.138 are less than 3 indicate both the scores (or degree of agreement) in each of the variables are normally distributed.

## 4.6. Regression Analysis

The degree of customer service quality was modeled using a multiple linear regression, and a linear regression model was fitted to ascertain the magnitude and significance of the effects of internal marketing factors (motivation, training, internal communication, and reward).

### 4.6.1 Relationship between Internal Marketing Elements and customer service quality

The degree of goodness of fit for the estimated multiple regression equation is indicated by the coefficient of determination (R<sup>2</sup>) in the model. It can be understood as the multiple regression equation's expected predictive power (Saunders, et al. (2009). To prevent overestimating the effect of adding an independent variable on the amount of variability explained by the estimated regression equation, some researchers favor the adjusted R<sup>2</sup> statistic, according to McDaniel and Gates (2013).

## Model Summary for customer satisfaction

Using multiple regression analysis, the effects of these four independent variables—motivation, training, internal communication, and reward—on customer perceived service quality were investigated.

*Table 4.18. Model Summary for Job Satisfaction*

Model Summary					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.947 <sup>a</sup>	.897	.896	.17169	2.0

a. Predictors: (Constant), reward, Training, motivation, internal communication

b. Dependent Variable: CUSTOMER SERVICE QUALITY

**Source: Own Survey, 2024**

How much of the variance in the measure customer perceived service quality can be attributed to the underlying internal marketing dimensions is shown by the regression model above. The R square for the predictor variables—motivation, training, internal communication, and reward—is 89.6 %. This means that the predictors is significant. On the other hand, the acceptable range for Durbin – Watson statistic for an independent observation is 1–2 (Garson, 2012). For this model the Durbin value as shown in table 4.18 was 2.00, which is within the acceptable suggested range and therefore the models are fit.

## ANOVA

ANOVA illustrates the main and interaction effects of categorical independent variables (Garson 2002) and tests whether the model is significantly better at predicting the outcome than using the mean as a "best guess" (Field 2013). Stated differently, ANOVA indicates whether the model is generally deemed acceptable from a statistical standpoint i. e. whether there is a statistically significant degree of agreement between the independent variables and the outcome variable (Hair et al. 2004,). The t-test is used in multiple regression analysis to determine the likelihood that there is a coincidence in the relationship between each independent variable and the dependent variable (Saunders et al, 2009). On the other hand, Saunders et al. state that the F-test is employed to determine the total likelihood that the relationship between the independent variables and the dependent variable is the result of chance. 2009). The variable under investigation is deemed significant if the F test is larger than one,  $F > 1$ , and sufficiently large (Field 2013).

**Table 4.19. ANOVA of customer perceived service quality**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	71.545	4	17.886	606.786	.000 <sup>b</sup>
	Residual	8.195	278	.029		
	Total	79.740	282			

a. Dependent Variable: CUSTOMER SERIVCE QUALITY

b. Predictors: (Constant), reward, Training, motivation, internal communication

Source: Own Survey, 2024

Analysis of Variance (ANOVA) is used to determine if a multiple linear regression model has a significantly better ability to predict the dependent variable, or outcome. According to table 4. 19 Regression model ( $F(4, 278) = 606.78, p < 0.001, R^2 = 0.89$ ) is statistically significant overall.

### **Coefficients of the Regression for customer perceived service quality**

ANOVA is a helpful tool for evaluating how well the model can account for variations in the dependent variable, but it does not directly assess how strong the relationship is (Hair et al. 2004). Therefore, it is preferable to view the regression coefficients to understand the degree to which each internal marketing dimension and customer perceived service quality are related. Keeping all other predictors constant, the sign of the coefficient indicates whether the predicted response rises or falls as the predictor increases (Hair et al. 2004). According to Field (2013), beta values show how much each predictor contributes specifically to the model. The degree of significance of each independent variable is similarly indicated by the standardized coefficient (beta value).

**Table 4.20. Summary of Coefficient on customer perceived service quality**

Coefficients <sup>a</sup>						
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	
	B	Std. Error	Beta			
1	(Constant)	0.29	0.067		4.317	0.00
	motivation	0.168	0.04	0.182	4.156	0.00
	Training	0.043	0.049	0.046	0.886	0.38
	internal communication	0.374	0.064	0.382	5.856	0.00
	reward	0.338	0.044	0.375	7.599	0.00

a. Dependent Variable: CUSTOMER SERVICE QUALITY

Source: Own Survey, 2024

To assess the significance of the set hypothesis, Table 4.20 displays the constant, beta value, and P-value of the variables. As indicated by the coefficient of regression result, internal marketing internal communication dimensions are the biggest predictor ( $\beta=0.374$ ), followed by reward ( $\beta=0.338$ ), motivation ( $B=.168$ ) and training ( $\beta= 0.043$ ).

Remaining all things constant as IC, EM, R, and T increases by one unit the level of customer perceived service quality increased by 37.4%,16.8%, 33.8%, 4.3%. Therefore, it can be concluded that the proposed internal marketing dimensions positively affect job satisfaction of employees customer perceived service quality of Ayat real estate. Consequently, the following model is developed from the above regression analysis.

$$CSQ= 0.29+0.168EM + 0.338*R + 0.374*IC +0.043*T \quad \text{Where,}$$

CSQ= customer service quality

EM- Employees Motivation

R - Reward

IC- Internal Communication

T- Training

The significance level of each variable shows that, all factors measuring internal marketing dimensions significantly influences the level of customer perceived service quality of customer in Ayat Real estate.

### **H1. Motivation has a positive and significant effect on customer perceived service quality**

As it is observed in both correlations' matrix (direct relationship) and multiple regression table derived in this study employee motivation and customer perceived service quality have become positively and significantly related to each other. The hypothesis has been accepted as its p-value is no different than zero. Hence, we conclude that motivation has significant relation with customer perceived service quality.

## **H2. Training has a positive and significant effect on customer perceived service quality**

There is a strong and significant (to the error level 1%) was found in the direct relationship (Correlation matrix) between training and customer perceived service quality drive in this study. However, in the combined multiple linear regressions to fit for service quality against all the IM dimensions derived in this study, training has been found insignificantly related to customer perceived service quality. Since  $p$  value = 0.38 is larger than the error level 0.05 (5%). This implies to affect customer perceived service quality the contribution of training is swallowed by the other significant factors (motivation, internal communication and reward). The insignificant contribution of training implies that in the presence of (EM, IC and R) whether its level increase or decrease does not bring any significant change on customer perceived quality of service. Therefore, the first hypothesis which states there is a positive relationship between training and customer perceived service quality is not supported by the data collected on this survey as its  $p$ -value is 0.38 which is greater than 0.05.

## **H3. Internal communication has a positive and significant effect on customer perceived service quality**

Based on the finding of correlations matrix (direct relationship) and multiple regression table 4.15 derived in this study internal communication and customer perceived service quality have become positively and significantly related to each other. The hypothesis has been accepted as its  $p$ -value is no different than zero. Hence, we conclude that internal communication has a positive significant relation with customer perceived service quality supported.

## **H4. Reward has a positive and significant effect on customer perceived service quality**

Through the result finding of correlations matrix (direct relationship) and multiple regression table derived in this study reward positively and significantly related to customer perceived service quality. Thus, Reward has a positive and significant effect on customer perceived service quality of Ayat real estate customer is supported.

**Table 4.22 Summary of hypothesis testing**

<b>Hypothesis</b>	<b>Beta</b>	<b>P&lt;0.05</b>	<b>Result</b>	<b>Reason</b>
Motivation has a positive and significant effect on customer perceived service quality.	0.168	0.000	Accepted	$\beta = 0.000$ $p < 0.05$
Training has a positive and significant effect on customer perceived service quality.	0.043	0.011	Not supported	$\beta = 0.38$ $p < 0.05$ Beta value greater than 0.05
Internal communication has a positive and significant effect on customer perceived service quality.	0.374	0.000	Accepted	$\beta = 0.000$ $p < 0.05$
Reward has a positive and significant effect on customer perceived service quality.	0.338	0.000	Accepted	$\beta = 0.000$ $p < 0.05$

**Source: Own Survey, 2024**

## CHAPTER FIVE

### SUMMARY, CONCLUSION AND RECOMMENDATION

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

#### 5.1 Summary of major findings

- ❖ From data analysis the Cronbach's Alpha of this study for internal marketing scales was ranging from 0.733-0.840 which shows that there is internal consistency among the variables.
- ❖ A total of 292 questionnaires were distributed but 283 questioners were filled and returned.
- ❖ The employee's respondent's age was also categorized into four. Most of the respondents 76.3% fall under the age category of 25-35, 16% respondents fall under the age category of 36-45, 5% respondents below 25 and 1.8% are more than the ages of 45.
- ❖ The academic qualification of the employee's respondents was classified into three. That is, diploma, BA degree, and above BA degree. Most of respondents are BA degree holder 61%, master's degree 32%, and only 7% employee are diploma holder.
- ❖ The year of experience for employees' respondents has categorized into four. Respondents experience which have less than two year, are 20.1% respondents, from 2-5 years 51.2% respondents, from 6-10 years 23% respondents and more than 10 years are 5.7%. Most of the respondents 51.2% has 2-5 years of experience in Ayat real estate.
- ❖ The computed mean scores of IM variables- training, motivation, internal communication and reward were 3.51, 3.62, 3.62, 3.69 respectively
- ❖ The computed mean for service quality dimension Tangibility, reliability, responsiveness, assurance and Empathy were 3.47, 3.33, 3.43, 3.51, 3.53 respectively
- ❖ The correlation result shows that independent variables are significantly and positively correlated with customer perceived service quality.
- ❖ statistically significant relationship between the four IM dimensions. Internal communication and training have the highest correlation coefficient ( $r=0.923$ ), indicating

a strong relationship between the two. The second-highest correlation ( $r=0.910$ ) between internal communication with reward. The relationship between internal communication and motivation ( $r=0.877$ ) came in third. Even so, the relationship between training and reward has the lowest correlation ( $r=0.847$ ) still demonstrates a positive relationship.

- ❖ The result of regression analysis showed that the R square value 0.89 and the adjusted R Square value was 0.74 and this implied that IM dimensions (predictors) accounts for 89% of the variation in employee job satisfaction and 11% are other extraneous variables that can affect customer perceived service quality. The IM variables- motivation, internal communication, training and reward beta value of 0.168,0.374,0.043 and 0.38 respectively.
- ❖ Based on the data analysis the entire hypotheses made were tested. From the regression result; internal marketing program such as reward, internal communication and motivation and training have a positive effect on customer perceived service quality. The hypothesis on the positive impact of motivation, internal communication, reward on employee job satisfaction is accepted. The hypothesis on the positive impact of training is rejected as per the regression result.
- ❖ The result of the descriptive mean & standard deviation of analysis of service quality dimension showed that the customers perception towards the company service quality delivery was not satisfactory.

## **5.2 Conclusion**

Examining the impact of internal marketing on consumers' perceptions of service quality was the primary goal of the study. The study was carried out on Ayat S.C, where services are provided in-person to external customers directly. To gather information for the research question, a questionnaire was created and sent to the organization's employees. Other questions, which included dimensions of a modified SERVIQUAL, were given to the organization's customers to find out how they felt about the company's service quality. Investigating the impact of internal marketing on customers' perceptions of service quality at Ayat S.C was the study's main goal, and it was fully accomplished. Internal marketing influences customers' perceived service quality, as all the chosen internal marketing

dimensions—aside from training—have a significant relationship with customer perceived service quality they receive.

The purpose of the correlation analysis was to determine whether the variables under study were related. The correlation matrix showed that every coefficient of correlation was significant and positive. Correlation analysis was conducted to analyze if there is relation between variables used, the correlation matrix revealed that all coefficient of correlation was positive and significant.

According to the findings indicate that all the selected four internal marketing variables except training and have direct impact on customers perceived service quality.

### **5.3 Recommendation**

The value of employees is the basic factor for any organization. Identifying the impacts of internal marketing on employee job satisfaction, the needs and perceptions of employees, developing effective systems, and properly implementing to satisfy the needs of internal customer are the most decisive factors. With this consideration and based on the findings of the study, the following recommendations are proposed. These recommendations can help Ayat real estate to improve customer perceived service quality.

- The management of Ayat should Investigate and collect information in internal marketing program practice of their company and others in the same sector.
- One internal marketing component that must be given careful consideration by a company to motivate its workforce is motivation. As such, Ayat Real Estate should enhance its comprehension of workers' requirements and preferences, implement measures to reinforce its performance-based reward system, and focus on competitive compensation and incentives. As a result, Ayat Real Estate should apply to strengthen the performance rewarding system, on incentives and compensation competitiveness, and on improving understanding of employees' needs and wants. Motivation is one of the internal marketing elements that an organization should give due attention to encourage employees.
- Since internal communication has a significant impact on employees, Ayat real estate should develop an open internal communication system between management and

subordinates and among employees to create connection, and to encourage employees forward their constructive ideas, and suggestions freely through organizing both formal and informal meetings.

- If managers want their staff members to be happy in their positions, they must also effectively communicate with them. To attain employee satisfaction, managers must conduct an assessment with staff members to learn about their thoughts and feedback regarding their work. They should also be given the freedom to freely express their opinions to obtain important information for future considerations, which may also be one way the organization shows its support for them.

## **5.4 Limitation of study and further work needed**

This study considered only employees marketing and sales department under study by excluding another department employee. It is also limited to study only a portion of real estate sector in Addis Ababa. Furthermore, it did not include all the factors of internal marketing dimension under study. Thus, it lacks the inputs of those excluded stakeholders and factors of employee job satisfaction. However, this research can be used as base for future more elaborate empirical works.

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## **Annex 1. Questionnaire for Employees**



**Addis Ababa University School of Commerce**

**Department of Marketing Management**

### **Survey Questionnaire filed by Employees**

**Dear respondent**

The purpose of this questionnaire is to gather information to investigate '**Internal Marketing effect on Employee Job Satisfaction of Ayat real estate , in Addis Ababa**' as

academic research .

I request you to participate by filling this questionnaire. I want to assure you that any

information obtained from you will be used for this academic research purpose only. All of Your cooperation, opinion attitudes and answer will be kept completely confidential.

**Section A: Personal Information**

Direction: This first part inquires your personal information so please marking the box provided exactly fits

with your back ground

1. Sex             Male  Female
2. Age  Below 25 years  From 25 - 35 years  From 36 - 45 years  Above 45 years
3. Educational  Diploma  First Degree  Above First Degree
4. Position:  Division manager  Sales Manager  Sales Supervisor  
 Sales consultant
5. For how many years you are an Employee of Ayat Real estate  
 Below 2 years  from 2 - 5 years  From 6-10 years  From 10 - 15 years

**Section B**

**Internal marketing practices**

Instruction: Please read each statement carefully and then put (X) mark in the appropriate block to indicate the extent to which your agreement or disagreement rate with each statement about internal marketing practices of the company

**1 = strongly disagree,      2= disagree,      3 = neither agree nor disagree,  
4 = agree and                  5 = strongly agree**

No	1. Employee motivation	1	2	3	4	5
1	The organization assigned well define task and responsibilities					
2	My need and want are well understood by management					
3	I received feedback from my supervisor on my job performance regularly					
4	The organization offer promotion possibilities					
5	When I do something extraordinary, I know that I will receive some kind of reward					
6	Praise and recognition are given individually employees who have performed well and exceeded management's expectations					
	<b>Training</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	The company facilitate sufficient training					

2	The training facilitates by company fit to employees' needs					
3	The training gives me new skill and knowledge					
4	Trainings facilitated by the company help me to improve ability to do my job					
5	The training program conducted by the company helps me to be familiar to the emerged technology					
6	The company conducted training sessions that helps me to understand current and future clients' needs					
7	The company arranges the job training outside the work environment					
8	Management has sufficient knowledge about the importance of on job trainings for service improvement					
	<b>Internal Communication</b>					
1	The company collects feedback from the employees regularly					
2	There is internal communication program for all in the company					
3	The company communicate individually to identify the employee needs					
4	There is well developed inter department communication					
5	I can get information about the company easily					
6	There is two-way communication of management with employee in the company					
7	The company communicate my job description in different way					
8	The management encourage interpersonal communication					
9	The company communicate clear vision and mission to me					
	<b>Reward</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
1	When I do something extraordinary, I know that I will receive some financial bonus/reward					
2	The design monthly salary (my permanent income) and the annual increases closely to my qualifications and my performance					
3	I got an annual bonus regardless of my performance					
4	My annual increases are much related to those of people with similar qualifications working in similar sector or any other industry					
5	The company recognize and incentivized my individual efforts and achievements					
6	I will be rewarded for the job well done					

## **ANNEX 2- Questionnaires' for Customers**

**APPENDIX B**  
**ADDIS ABABA UNIVERSITY**  
**School of Commerce**  
**Department of Marketing Management Questionnaire for Customers**

**Dear respondent**

Thank you in advance for taking the time to complete this questionnaire. The purpose of this questionnaire is to collect data that helps to study “The Effect of Internal Marketing On customers” perceived Service Quality the case of Ayat Share company for the fulfillment of MA in Marketing Management. As the data is used purely for academic purpose, I would like to assure you that your response would be used for this purpose only. Therefore, your response is highly valuable for the quality of the study.

Direction: This first part inquires your personal information so please marking the box provided exactly fits with your back ground

1. Sex             Male  Female
  
2. Age  Below 25 years  From 25 - 35 years  From 36 - 45 years  Above 45 years
  
3. Educational  Diploma  First Degree  Above First Degree
  
4. For how many years you are customer of Ayat Real estate
  - Below 2 years  from 2 - 5 years  From 6-10 years  From 10 - 15 years

**Section B**

Based on the following scale please put checkmark (✓ ) on the point that best suits your agreement level from the adjacent choices

**Strongly disagree=1, Disagree=2, Neutral=3, Agree =4, strongly agree =5**

<b>Dimension of Service quality</b>					
<b>Tangibility</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Ayat has modern looking equipment					
company physical facilities are visually attractive					
employee of Ayat at frontline position are well dressed and appear neat					
Ayat has office at locations covenant to its customer					
<b>Reliability</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employees provide service as the time it promised to do so.					
Employees consistently respond within promised time frame for customer complaint					

the company inform any failure ahead of time					
keep customer record accurately					
<b>Responsiveness</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employees tell you exactly when the service is provided					
Employees respond your request as fast as possible.					
Ayat employees consistently perform their service correctly to all customer					
Ayat provides prompt service to the customer					
<b>Assurance</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employee are committed to provide error free service					
Employees are ready and Eager to support customer					
Employees are knowledgeable and skillful to solve the customer problem					
personal behavior of employees are excellent that the customer can trust					
<b>Empathy</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
Employees can easily understand customer interest and feeling					
Employees and management treat their customer with respect.					
When you have problems Ayat employees show genuine interest to solve the problem					
the corporation has working hours convenient to all its customer					



