



**Addis Ababa University School of Graduate Studies**

**INTERNAL MARKETING AND CUSTOMER SERVICE QUALITY  
THE CASE OF ETHIOPIAN AIRLINES**

*A thesis submitted to the 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*

Sara Gulelat: ID. No. 0823/04

Advisor: TeklayTesfay (Assistant Professor)

**May 2014**  
**Addis Ababa**

INTERNAL MARKETING AND CUSTOMER SERVICE QUALITY  
THE CASE OF ETHIOPIAN AIRLINES

By: Sara Gulelat

Approved by board of examiners

-----  
Name

-----  
Signature

-----  
Name

-----  
Signature

-----  
Name

-----  
Signature

## STATEMENT OF CERTIFICATION

This is to certify that Sara Gulelat has carried out her research work on the topic entitled internal marketing and customer service quality in the case of Ethiopian airlines. The work is original in nature and is suitable for submission for the award of Master of Arts Degree in Marketing Management.

TeklayTsfay (Assistant Professor)

-----  
Signature

-----  
Date

## DECLARATION

I hereby declare that internal marketing and customer service quality in the case of Ethiopian airlines is wholly the work of Sara Gulelat. I have carried out the present study independently with the guidance and support of the research advisor, Assistant Professor TeklayTesfay. Any other contributors or sources have either been referenced in the prescribed manner or are listed in the acknowledgements together with the nature and the scope of their contribution. And the study has not been submitted for award of any Degree in this or any other institution.

.....

Sara Gulelat

May 2014

## **Acknowledgment**

I would like to give my at most thanks to my Advisor Teklay Tesfay(Assitant Professor) for all his kindness and comment on my paper next my examiners thank you for the chance and all the valuable comment you give me. Third my credit goes to my dearest father Ato Gulelat Redi, my mother W/O Mekdes Kibru, my sister Bethlehem, who helped me a lot in this paper and john. Last but not least my acknowledgment goes to again my dearest husband Moti Mulugeta who was there at every time when I needed him, without every one above I would not gone this far. Geze Kidu and all my friends I thank you for your advice.

## ***Abstract***

*Even though the growing importance of people in service sectors are supported in many literatures there are still problems where traditional approaches of managing business that mainly focus on external customer' this paper tries to find out the different element of internal marketing tools and their relationship with customer service quality. two groups were examined with two different instruments. The study targets 65 samples of customers based on their convenience and easiness to determine customer service quality they receive from Ethiopian Airlines and select 125 front-line staffs randomly to obtain there evaluation of the airline internal marketing practice .In general the result shows from the five element of internal marketing element the two exists while the other three does not. in addition correlation analysis shows that all variables of internal marketing have a significant association with customer service quality. Even if there is a strong positive correlation between IM variables and customer service quality, the regression analysis shows that only Employee training and employee pay and benefits are significant to explain the variation in customers service quality. Therefore, it is advisable for the company to take the necessary measures regarding employees' pay and benefits to go ahead with its extensive training program and to check up on the remaining less significant internal marketing elements.*

*Key words Internal marketing, customer service quality*

## **LIST OF TABLES**

Table 3.1 Sample of the population

Table 3.2 Measurement of Reliability for SERVQUAL Constructs

Table 3.3 A Summary of Skewness, Kurtosis and Its Z-Score

Table 3.4 Collinearity Diagnostic

Table 4.1 Gender statistics of customers

Table 4.2 Socio- demographic characteristics of Ethiopian Airlines front line employees

Table 4.3 Correlation between independent and dependent variables

Table 4.4 The results of the multiple regression analysis.

Table 4.5 ANOVA

Table 4.3 Regressions for customer service quality

## **LIST OF FIGURES**

Figure 2.1 Conceptualizing the various elements of internal marketing

Figure 3.1 Chart showing Sampling and Sampling size of selected Employees

## Acronyms

ET Ethiopian Airlines

IM internal marketing

SERVQUAL Service quality

## **TABLE OF CONTENT**

---

<b>Abstract</b> .....	
<b>List of tables</b> .....	
<b>List of figures</b> .....	
<b>Annex</b> .....	
<b>Chapter One Introduction</b>	
1.1 Background of the study .....	1
1.2 Statement of the problem .....	2
1.3 Research question .....	3
1.4 Research objective .....	3
1.5 Significance of the study .....	3
1.6 Scope of the study .....	4
1.7 Organization of the study .....	4
<b>Chapter Two Review of literature</b>	
Introduction	
2.1 Internal Marketing and its development .....	5
2.2 Human Resource management and Internal Marketing .....	7
2.3 Benefits of IM 9 .....	9
2.4 Role of IM in business performance .....	10
2.5 Elements of internal Marketing and Service Excellence .....	11
2.6 Service quality .....	14
2.7 Importance of service quality .....	15
2.8 Perceived service quality .....	16
2.9 conceptual frame work .....	17
<b>Chapter Three research methodology</b>	
Introduction	
3.1 study design .....	17

3.2 Target population .....	17
3.3 Sampling and sample size determination .....	18
3.4 Variables of the study .....	19
3.5 Source of Data .....	20
3.6 Research instrument .....	20
3.7 Validity and reliability .....	21
3.8 Normality and multicollinearity test .....	22
3.7 Data analysis .....	24
3.8 Ethical consideration .....	24

**Chapter Four results and discussions**

Introduction

4.1 Descriptive statistical analysis .....	25
4.2 Correlation Analysis .....	30
4.3 Regression analysis .....	31

**Chapter Five Conclusion and recommendation**

Introduction

5.1 Conclusion.....	34
5.2 Recommendations.....	35
5.3 Limitation of the study .....	35

**Reference**

**ANNEXES**

<a href="#">Annex 1 Questionnaire (for passenger)</a> .....	30
<a href="#">Annex 2 Questionnaire (for Employees)</a> .....	30



# CHAPTER ONE: INTRODUCTION

This chapter will include background of the study, statement of the problem, basic research questions, objective of the study, significance of the study and delimitation and organization of the research report.

## 1.1 Background of the study

Internal marketing has increasingly become more important for businesses to take into consideration, not only the way it conducts itself externally, but also the way in which it is perceived internally (Ahmed et al, 2003). The reason for internal marketing is to attract, encourage and promote the organization's core values and beliefs, with the intention of communicating new organizational initiatives and strategies to its employees (Panigyrakis et al, 2009). In times of economic downturn, it is critical that organizations communicate to staff efficiently and effectively, whether this involves redundancies, relocation or a change of business strategy.

Kotler (2000) said that internal marketing is more important than the traditional external marketing. That is because employees are also consumers, where the organization has to take care of its employees and build organization value for every member to follow (Kotler, 2004). In addition, Greene et al. (1994) suggest that internal marketing orientation is the key to excellent service and success of external marketing. Both views justify the exploration of the concept of marketing, i.e. internal marketing orientation, within a business organization in the service sector.

On the other hand maintaining a high level of customer service quality is necessary for success, particularly for firms in service industries. When looking to the airline industry the front-line employees interact with the majority of the customers. It is common knowledge that customer satisfaction mainly depends on the process of service delivery and less on its outcome and this highlight the importance of the initiation of Internal Marketing in airline industries.

Coming to Ethiopian, giving transport service as a product is the most standard product that cannot be differentiated easily. Therefore as it is difficult for the company to make a difference in its product it highly depends on the service which in turn relies on its employees.

## **1.2 Statement of the problem**

Many literatures on IM frequently mention that businesses that wants to deliver better quality to satisfy its external customers should first solve any problems related to internal customer unfulfilled need because, fulfilling employee needs enhances employee motivation and retention, and as a consequence the higher the degree of employee satisfaction, the higher the possibility of generating external satisfaction and loyalty Zampetakis and Moustakis (2007).

The employee or the front line service provider is critical in the eyes of the customer for effective face to face service in counter delivery. Heskett, Sasser and Schlesinger(1997) described the service relationship triangle of (1) the service organization, (2) the frontline service provider and (3) the customer. They elaborated on the importance of the front line service provider as the key to the service encounter and further emphasized importance of service employees by describing the critical employee performance requirements in the cycle of capability. In addition, effective service encounter performance is directly related to hiring, training, leading and motivating the right employees (Lawrence, 2005).

Now a days Ethiopian is growing in a fast way in that its annual profit, number of employees, number of routes where it flies, number of aircraft and number of passengers increases year after year. Despite all increases in a positive direction, there is a big claim from customer side that its quality of customer service is falling down; as well the belongingness feeling for the company from previous employees is not there in the new members.

The goal of internal relationship marketing is to identify and satisfy employees' needs so that employees can be retained and provide superior service to external customers (Berry 1984; Johnson et al. 1986; Kotler and Armstrong 1991).

Therefore this thesis attempts to investigate the relationships between internal marketing programs and customer service quality by evaluating the proposed internal marketing elements in Ethiopian Airlines from the view point of employees and customers. by doing so, the research tried and aimed to fill empirical gap that might exist in Ethiopian Airlines.

### **1.3 Research question**

Based on the above statement of the problem, the study will attempt to address the following questions.

- ✓ How do customers perceive the overall service quality?
- ✓ Do internal marketing elements exists in Ethiopian airlines?
- ✓ Does the five elements of internal marketing have an effect on customer service quality?
- ✓ Which internal marketing elements affects customer service quality most importantly?

### **1.4 Research objective**

- ✓ To know how customer of Ethiopian airlines rate the overall customer service quality.
- ✓ To assess the existence of internal marketing elements in Ethiopian airlines.
- ✓ To analyze the effect of the elements of internal marketing on customer service quality.
- ✓ To understand which internal marketing element has significant effect on customer service quality

### **1.5 Significance of the study**

Any kind of research has something to add to the accumulated body of knowledge of mankind but it is also used to solve particular problem at hand such as in our case. Some of stakeholders who will be benefited;

To Practitioners; the study finding has important implications for the management of market focused service organizations. First, they suggest that, in addition to understanding the external market, services managers must develop a better understanding of the wants and needs of employees.

To Institution; the study output will inform whether internal marketing elements are practiced in the airline in addition, the study shows the influence of institutional practices of internal

marketing on external customers' service performance that could be used as baseline information for future internal marketing restructuring.

The study will also be an input for further studies. More specifically this study will serve as preliminary work or a stepping stone for further studies on the issue. It also benefits the student researcher to get research experience and helps for the partial fulfillment of the masters of arts degree in marketing management.

### **1.6 Scope of the study**

This study is limited to the major international hub of the company, which is Addis Ababa Bole International Airport. This is because it was easy to get customers and ask for their feedback on service quality, and the majority of the work force of the company is based in this airport. The study targeted only the front line staffs in Addis Ababa airport working in departure control, check in, interline and baggage service division.

### **1.7 Organization of the study**

The study consists of five chapters. Background information, introduction of the study, statement of the problem, objective of the study, significance, scope and the like issues discussed in the first chapter. Review of literatures have been dealt in the second chapter. The third chapter holds research methodology followed by the fourth analysis and present data collection from the organization. The last and fifth chapter address conclusion and recommendation.

# CHAPTER TWO: REVIEW OF LITERATURE

## Introduction

This chapter is all about the reviewed literatures. Literatures regarding internal marketing development, human resource management and internal marketing, benefit of internal marketing, role of internal marketing and elements of internal marketing, issues about service quality and theoretical framework to internal marketing are included in this chapter.

### 2.1 Internal Marketing and its development

The term internal marketing (IM) is used to describe the application of marketing internally within the organization. “Every department and every person is both supplier and a customer, and the organization’s staff works together in a manner supporting the company strategy and goals”. IM relates to all functions within the organization, but it is vitally concerned with the management of human resource (Collins; Payne, 1991, p. 261).

Greene et al. (1994, p. 5) offer a definition of IM as the “promoting of the firm and its product(s) to the firm’s employees, and for this strategy to be successful top level management must fully embrace it”. “IM means applying the philosophy and practices of marketing to the people who serve the external customer so that the best possible people can be employed and retained and they will do the best work possible” (p. 8). More specifically, “IM is viewing employees as internal customers, jobs as internal products, and endeavoring to design these products to meet the needs of these customers better” (p. 8).

About 34 years ago internal marketing (IM) was first proposed as a solution to the problem of delivering consistently high service quality by Berry et al. (1976). “There is a great deal of confusion in the literature as to exactly what IM is, what it is supposed to do, how it is supposed to do it, and who is supposed to do it. One of the main problems contributing to this is that there does not exist a single unified concept of what is meant by IM” (Mohammed; Ahmed, 2000, p. 449). The variety of interpretations as to what IM constitutes has led to a diverse range of activities being grouped under the umbrella of IM.

The term IM appears to have been first used by Berry et al. (1976) and later by George (1977) and Thompson et al. (1978, p. 243) and Murray (1979).

The people who buy goods and services in the role of consumer, and the people who buy jobs in the role of employee, are the same people, and the “exchange takes place between employers and employees is no less real than the exchange that takes place between consumers and companies” (p. 34).

Bansal et al. (2001, p. 61) indicate that “an increasingly service-oriented economy asks companies to attract and retain customers to ensure a sustainable competitive advantage”. To achieve this goal, organizations must focus their efforts on developing and sustaining an organizational “culture that emphasizes internal customer well-being as a means to attract and retain external customer patronage. In service-providing organizations, the quality of service is embedded in the quality and performance of human resources” (p. 61). Such critical marketing events as “first encounter” and “moment of truth” are the works of frontline employees (p.64). Most of the initial work on IM focused on employee motivation and satisfaction. It was believed that a firm must have satisfied employees in order to have satisfied customers, because so much of what customers of service companies buy is labour.

The basic way of achieving employee satisfaction was to treat employees as customers (Berry et al., 1976, p.8). Later it was recognized that the relationship between buyer and seller not only affects the customer's decision to buy a service or go back for more, but also provides a marketing opportunity for the company. Employees should, therefore, “be sales-minded as well as customer-orientated. The object of IM was therefore to get motivated and customer conscious employees, and to achieve good co-ordination between employees dealing directly with the customer and the company's support staff” (Mohammed & Ahmed, 2000, p.9). This phase of IM theory is called the customer-orientation.

According to Mohammed and Ahmed (2000) some authors now explicitly began to recognize that IM could help a company to achieve its strategy. In particular, it was believed that if strategies are to be implemented more effectively, internal conflicts must be overcome and internal communications improved. IM today is seen as “a way of reducing departmental isolation, reducing internal friction and overcoming resistance to change. It is now applied to any

type of organization, not merely service companies”. This characterizes what is called the strategy implementation and change management phase on the evolution of IM literature

“Marketing applied to Human Resources”. In addition, the scarcity of implementation models that was evident in the literature reviewed by Papasolomou (2006) “has resulted in a variety of implementation formats, which confuse and create ambiguity rather than clarity and understanding” (p. 197). Such a proliferation of definitions “merely underscores the growing interest among service providers to get employees to adopt the marketing concept of customer orientation and to become part of the company's team” (Joseph, 1996, p.54).

## **2.2 Human Resource Management and Internal Marketing**

Collins and Payne (1991) affirm that IM “relates to all function within the organization, but it is vitally concerned with the management of human resources” (p. 261) and describes the application of marketing internally in the organization. By now, we understand that every department and every person inside an organization is both a supplier and a customer. Also, supplier and customers must work together “in a manner supporting the company strategy and goals” (p. 261). IM has been described as a philosophy for managing the organization’s human resources based on a marketing perspective. “A market-oriented human resources manager is more likely to make an impact on the success of a company, considering it tends to be more effective in both demonstrating the relevance of human resources to all the company, helping other managers to increase their productivity”. Marketing provides an “action framework and a practical approach by which the human resource manager can offer effective solutions to key corporate problems” (Collins; Payne, 1991, p. 269).

Rafiq and Ahmed (1993) identify the main elements of IM as: employee motivation and satisfaction; customer orientation and customer satisfaction; inter-functional coordination and integration; marketing-like approach; and implementation of specific corporate or functional strategies. According to George (1990)

IM operates as a holistic management process to integrate the multiple functions of the organization in two ways: “1) to ensure that the employees at all levels understand and experience the business and its various activities and campaigns in the context of an environment that supports customer consciousness, and 2) to ensure that all employees be prepared and

motivated to act in a service oriented manner” (p.64). The base of this philosophy is that management wants employees to do a great job with customers, then it must be prepared to do a great job with its employees. That is, internal exchanges between the organization and its employee groups must be operating effectively before the organization can be successful in achieving goals regarding its external markets Thus, “the internal marketing concept states that the internal market of employees is best motivated for service-mindedness, and a customer-oriented behavior by an active, marketing approach, where marketing like activities are used maternally” (George, 1990, p. 64). Mudie (2003, p. 1263) tells us that the customer has been the focal point of marketing, the very reason for its existence. “Being a customer is about pleasure, happiness and satisfaction” (p.1272).

The notion of an internal customer suggests that “every employee is both a supplier and a customer to other employees within the organization. Internal customers generate goods and services for the end customer and, as such, are crucial to providing customer satisfaction” (Conduit; Mavondo, 2001, p.12). Having satisfied and motivated employees will influence positively customer satisfaction, through more satisfactory encounters with contact personnel. From this viewpoint, “employment” (job description and employee-related policies) is the internal “product” and first-line employees the company’s internal “customers” (Gounaris, 2008a, p. 69).

Encouraging the organization’s employees to “buy their own services and products in both consumption and psychological terms can boost sales and confidence for customer service delivery”. It requires considerable co-ordination since promotion to external customers will also largely influence employees (Varey, 1995, p.50).

Paraskevas (2001, p.285) affirms that in an ideal working environment, internal service encounters would result in successful interdepartmental relationships. Several important components for implementing an internal marketing process require attention: “management support, training, internal communications, personnel administration, and external activities” (George, 1990, p. 68).

Vasconcelos (2008, p.1255) says that people do not simply “buy” a job description. “Actually, the process of exchange between employers and workers are much more complex than that.

Although it is believed that assurances of reasonable job security, continual training, and development aid to establish a social exchange relationship”. Employers should offer pleasant job experiences and receive, in exchange, employees’ expertise and dedication. “Such premise – and there is no reason to believe on contrary – can lead to satisfying organizational performance.

Theoretically, it will fulfill both parties since it is managed in a proficient manner”. It is a task for the human resource manager to closely work with the marketing manager in an attempt to make it work as expected. By that we mean, IM and Human Resource are separate entities, but must work together for the success of the program implementation and results.

George (1990, p. 68) indicates that one of the marketing like activities necessary to implement an IM program is “market research activity, that could bring an understanding of employee capabilities (attitudes, skills) to participate in an internal marketing strategy, necessary to the success of internal marketing practices”. Services marketing and management pose special challenges because services deal with "processes rather than things, with performances more than physical objects". Three management functions— marketing, operations, and human resources—are intimately joined in what it has dubbed the "service trinity” to create and deliver services (Joseph, 1996, p. 55).

## **2.3 Benefits of IM**

It is without doubt that proper IM programs potentially have a number of significant benefits for both the individual and the organization. At the individual level, IM enhances and improves work motivation as it links peoples’ goals to the organization’s goals. At the organizational level, IM ensures effective implementation of cross-functional activities by creating inter-departmental awareness among people within the business (Rafiq & Ahmed, 1993).

Employee survey enables management to see the bigger picture in terms of employees’ needs as well as provide the means of identifying issues of policy violations and other organizational breakdowns that may not be visible in normal working conditions (Berry, 1981). Through employee survey, organizations can monitor the impact of organizational policies and the degree of internal satisfaction among employees within the business (Collins & Payne, 1991). More importantly, management must show that appropriate actions are taken over issues uncovered from the survey in order to clearly demonstrate that survey findings are taken seriously.

Secondly, participants suggest that IM has the benefit of educating and bringing people together within the business, which in turn, enhances the strategic alignment and the performance of cross-functional roles within the business. Another key benefit of IM according to participants is in keeping people issues at the heart of its agenda. Participants revealed that IM programs are seen as people-friendly, and therefore, has the potential to align and integrate the individual goals with the organization's goals. Rafiq & Ahmed (1993) believe that the key benefit of IM lies in its ability to align and integrate the individual to the effective implementation of cross-functional and corporate objectives. Participants point out that IM ensures that the individual goals are reflected in corporate objectives by making sure that 'the people and the organization talk'.

## **2.4 Role of IM in business performance**

Theoretically, IM is purported to play a crucial role towards achieving business performance and organizational effectiveness. This is reflected in practitioner viewpoint. Participants strongly believe that without IM, it is impossible for an organization to function effectively. In particular, they suggest that IM is crucial to achieving business success, as IM essentially builds on getting everyone in the business to understand the purpose of the business in order to be able to achieve desired objectives. According to participants, the absence of IM means the absence of business success:

IM is also believed to play a significant role in terms of improving attitudes and perceptions of different teams within the business. It was revealed that IM helps people to understand that other people within the business also have challenges of their own. Understanding people's challenges means that it will be much easier to help them as well as create the right level of cohesion required for the success of the business. Participants believe that if there is lack of cohesion, and members work in isolation, it is highly unlikely for customers to get what the organization is offering:

IM is also believed to play a significant role in terms of improving attitudes and perceptions of different teams within the business. It was revealed that IM helps people to understand that other people within the business also have challenges of their own. Understanding people's challenges means that it will be much easier to help them as well as create the right level of cohesion required for the success of the business.

According to Bansal et al. (2001) some relevant aspects of human resources management practices in achieving internal customer commitment, job satisfaction, and trust are relevant to the success of IM management. “Internal customer commitment deals with the employee’s involvement and attachment to their company. Job satisfaction is the evaluation of the job characteristics and emotional experiences at work. Trust in management can be described as having trust in the words and actions of those in management” (p. 66).

It was possible to see that IM and human resources management are closely related, but different concepts. One works in a way to help the other so that the firm is able to deliver service excellence, the next topic here discussed. Making everybody a customer in his relations to others inside the organization allows one to view what happens in a firm from a true process-management

## **2.5 Elements of Internal Marketing and Service Excellence**

The boom of service industry in the 80s has led to the development of a theoretical corpus specific to this sector, and the work of Gronroos (1982, 1989), Lovelock (1983) and Parasuraman et al. (1988), for instance, have contribute a lot to the understanding of specific characteristics of the service business, that includes IM. One of the elements of IM presented by Bansal et al. (2001, p. 67) is employment security, that is defined as “providing employees with the reasonable assurance that they will not be laid off, even during tough economic cycles. Any slowdowns in productivity or profitability may result in transfers, retraining, or job rotation, thus avoiding the necessity of layoffs”. Another element is extensive training since almost all “descriptions of IM practices emphasize the importance of training because frontline employees need the requisite knowledge and ability to recognize and solve problems and to ensure high-quality products and services” (p. 68).

If an organization is serious about attracting and retaining the best and brightest candidates, “providing them with a higher-than-industry-average salary is one way of accomplishing this objective. What is the message that paying people well sends? Higher pay is a way of communicating the value of employees to the organization” (p.68). This way, “higher-than-industry-average salaries and pay partially contingent on performance will be positively

associated with job satisfaction, loyalty to the firm, and trust in management” (Bansal et al., 2001, p. 69).

In order to build trust, it is important that organizations function in a transparent manner, with a service focus. To do so, companies must be prepared to openly share with their members, “information on their strategy, financial performance, and expenditures – sharing information is a key factor to IM. Employee empowerment is an essential way to impact employee attitudes and behaviors and, hence, the level of service provided to the external customer” (Bansal et al., 2001, p. 69). Traditional organizations are characterized by bureaucratic principles that are dominated by hierarchy, impersonality, rules and other constraints on employees' conduct. Even if this philosophy has its own advantages like precision, speed, and unity it has major drawbacks such as red-tape, rigidity on workers. Hence, freedom becomes a rare commodity where command and control philosophy becomes the way to work in such organization. However, such environments lead to low employee job satisfaction and lack of trust and organizational loyalty, which in turn affects the level of customer service provided to external customers (Bowen & Lawler, 1992). Finally, consistent with a focus on information sharing and empowerment, organizations with an emphasis on internal customers should also work to reduce the status distinctions that make some people feel more or less valued than their colleagues.

Service excellence means delivering what the customer wants at the first encounter. In an external marketing perspective this is related to service quality, to exceed customer expectations, to make it right the first time. For that to happen, internal customers must also have what they want, since they are customers. It is believed that internal customer satisfaction will lead to external customer satisfaction, which represents a way to offer service excellence. “Although the importance of internal customer satisfaction levels on external customer satisfaction levels has been increasingly emphasized, there remains a dearth of literature that comments on the exact nature of the relationship between the two” (Bansal et al. 2001, p. 71).

By satisfying the needs of its internal customers, an organization upgrades its capability for satisfying the needs of its external customers. This is true for most organizations (Greene et al. 1994, p. 8). Service excellence calls for a marketing plan.

The organization must have clear at a strategic level the importance of customers (both internal and external), for the success of the service production and deliver. Issues like employee empowerment, customer satisfaction and more important, the marketing mix Internal Marketing (*IM*): *IM* mix consists of the program, product, price, communication and distribution, according to Pierce and Morgan (1991).

The plan should link the mission, objective, strategic audit and marketing tactics to both *IM* and External marketing. Services are intangible and people dependent on nature. Having employees satisfied is a key topic for service excellence. What we are trying to stress is that, with the application of *IM* a service organization would be able to deliver service excellence better than the ones that do not have it a service philosophy or as a strategic tool.

Gremler et al. (1994) claims that “successful service organizations understand well the importance of carefully monitoring and managing customer satisfaction” (p. 34), and service encounter can play an important role whether customer satisfaction will occur or not. The satisfaction of internal customers can be influenced by service encounters with service suppliers internally in the organization. Internal service encounters are the interaction between customers within a firm. “In order to have their needs met, employees often depend upon internal services provided by others in the organization. Like external customers, internal customers engage in numerous service encounters to satisfy the many needs they have in the course of carrying out their job responsibilities” (p. 37).

Service excellence is a subjective concept, like perceived quality; it is in the eyes of the beholder. Despite of its subjective character, excellence can be achieved by offering a superior service, with committed employees, willing to serve external customer better than the competition. *IM* has an important role in service excellence. Before presenting the research proposition it is interesting to remind of the key elements present on the definitions of *IM* presented before:

- ✓ Making available internal products to employees and satisfying organization’s objectives (Berry, 1976).
- ✓ Application of marketing internally in the organization, a marketing oriented human resource management (Collins; Payne, 1991).

- ✓ Promoting product and firm to employees; Applying the philosophy and marketing practices internally the organizations; Employee as customers and jobs as products (Greene et al., 1994).
- ✓ Applying marketing and human resources management to motivate and manage employees (Joseph, 1996).
- ✓ The concept or philosophy or management practice applied to human resources management, service marketing or change management (Lings; Brooks, 1998).
- ✓ Jobs as products and employees as customers (Gounaris, 2008a).

Taking in account the elements presented, we proposed that IM is applying marketing management to the relationships between employees and their organization, where in an internally perspective, jobs are products and employees are customers and suppliers, with the support of human resource management.

## **2.6 Service quality**

The service quality from the customer's perspective means how well the service meets or exceeds expectations. Because of the customer-oriented market, service quality is generally defined from the customer's perspective, which is usually termed as perceived service quality (Fisk, Grove & John 2004:153).

Fisk et al (2008:153) define service quality from the service provider's perspective as the degree to which the service's features comply with the organization's specifications and requirements; from the customer's perspective this implies whether the service meets or exceeds his or her expectations. More specifically, the service provider must be quality-oriented, and the system must be designed to support that mission by being controlled and delivered correctly while making profit for the organization. The customer's overall judgment of service quality can be an evaluation of both the process and the outcome, compared with the customer's own expectations and desired benefits. However, different provider-based and customer-based perspectives of service quality can be generated by subsequent encounters with the profit-oriented organization. Thus, this leads to an important concept in assessing quality from perceived service quality. Service quality has been defined as the degree and direction between customer service expectations and perceptions (Newman, 2001).

## **2.7 Importance of service quality**

The importance of service quality is seen in the effect that has on the organization as a whole. It is seen in the following ways:

- 1) Service quality has an effect on customer satisfaction (Arasli et al., 2005). Using the confirmation model, satisfaction will be experienced by the customer, should the perceptions (of the actual experience) exceed the expectations of customers.
- 2) Service quality has an effect on customer loyalty (Heskett, 2002; Kandampully, 1998). Loyalty is experienced by the organization when the perceived service quality experienced by the customers exceeds that which is offered by the competitors. The delivering of service quality to customers is required in the long term if the organization is to experience the benefits of customer loyalty (Kandampully, 1998).
- 3) Service quality creates competitive advantage for organizations and is associated with successful organizations (Kandampully, 1998). It has been said that many organizations sell a similar product of similar quality, and that the differentiator between them is the service quality that is offered to the customer (Arasli et al., 2005).
- 4) Service quality affects relationships and relationship marketing, as customers are willing to build relationships with organizations that provide service quality (Zeithaml and Bitner, 2003).
- 5) Service quality has an effect on profitability and costs (Buttle, 1996). As service quality impacts on customer satisfaction, this also impacts on customer retention, reduction of costs and increased profitability (Zeithaml et al., 2006).

## **2.8 Perceived service quality**

The term perceived service quality has been frequently used by practitioners and academicians in the past few decades, whereas there hasn't been any generally accepted definition yet. The consensus about perceived service quality is that it is a consumer's evaluative judgment or impression regarding a service provider's overall performance or excellence (Parasuraman et al., 1985, 1988; Cronin & Taylor, 1992; Boulding et al., 1993). The theoretical conceptualization of perceived service quality indicates that it is a multidimensional, higher order construct and can't be measured in a single dimension (e.g., Brady & Cronin, 2001; Parasuraman et al., 1988).

Parasuraman, Zeithaml, and Berry (1988) and Oliver (1997) defined perceived service quality as a global judgment of the service, thus treating it as a cognitive construct. Perceived service quality refers to the customer's evaluation of an organization's service based on his or her overall experience of the continuous service encounter (Woodruffe 1995:106; Fisk et al 2008:153). Parasuraman, Zeithaml and Berry (1985) define service quality as the overall evaluation of a specific service determined by comparing the firm's performance with the customer's general expectations of how firms in that industry should perform. Perceived service quality is viewed as an overall appraisal of service (Bitner and Hubbert 1994)

## 2.9 Conceptual frame work

The model below proposes a way of conceptualizing how the various elements of internal marketing relate to customer service quality.

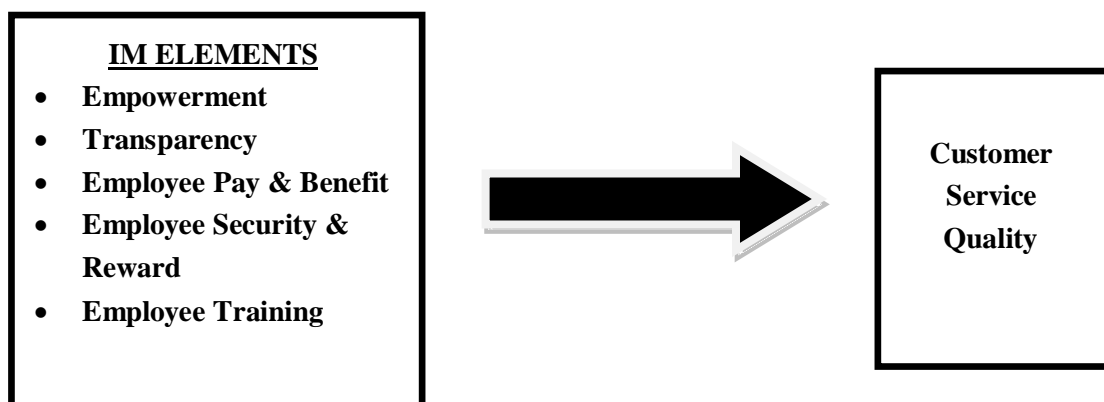


Figure 2.1 Conceptualizing the various elements of internal marketing.

## **CHAPTER THREE : RESEARCH METHODOLOGY**

### **Introduction**

The aim of this chapter is to discuss the overall methodological considerations of the research.

In this chapter the research design, population of the study, sample and sampling techniques, sources of data collection, instruments of data collection and procedures of data collection will be discussed thoroughly. It will also discuss the methods of data analysis, validity and reliability and the ethical considerations of the research in depth.

### **3.1 Study design**

Research design is a blueprint for fulfilling the research objectives and answering the research questions (Anol Bhattacharjee, 2012). The function of research design is to provide for the collection of relevant information with minimal expenditure of effort, time and money.

Thus the study employs a quantitative, descriptive survey study design to answer the research questions as it is found to be appropriate. In addition to this the study is interested to identify the likely association of internal marketing and customer service quality that demands a large amount of numeric data from a large number of instances without further prediction of cause and effect relationship which could be further studied. Furthermore, the study is cross-sectional, where respondents are contacted once to collect empirical evidences.

### **3.2 Target population**

The population (unit of analysis) of the study is the entire Front line staff of Ethiopian Airlines Addis Ababa airport and customers(passengers). Because of difficulties to take the whole population for conducting the study, the study uses sample of the population.

### 3.3 Sampling and sample size determination

The study select its employee sample using stratified random sampling technique. The present of different groups helps for making the sample using strata. The total number of Front line employee which is considered as population of the study currently is 1227. Because the study aim to use stratified sampling technique it has changed employees of the airport staff in to 3 groups (stratum) and the population, sample size and the formula that is used to represent the sample of each group is as follows. A total of 122 front-line staffs are selected by using the probability proportionate to size (PPS) technique which accounts 10% of the total population and drawn from each regions randomly based on the proportion.

Table3.1 sample of the population

s.n	Group or stratum	Total no	Sample
1	Permanent employees	775	77
2	Contract employees	385	38
3	Part-timer employees	67	7
	<b>Total</b>	<b>1227</b>	<b>122</b>

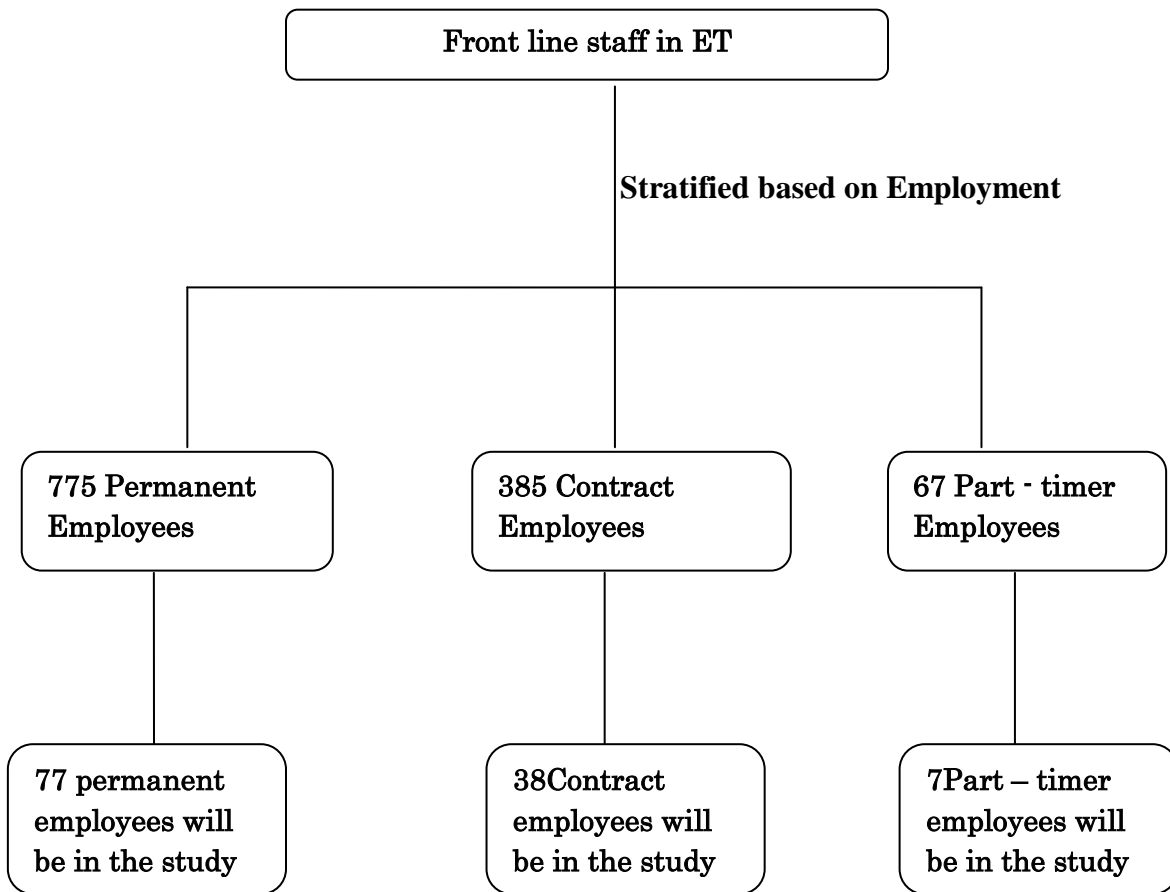
Sample taken from =  $\frac{\text{Original size of the single stratum}}{\text{Total Number of Employees}} \times 10\%$  of Total employees

$$N=1227 \quad n=1227(10\%) =122$$

$$np= (775/1227)122=77 \quad nc= (385/1227)122=38 \quad npt=(67/1227)122=7$$

where N=total number of front line employees, n=employee sample size, np= sample size from permanent employees, nc= sample size of contract employees, npt=sample size of part timer employees.

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(passengers) 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. Therefore the sample size of this study on the passenger side was sixty five.



**Figure 3.1 Chart showing Sampling and Sampling size of selected Employees**

### **3.4 Variables of the study**

Based on the objectives of the study, the paper has both the dependent and independent variables. The independent variables of the study are the element of internal marketing

(empowerment, transparency, employee pay & benefit, employee security & reward, and employee Training) and the dependent variable of the study is customer service quality

### **3.5 Source of Data**

Data collection from different book, academic and research literatures have been used and questionnaire have been developed (for both front line employees and passengers) for specific research question raised in the statement of the problem.

### **3.6 Research Instrument**

As suggested by Parasurama et al., (1988: as cited in Tyran & Ross, 2006) it can be appropriate to modify the items of SERVQUAL instrument to make the survey more relevant to the context of a particular service environment. Therefore, the instrument was maintained service quality dimensions (reliability, responsiveness, empathy, assurance).

The four dimensions of service quality used in the SERVQUAL Model for measurement of service quality which was developed by Parasuraman et al. (1988). The other IM element related factors are adopted from different literatures which were used specifically for service.

The survey questionnaire involves both previously tested questions and items developed through a review of literature which consists of two sections. The first section incorporates closed-ended questions to gather demographic profile of employee and section two encompasses IM constructs which are developed through a review of literature that measures firms IM practices and this questions often mentioned in different phenomenological and empirical literatures.

It is a widely used rating scale which requires the respondents to indicate a degree of agreement or disagreement with each of a series of statements or questions (Albaum, 1997 as cited in Samuel, 2006). This rating scale is easy to construct and administer and respondents readily understand how to use the scale (Malhotra & Birks, 2003, pp. 305 as cited in Samuel, 2006).

The items in the questionnaire were designed to be scored on a seven point likert type scale, 1 (strongly disagree) and 7 (strongly agree) and extremely dissatisfied (1) to extremely satisfied (7) for overall service quality and customer satisfaction. Respondents were asked to make a mark in any of the numbers to show their level of agreement with each statement.

### 3.7 Validity and reliability

The necessary reliability and validity tests of the measurement were taken to validate the result. the value of Cronbach's Alpha for 22 items of internal marketing attributes was .921 which is above .7. taking in to account the small number of items used to measure internal marketing. its value is reasonable. besides the study used stratified probability sampling without any bias too probability.

Reliability Statistics	
Cronbach's Alpha	Number of Items
.921	22

Measurement of reliability were tested and found to be acceptable i.e. coefficient  $\alpha$  for each scale were found reliable where Crobanchs' alpha of constructs were greater than 0.7, revealing adequate reliability.

Table 3.2 Measurement of Reliability for SERVQUAL Constructs

Measurment catagory	Alpha	No. item
Empowerment	.810	5
Employee pay & benefit	.879	5
Training	.868	4
Employee security & reward	.823	5
Tranparency	.868	4

The psychometric properties of SERVQUAL scales were tested and found to be acceptable i.e. coefficient  $\alpha$  for each scale were found reliable where Cronbach's alpha of constructs were greater than 0.7, revealing satisfactory reliability as all items are developed based on theories and literature.

The Empowerment dimension: There are five questions covering this perspective which is used to evaluate quality. The value of Cronbach  $\alpha$  is 0.810; therefore, the reliability is good. the next is employee pay and benefit in which five question also raised and the value of Cronbach  $\alpha$  is 0.879; the reliability is acceptable. Training is the third construct of IM in which the value of

Cronbach  $\alpha$  is .868 from four question raised; the reliability is acceptable. Employee security and reward has the value of Cronbach  $\alpha$  .823; the reliability is acceptable, here we have raised five question. The value of Cronbach  $\alpha$  is .868 where four question raised and the reliability is acceptable. Further, none of the reliability alphas is below the cutoff point of 0.60, which is generally considered to be the criterion for demonstrating internal consistency of new scales (Nunnally and Bernstein, 1994). In this respect we observe the appropriateness of items in measuring the respective construct as the value alphas for the items are above the cut-off .7.

### 3.8 Normality and Multicollinearity Test

Normality was assumed due to the large sample size (Green et al., 2000). The assumption of normality is important to select the data analysis method as Andy (2005). Thus testing whether the sample data differ significantly from normal is important in addition to sample adequacy.

Though, the bigger the sample size guaranties the normal distribution of the sample there are alternative methods to check the distribution of data. The study uses Skewness and Kurtosis measures. In normal distribution the value of Skewness and Kurtosis will be zero. The positive values of kurtosis show a pointy distribution where as the negative values indicate that the distribution is flat. The negative value of Skewness will have a more loaded distribution on the right side. The positive value of Skewness will weighted to the left side distribution. The value from the SPSS was converted to a z-score because it is the way to standardize. Then the formula below was used to convert and compare the scores.

$$Z \text{ skewness} = \frac{S-0}{SE \text{ skewness}}$$

OR

$$Z \text{ kurtosis} = \frac{S-0}{SE \text{ kurtosis}}$$

	Empowerment	Transparency	Employee pay & benefit	Employee security and reward	Training	Customer service
Skewness	.305	0.028	.362	.025	-.510	-.082
Kurtosis	.823	-1.22	-.723	-.577	-.614	-.863
SE S	.225	.225	.225	.225	.225	.225
SE K	.446	.446	.446	.446	.446	.446
Z Skewness	1.35	0.124	1.61	0.11	2.27	-0.36
Z Kurtosis	1.84	-2.73	0.50	-1.29	-1.37	-1.93

Table 3.3 A Summary of Skewness, Kurtosis and Its Z-Score

As indicated in the above table all Z-scores of skewness and kurtosis were less than 3.29 which are significant at  $p < .001$ . Thus one can conclude that all variables are normally distributed. The study also tests the existence of multicollinearity that arises in multiple regression analysis. It is a problem that is related to the effects of each independent variable is difficult to distinguish as they become more correlated (Hair et.al., 1998).

Table 3.4 Collinearity Diagnostic

Constant	Tolerance	VIF	Condition index
Empowerment	.795	1.258	5.615
Transparency	.738	1.356	6.714
Employee pay and benefit	.907	1.102	7.643
Employee security and reward	.708	1.282	8.503
Employee training	.824	1.213	11.314

There are different measures of this phenomenon include tolerance, variable inflation factor (VIF), and the condition index, which each describe the “degree to which each independent variable in explained by other independent variables” stated thresholds for each of the three measures: (1) tolerance above .10, (2) VIF below 10, and (3) the condition index below 30 (Hair et al., 1998). Therefore the correlation matrix shows the interrelationship among independent variables. All correlation coefficient values were below .9. All the above statistics shows that all variables were fairly correlated. Therefore, we can be positive that Multicollinearity is not a problem for these data where all variable are fairly correlated.

### 3.7 Data Analysis

To conduct this study data was collected from respondents. The collected data was organized in order to remove errors and was classified and coded and analyzed with the help of REDcap and statistical package for social sciences (SPSS) version 20 statistical software programs used to

analyze the data. The data analysis was made by using both descriptive and inferential statistics. Descriptive statistics such as frequencies, percentages, mean were used to summarize and present the data. In addition with regards to inferential statistics, Pearson correlation coefficient was used to show the interdependent between the independent and dependent variables and regression analysis was used to test the significance contribution of each independent variable to the dependent variable(customer service quality).

### **3.8 Ethical consideration**

Participants of the study has been asked for consent before participating in the study. During the consent process, they provided with information regarding the purpose of the study, why and how they are selected to be involved in the study, and what is expected of them and that they can withdraw from the study at any time They have been also assured about confidentiality of the information obtained in the course of the study by not using personal identifiers and analyzing the data in aggregates.

## CHAPTER FOUR: RESULTS AND DISCUSSIONS

### Introduction

This chapter is all about the results of the study. The results of the study are presented and discussed in detail. The first part of the chapter will discuss about the distributed and returned questionnaires. The second part is all about the responses received and the analysis made along with the interpretations of the results.

### 4.1 Descriptive statistical analysis

**Table 4.1 gender statistics of customers**

	Customers	
	Frequency	Percent
Male	42	64.6
Female	23	35.4
Total	65	100

As per the above table that out of sixty five respondents, 42(64.6%) of the respondents were males, and the remaining 23 (35.4%) were females. from the response we can also generalize for many of customer service question the male customers believe there is good customer service in the airline. This can be focused and get attention for future as to how ET can give a standardized service so that every customers can perceived same kind of service quality.

On the other hand the passengers were asked to rate the employees performance on seven Likert scale from strongly disagree to strongly agree. and results will be explained one by one below.

Regarding employees understanding about the customers need, around 64.6% of the respondents somehow agreed, agreed as well as strongly agreed about it. But the rest 33.7% were somehow disagreed, disagreed as well as strongly disagreed about it

On the subject of employees' knowledge to answer customers' question, around 72.3% of the respondents somehow agreed, agreed as well as strongly agreed about it. But the rest 27.7% somehow disagreed, disagreed as well as strongly disagreed about it.

Then again regarding making customer safe in their transaction with the organization about 59.9% of the respondents somehow agreed, agreed as well as strongly agreed about it. And the rest 40.1% somehow disagreed, disagreed as well as strongly disagreed about it in addition to neither 4.6%.

The fourth question raised was whether the employees have confidence and trust in customers mind and this was answered with 61.5% somehow agreed, agreed as well as strongly agreed scale, followed by 29.2% answer with disagree and somehow disagree scale the remaining 9.2% falls under neither category.

Are the employees of Ethiopian consistent, courteous and polite? was also the point raised in the questionnaire and the employees answered with 75.4% somehow agreed, agreed as well as strongly agreed scale, followed by 21.5% answer somehow disagreed, disagreed as well as strongly disagreed scale the remaining percentile again falls in neither category.

The next issue raised was employees' readiness to respond to customers' request 70.9% of the respondents somehow agreed, agreed as well as strongly agreed scale, while the remaining followed by 29.1% somehow disagreed, disagreed as well as strongly disagreed scale.

On the other hand their response to the question "do the employee keep customer informed" was 52.3% somehow agreed, agreed as well as strongly agreed scale, followed by 47.7% somehow disagreed, disagreed as well as strongly disagreed scale.

Determination to insist on error free record is also answered with 53.9% somehow agreed, agreed as well as strongly agreed scale, and 46.1% somehow disagreed, disagreed as well as strongly disagreed scale out of which 7.7% falls in neither category.

Then comes willingness to help customer question, 64.7% somehow agreed, agreed as well as strongly agreed scale, and 35.4% somehow disagreed, disagreed as well as strongly disagreed scale the out of which 6.2% falls in neither category.

Then again regarding providing service as promised 56.9% somehow disagreed, disagreed as well as strongly disagreed scale the other 40% somehow agreed, agreed as well as strongly agreed scale, followed by 3.1% falls in neither category.

The usual question regarding service is timely delivery of a product, and 52.3% somehow disagreed, disagreed as well as strongly disagreed scale and rest 47.7% take the scale of somehow agreed, agreed as well as strongly agreed and neither category for the question of delivering prompt service to customer.

Regarding performance of employees to give service right at first time, 50.8% of the customers somehow agreed, agreed as well as strongly agreed and 46.1% answered with the category of somehow disagreed, disagreed as well as strongly disagreed scale the other 3.1 says neither in their answer.

Then comes giving customers individualized and personalized attention, which is answered with 58.5% somehow agreed, agreed as well as strongly agreed scale, then along by 38.5% answer with somehow disagreed, disagreed as well as strongly disagreed scale and the remaining 3.1 says neither in their questionnaires.

#### Socio-demographic characteristics of employees

One hundred twenty five questionnaires were distributed to first liner employees of Ethiopian airlines working in Addis Ababa Airport; of these 116 were returned making the response rate of 92.8%. 53.4% of the respondents' age falls between 26-30 years range. Regarding gender 59 (50.9%) of the respondents were males, and the remaining 57 (49.1%) were females. 75.9% were BA holders whereas, the remaining 17.2% and 6.9% were diploma holders and MA holders respectively.

Regarding their work experience 51.8% worked from 3 years up to 5 years, 19.3% worked more than 5 years and the remaining 16.6% and 12.3% worked within 0-1year time and 1-2year time respectively.

**Table 4.2:- Socio- demographic characteristics of Ethiopian Airlines front line employees working in Addis Ababa Airport, Ethiopia,**

Socio- demographic Profile		No(%)
Sex	Male	59(50.9%)
	Female	57(49.1%)
Age	20-25	33(28.4%)
	26-30	62(53.4%)
	31-35	15(12.9%)
	36-40	6(5.2%)
Highest Educational level	MA	8(6.9%)
	BA	88(75.9%)
	Diploma	20(17.2%)
Work Experience	0-1	19(16.6%)
	1-2	14(12.3%)
	3-5	59(51.8%)
	More than 5	22(19.3%)

In the questionnaire part two contains seven questions, in which the three question dealt about empowerment, which are involvement in decision making, authority to make decision and receiving encouragement for new ideas, in this aspect 48% to 64.5% of employees somehow disagreed, disagreed as well as strongly disagreed about it.

Empowerment helps to play a vital role in employee attitudes and behaviors which in turn enhance the level of service provided to the external customer. Nonetheless in the finding part we have discovered that majority of the employees are not empowered and their attitude towards it is in a negative manner. This has an effect on the service that they render to customers.

Service excellence means delivering what the customer wants at the first encounter. In an external marketing perspective this is related to service quality, to exceed customer expectation, to make it right the first time. For that to happen, internal customers must also have what they want, since they are customers. It is believed that internal customer satisfaction will lead to external customer satisfaction, (Bansal et al. 2001, p. 71).

The second element for IM which was discussed in literature review part was transparency in this regard also five question have been raised in the questionnaire to address if employees had information about plan as well as kept informed on what's going on in the company, about their opportunity to express their ideas and their communication in the group.

Most of the employees (more than 55%) somehow agreed, agreed as well as strongly agreed about transparency in the company. In the literature review part it had been discussed that, in order to build trust, it is important that organizations function should be in a transparent manner, with a service focus. To do so, companies must be prepared to openly share with their members, information on their strategy, financial performance, and expenditures. As sharing information is a key factor to IM, this create belongingness of employees and treat them as if the company is their own. This in other way helps the company to exceed the customer service.

The third issue is employee pay and benefit, in this regard 68% of the respondents were somehow disagreed, disagreed as well as strongly disagreed about it. Employee pay and benefit also discussed in chapter two as important element of IM as Bansal et al (2001), If an organization is serious about attracting and retaining the best and brightest candidates, “providing them with a higher-than-industry-average salary is one way of accomplishing this objective. What is the message that paying people well sends? Higher pay is a way of communicating the value of employees to the organization”. This way, “higher-than-industry-average salaries and pay partially contingent on performance will be positively associated with job satisfaction, loyalty to the firm, and trust in management” . But here in our finding there is no attractive benefit and salary specially compared to other companies. If this affect in a way of losing skilled and trained employee to other companies, the recruiting cost will be high as well as customer satisfaction will be low because of the service start to be given by inexperienced staff.

The next two elements which are training and employment security and reward system which the finding will be respectively stated below

Around 74% somehow agreed, agreed as well as strongly agreed that the company organize training and distributed it in a fair manner. on the other hand they also replied that it helps them to perform their job to the expected level. Eextensive training is another element of IM. as there is importance of training, which will helps them to requisite knowledge and ability to recognize and solve problems and to ensure high-quality products and services

Concerning employees security and reward 57.4% somehow disagreed, disagreed as well as strongly disagreed about it. Employment security and reward which is the fifth element is defined earlier as “providing employees with the reasonable assurance that they will not be laid off, even during tough economic cycles. Any slowdowns in productivity or profitability may result in transfers, retraining, or job rotation, thus avoiding the necessity of layoffs”. This will increase employee satisfaction in return to this their satisfaction will reflect in external customer. But as the above result the employee of Ethiopian does not feel secured.

## **4.2 Correlation Analysis**

This study employs the correlation analysis, which investigates the strength of relationships between the studies variables. Pearson correlation analysis was used to provide evidence of convergent validity. Pearson correlation coefficients reveal the magnitude and direction of relationships (either positive and negative) and the intensity of the relationship(-1.0 to +1.0). general guidelines of the relation of .10 to .30 are considered small, correlations of .30 to .70 are considered moderate correlation and of .70 to .90 are considered large and correlations of .90 to 1.00 are considered very large.

As per table 4.3 the coefficients show that the five elements of internal marketing were all positively related with customer service quality within the range of 0.289 to 0.554, all were significant at  $p < 0.01$  and  $p < 0.05$  level.

A further look into each elements indicates that elements influencing customer service quality can be grouped as important determinant and least important determinant. The least important factors are empowerment and employee security and reward with r value of .289 and .286

respectively. and the other elements which are employee training, employee pay and benefit and transparency are important for customer service quality with r value of .554, .402 and .386 respectively. this shows that employee training ( $r=0.554$ ) is the most important element of internal marketing that affects customer service quality.

**Table 4.3 Correlation between independent and dependent variables**

	Empowerment	Transparency	Employee Pay & Benefit	Employee Security & Reward	Employee Training	Customer Service Quality
Empowerment	1	.288**	.247**	.250**	.343**	.289*
Transparency		1	.064	.415**	.314**	.386**
Employee Pay And Benefit			1	.209*	.131	.402**
Employee security and Reward				1	.111	.286*
Employee Training					1	.554**
Customer Service Quality						1

Note: \*\* Correlation is significant at the 0.01 level (2-tailed), \*Correlation is significant at the 0.05 level (2-tailed)

Source: Survey Data (2014)

### 4.3 Regression analysis

In order to see contribution of internal marketing elements in affecting the customer service quality, multiple linear regression analysis was employed. customer service quality was used as the dependent variable while elements of internal marketing were used as the independent variables.

**Table 4.4 provide the results of the multiple regression analysis.**

Model	R	R Square	Adjusted R Square
1	.668 <sup>a</sup>	.446	.400

The above regression model presents how much of the variance in the measure of customer service quality is explained by the underlying internal marketing elements. The model or the predictor variables have accounted for 44.6% (adjusted R square of 40.0% ) of the variance in the dependent variable. the remaining 60.0% are explained by other variables out of this model

**Table 4.5 ANOVA**

Model	Sum of Squares	F	Sig.
1 Regression	51.894	9.517	.000
Residual	64.342		
Total	116.236		

Similarly, the above ANOVA table shows the overall significance/acceptability of the model from a statistical perspective. as p- value is (.000), which is less than  $p < 0.05$ , This indicates that the variation explained by the model is not due to chance.

**Table 4.6 Regressions for customer service quality**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
	(Constant)	.772	.556		
Empowerment	.001	.104	.001	.006	.995
Transparency	.171	.095	.205	1.809	.076
Employee Pay And Benefits	.256	.085	.324	3.025	.004
Employee Security and Reward	.095	.105	.098	.907	.368
Employee Training	.369	.109	.376	3.381	.001

a. Dependent Variable: Customer Service Quality

According to Table 4.6, the regression standardized coefficients for the five independent variables, i.e. empowerment, transparency, employee pay and benefits, employee security and reward and employee training are 0.001, 0.205, 0.324, 0.098 and 0.376 respectively. Their significance levels are 0.995, 0.076, 0.004, 0.368, and 0.001 respectively, of this only employee training and employee pay and benefits significantly affect the dependent variable (customer service quality) as their p value is less than 0.05. The remaining three factors, i.e. empowerment, transparency and employee security and reward, have no significant relationship with the dependent variable since their p value is greater than 0.05.

# **CHAPTER FIVE: CONCLUSION AND RECOMMENDATIONS**

## **Introduction**

Based on the results and findings of the study, this chapter will discuss the conclusions and recommendations of the study along with the limitations of the study in detail.

generally this paper raises

## **5.1 conclusion**

When we look at the customers rating of the overall customer service quality they receive it is above average which shows that most of the customers receives quality service as the mean index points. The study also examines the association between the customer service quality and the five elements of internal marketing to determine the reasons for which internal marketing element affects customer service quality more importantly.

The most important issue raised in the statement of the problem part was whether the company(Ethiopian) uses different internal marketing tool or not for its employee? The elements are empowerment, employment security and reward system, extensive training, transparency, and employee pay and benefits that was discussed earlier in the literature review part and it has been also said by different authors that IM has an important role in service excellence. To discussed the findings in this regards The study finds out that except for transparency and training all the others (good salary empowerment employment security) exists hardly in the company.

The regression analysis result also indicated the positive effect of employee training and employee pay and benefits on customer service quality. this means when employees are exposed to extensive training the customer service quality will also increase. and also as employee pay and benefit has a positive effect on customer service quality, the more the company pays and grants benefits for its employees there customer service quality will be enhanced.

## **5.2 Recommendations**

Front line employees are the contact person of the company as a whole, whether the company has a Excellent strategies vision mission etc unless the front line employees internalize and communicate to the external customer the company could not meet the settled goal. On the other hand service quality is also highly depends on the front liner, to satisfy customers we have to satisfy the employee first. therefore this study recommend

Ethiopian airlines should understand different internal marketing tools and should adopt them and communicate to employees. with proper internal marketing tools in place the level of employee job satisfaction will be high

Out of the five element of internal marketing employee training is positively related with customer service quality with high significance level, as well the employees agreed there is extensive training given in the company, therefore the company should go on doing this for future also.

Keeping the importance of employee pay and benefit in mind and the major disagreements about the existence of it in the airline, the company should develop specific way to fulfill this need as there is a positive and significant effect in customer service quality.

Even though the other 3 elements i.e. empowerment, transparency and employee security and reward to be less significant for customer service quality in this paper, as there are many researches and literatures in other company that shows their positive associations the company should not leave them beside.

## **5.3 Limitation of the study.**

In regards to sample size of customers the study only use a small percentage of the total customers who are served within the specified time period because of the endowed constraints of the research. However, it is safe to say that these groups are a good representative of the whole

population of customers and the generalizability of the study outcomes for other comparable organization.

Even though there are numerous staffs in the company's various departments who could have been right participants for it, the study targeted only front line staffs in airport operations. It could have been more generalizable if more front line staff from deferent departments like, cabin crew, ticket office, and reservation were incorporated to this study.

Further limitation could be the participation of front line staffs only. Normally internal marketing also applies to staffs who do not serve external customers.

## **Bibliography**

Ahmed, P. K., and Rafiq, M. (2003). Internal marketing issues and challenges. *European Journal of Marketing* , Vol. 37 No. 9, pp. 1177-86.

Arasli H, Katircioglu ST, Mehtap-Smadi S (2005). A comparison of service quality in the banking industry. *Inter. J. Bank Market.*, 23(7): 508 - 526.

Bansal, H. S., Mendelson, M.B., and Sharma, B. (2001) .The impact of internal marketing activities on external marketing outcomes. *Journal of Quality Management* , Vol. 6, pp. 61-76

Berry, L.L., Hensel, J.S, and Burke, M.C. (1976). Improving retailer capability for effective consumerism response. *Journal of Retailing*, vol.5 2(3), 94

Berry L.L., (1981), "The Employee As A Customer", *Journal Of Retail banking*,3, pp 33-44

Berry L.L., (1984), "Services Marketing is Different", In *Services marketing*, Lovelock C. H. Prentice Hall

Berry, L.L.(1984). The employee as customer, in Lovelock, C. (Ed.), *Services Marketing*, Kent Publishing, Boston, MA,272-8

Bitner, M. and A. Hubbert. (1994), *Encounter Satisfaction Versus Overall Satisfaction Versus Quality in Service Quality: New Directions in Theory and Practice*, R Rust and R Oliver (Eds.), CA:Sage Publications, 72-94.

Buttle F (1996). SERVQUAL. review, critique, research agenda. *Europ. J. Market.* 30(1): 8 - 32.

Cronin, J.J., & Taylor, S.A. (1992). Measuring service quality: a re-examination and extension. *Journal of Marketing*, 56(3), 55-68.

Fisk, R.P., Grove, S.J. & John, J. 2008. *Interactive services marketing* (3rd ed.). New York: Houghton Mifflin Company.

George, W.R. (1977). The retailing of services-a challenging future. *Journal of Retailing*, vol.53(3), 85-98.

George W. R., (1990), "Internal marketing and organisational behaviour : a partnership in developing customer conscious employees at every level", *Journal of Business Research* 20 , pp. 63-70

Gounaris, S. (2008). "The notion of internal market orientation and employee job satisfaction: some preliminary evidence", *Journal of Services Marketing*, 22(1):68-90.

Grönroos, C., (1982), *strategic management and marketing in the service sector*, Swedish school of economics and business administration, Helsinki.

Gremler, W. E., Bitner, M. J., and Evans, K.R. (1994). The internal service encounter. *International Journal of Service Industry Management* , Vol. 5, No. 2, pp. 34-56

Greene, W.E. Walls G.D. and Schrest, L.J. (1994). Internal marketing: the Key to external marketing success. *The Journal of Service Marketing* vol. 8(4), 5-13

Heskett JL (2002). Beyond Customer Loyalty. *Measuring Service Quality*, 12(6): 355-357.

Kandampully J (1998). Service Quality to service loyalty: A relationship which goes beyond customer services. *Total Quality Management*, 9(6): 431-443.

Kotler, P. (2000). *Marketing management-analysis, planning implementation and control* (10th ed.). Englewood cliffs. NJ: Prentice-Hall, 22-26.

Lings, Ian and Brooks, Roger F. (1998) Implementing and measuring the effectiveness of internal marketing. *Journal of Marketing Management*, 14(4/5). pp. 325-351.

Mudie, P. (2003). Internal customer: by design or default. *European Journal of Marketing* , Vol. 37, No. 9, pp. 1261-1276.

Newman K (2001). Interrogating SERVQUAL: a critical assessment service quality measurement in a high street retail bank, *Inter. J. Bank Market.*, 19(3): 126-139.

Piercy, N. and Morgan, N. (1991). "Internal marketing – the missing half of the marketing programme", *Long Range Planning*, Vol. 24 No. 2, pp. 82-93.

Panigyrakis, G. (2009). Internal marketing impact on business performance in a retail context. *International Journal of Retail & Distribution Management* , Vol. 37, Issue 7, pp 600-628

Parasuraman A., Zeithaml, V., Berry, L.L., (1988), "SERVQUAL: A Multiple Item Scale for Measuring Consumer Perceptions of Service Quality", *Journal of Retailing*, 64,1, pp 12-40

Parasuraman, A, Valarie, A, Zeithaml, A, Leonard, L., & Berry, L. (1985). A conceptual model of service quality and its implications for future research. *Journal of Marketing*, 49, 41-50.

Piercy, N., and Morgan, N., (1991), "Internal marketing: The missing half of the marketing programme", *Long range planning* 24 (2) , pp. 82-93

Papasolomou, D. I. (2006). Can internal marketing be implemented within bureaucratic organizations? *International Journal of Bank Marketing* , Vol. 24, No. 3, pp. 194-212

Rafiq, M., and Ahmed, P.K. (1993). The scope of internal marketing strategy: defining the boundary between marketing and human resource management. *Journal of Marketing Management* , Vol. 9, No. 3, pp. 219-32

Thompson, T.W., Berry, L.L. and Davidson, P.H. (1978). *Banking Tomorrow –Managing Markets through Planning*. Van Nostrand Rein-hold, New York, NY

Varey, R.J. (1995). Internal marketing: a review and some interdisciplinary research challenges. *International Journal of Service Industry Management*, vol. 6(1), 40-63

Vasconcelos, A. F. (2008). “Broadening even more the internal marketing concept”, *European Journal of Marketing*, Vol. 42 No. 11/12, 2008 pp. 1246-1264

Woodruffe, H. 1995. *Services marketing*. London: Pitman.

Zeithaml, V.A., Bitner, M.J. and Gremler, D.D. (2006). *Service Marketing. Integrating Customer Focus Across the Firm*. Andry Winston Americas.