

Quantitative Modeling of Internal Marketing and Interactive Marketing

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ABSTRACT

Service marketing requires more than just traditional marketing. It also requires internal marketing and interactive marketing. In services marketing, service quality depends on both the service deliverer and the quality of the delivery. Service employees therefore have to master interactive marketing skills. The relationship between the internal marketing factors and employee satisfaction and interactive marketing factors and customer satisfaction are explored in State Bank of India, Visakhapatnam, Andhra Pradesh using the Structural Equation Modeling. The aim of this paper is to explore the linkage between employee satisfaction and customer satisfaction. Findings revealed that there exists a positive relationship between internal marketing factors and employee satisfaction; and also the interactive marketing factors and customer satisfaction. But there is a negative relationship between employee satisfaction and customer satisfaction.

Keywords: Service Industry, Internal Marketing, Employee Satisfaction, Customer Satisfaction.

1. INTRODUCTION

External marketing is just the beginning for service marketers. Promises made must be kept. Keeping promises, of interactive marketing, is the second type of marketing activity captured by the services marketing triangle - and is most critical from the customer point of view (Zeithmal & Bitner 2000). In the changing global competitive environment, it has become more and more important for service organization like, bank to differentiate themselves from their competitors by effectively offering a high quality service with the support of an efficient and strong workforce. People with right competencies in the right job not only bring increased productivity and profitability to their organizations but also satisfied customers. Satisfied customer can only be achieved if the employees are satisfied. To achieve this objective, banks must focus on their efforts to developing and sustaining an organizational culture that emphasizes internal customer well being as a means to interact, attract and retain external customer patronage. The past few decades have seen a growth in the linkage based research between employee satisfaction and customer satisfaction. The origins of linkage research can be traced to the work of Schneider et al (1992). Their study on the linkage between the employee and customer satisfaction in the retail banks revealed that when employees saw their bank branches as having a strong service orientation, customers reported

better service delivery in those branches. In the service industry, customer satisfaction levels are revealed during what we call the “moments of truth”, being the moment that the customer comes in contact with a frontline employee of the firm. This made the interaction between people within the organization and the external customer more vital. Grönroos (2000) recognized that an improved interactive marketing lead to customer satisfaction.

Heskett et al. (1997) addressed a more comprehensive relationship with the service profit chain and presented a conceptual model for including the linkages of management practices with service companies. The service profit chain of Heskett et al. (1997) postulated a chain of performance relationships which begins with the internal, service quality, service capability, employee satisfaction and loyalty, productivity and output and brings out a change in service value, customer satisfaction and loyalty which in turn enhances profitability.

2. BANKING INDUSTRY

The banking industry like many other financial service industries is facing a rapidly changing market, new technologies, economic uncertainties, fierce competition and more demanding customers and the changing climate has presented an unprecedented set of challenges. Banking is a customer oriented services industry,

therefore, the customer is the focus and customer service is the differentiating factors. Customer service in banks is satisfying the needs of customers, at the right time and in the right manner. Therefore, employees must be in a position to understand the customers' requirements and recommend various schemes. Thus, in banking industry frontline employees play a major role in interacting with the customers.

3. LITERATURE REVIEW

3.1. Internal Marketing and Employee Satisfaction

The concept of internal marketing evolved from the concept that employees constitute an internal market within the organization, which needs to be informed, educated, trained, rewarded and motivated to meet external customers' needs and expectations (Varey & Lewis, 2000). It also takes into consideration the human resources perspective so as to instill a more motivated customer contact employee because finally it is the customer contact /front-line employees of the service organization who interacts with the majority of customers and generally handle a wide range of customer transactions. Berry was the first who referred to the concept of internal marketing and viewed "employees as customers", just like external customers, internal customers need to have their needs satisfied. The logic behind this is that by satisfying and fulfilling employee needs, service organizations can enhance employee motivation and retention which results in employee satisfaction, and ultimately the possibility of generating external satisfaction and loyalty.

Hallowell et al. (1996) identified the eight components of internal service quality, which are tools, teamwork, management, training, reward/recognition, goal alignment, policies/procedures, and communication. It was reported that internal service quality is strongly related to job satisfaction and external customer satisfaction.

Preston and Steel (2002) addressed issues related to internal marketing. They opined that recruiting, training, developing and motivating staff is the important components of internal marketing and felt that it is the external marketing impact of each member of the staff that is the central focus of an internal marketing strategy. Naude et al. (2003) developed three latent variables that included person, situation, and person x situation and found that location, age, length of tenure, as well as numerous interaction variables.

Che Ha, Abu Bakar & Jaffar (2007) viewed internal marketing as an important concept where firms apply marketing tools to attract and retain the best employees which enhance the business performance. They identified 12 constructs of internal marketing inter-functional coordination and integration, customer orientation, marketing like approach, job satisfaction, empowerment, and employee motivation, quality of service, employee development, and vision of the organization, strategic reward, internal communication and senior leadership.

Masroor and Fakir (2009) investigated the level of job satisfaction and intent to leave among Malaysian nurses. They suggested that the nursing staffs were moderately satisfied with supervisor, job variety, closure, compensation, co-workers and HRM/management polices and therefore exhibits a perceived lower level of their intention to leave the hospital and the job. Nittala and Kameswari (2009) opined that service organizations need to attract and retain customers to ensure a sustainable competitive advantage as the employee plays a central role in attracting, building and maintaining relationships with customers. An empirical study conducted on the impact of internal marketing factors on job motivation and job satisfaction in the retail stores revealed that the working conditions and hours, hygiene & sanitation, rest rooms, support from superior, and attitude of colleagues have highest influence on job satisfaction and motivation.

Panigyrakis and Theodoridis (2009) examined a synthesis of Internal Marketing and investigated its effect on business performance in a retail context. Structural Equation Modeling analysis indicated five dimensions of the Internal Market construct: formal interaction, reward systems, feedback, internal procedures and policies and internal customer orientation (ICO). In their paper on internal marketing Karthikeyan et al (2010) assessed the effectiveness of the various facets of training i.e. employee's attitude towards training inputs; quality of training programmes; training inputs and application of training inputs to the actual job. Findings indicate that as effectiveness of training increases it has a direct and positive influence on growth & result of the banks.

Paulin et al (2006) in their research tested a model comparing overall and customer-linked antecedents and consequences of employee affective organizational commitment. Results indicated that co-worker support and the perception of fair treatment are the precursors of customer-linked job satisfaction. In a study on the BPO sector in India, Pawan et. al (2009) found that monotonous work, stressful work environment, adverse working conditions, and lack of career development opportunities;

to better job opportunities elsewhere, emerged as the key causes of increasing attrition rates in the Indian call centre industry.

Yavas and Babakus (2010) examined the nature of relationships between six organizational support mechanisms, a personal resource, and selected psychological and behavioral work outcomes. Results show that supervisory support is most closely associated with psychological work outcomes. A study by Yang and Coates (2010) on satisfaction of caddy managers in leisure industry found that reliability, responsiveness, assurance, empathy, communication, consideration, fairness, recognition and flexibility were found to influence the internal interactive of caddy managers in internal service encounters between caddies and caddy managers.

Ibrahim et al (2010) identified the impact of the components of internal marketing: the recruitment, development, and internal communications, incentives on job satisfaction and also the impact of a number of demographic factors (gender, age, experience and education) on the relationship between internal marketing and job satisfaction. Khan et al (2011) established a link between perceived human resources internal interactive practices with employee retentions in mediating environment of employee job satisfaction. The study finds that employee selection, employee training and development, work design, job definition employee rewards and compensation report high, positive and significant dimensionality to internal interactive in human resource management.

3.2. Interactive Marketing and Customer Satisfaction

Interactive marketing means that service quality depends heavily on the quality of the buyer-seller interaction during the service encounter (Kotler et al. 2011). Interactive is a form of attitude that results from the comparison of expectations with performance (Cronin and Taylor, 1992; Parasuraman et al., 1985). This view has been supported by Parasuraman et al. (1988); Gronroos (1984) where they defined service quality as a comparison between customer expectation of a service and the actual perception of service. Interactive marketing in general consists of five distinct dimensions: tangibles (Physical facilities, equipment, and appearance of personnel), reliability (ability to perform the promised service dependably and accurately), responsiveness (willingness to help customer and provide prompt service), assurance (knowledge and courtesy of employees and their ability to inspire trust and

confidence), and empathy (caring, individualized attention the firm provide its customer). A few other key studies have established the links between interactive characteristics and customer satisfaction. As an extension of Grönroos model, Rust & Oliver (1994) provided a three-component model explaining service quality through service product, service delivery and service environment, while Brady & Cronin (2001) suggested three service quality dimensions – service outcome, consumer-employee interaction and service environment. The notion of service product/service outcome and service delivery/consumer-employee interaction is consistent with the idea of technical attribute and functional attribute derived from Grönroos' model.

In line with this, Johnston (1995, 1997) classified all dimensions into enhancing (satisfiers), hygiene (dissatisfiers) and dual factors. Johnston (1995) identified attentiveness, responsiveness care and friendliness as the main sources of satisfactions (satisfiers) in banking services, and integrity, reliability, availability and functionality as the main sources of dissatisfaction (dissatisfiers). An exploratory study conducted by Stafford (1996) reported the distinct elements (attributes) of bank service quality as perceived by customers. Seven attributes were found in assessing bank interactive marketing. They are bank atmosphere, relationship, rates and charges, available and convenient services, ATMs, reliability/honesty, teller, indicates adequate and accessible teller.

Bahia and Nantel (2000) developed a specific scale for measuring perceived service quality in retail banking. The bank service quality model (BSQ) is an extension of the original ten dimensions model of Parasuraman et al., (1985) where in courtesy and access were added as proposed by Carman (1990). In line with this, Bargal and Sharma (2008) analyzed the role of service marketing in banking sector. They identified some of the important service factors like diversified services, flexible business transaction hours, accessibility of bank location, installation of web system, profession training to then employees, customers' complaint system and performance based appraisal system to enrich their services to their customers.

Singh (2004) identified that the level of customer service and satisfaction is determined by the branch location and design, variety of services, rates and changes, systems and procedures, delegation and decentralization, mechanization and computerization, competitive efficiency, complaint redressal and very importantly the staff's attitudes and skills in banks.

3.3. Employee Satisfaction and Customer Satisfaction

Abdelmoti Suleiman Aburoub (2011) investigated the relationship between internal marketing and service quality to customers' satisfaction in Jordan commercial banks. Findings revealed that the employee sample attitudes were positive towards internal marketing such as service culture, human resources development, motives system and rewards and the customer sample attitudes were positive towards banking service quality represented by tangibility, reliability, responsiveness, assurance, empathy.

Timothy et al (2006) examined the changes and consistency of customer and employee satisfaction in relation to sales changes in a leading US specialty goods retailer and found that satisfaction of both employee and customer to impact changes in sales, perceived performance standards on some dimensions must be consistently delivered and changes in satisfaction levels must cross attribute-specific threshold levels.

Lee Park and Park (2008) developed an integrated model for the relationships between the service provider and the customer in a service supply chain. They further explored the relationships among internal service quality, employee satisfaction, employee loyalty, external interactive, and customer satisfaction using a structural equation model, results revealed that higher internal service quality leads to increased employee satisfaction and loyalty, and ultimately affects external service quality and customer satisfaction.

Douglas Pugh et al (2002) described the basic linkage model that connects employees and customers in service organizations. They identified eight practices: Customer Orientation and Interactive Emphasis, Management Support, Hiring, Training, Rewards and Recognition, Teamwork, Support Systems, Customer Feedback Management to be the important drivers of customer satisfaction. Yee et al. (2011) based on the Service profit chain model they empirically examined the relationships among employee attributes, operational performance, and business outcomes. Finding of their research revealed that there exist parallel anecdotal evidence in many service organizations that an increase in employee satisfaction and loyalty triggers a corresponding change in customer satisfaction and loyalty, resulting in significant increase in sales revenues.

Ali Turkyilmaz et al (2011) identified the factors that determine the level of public employees' job satisfaction

and as result help to have effective and efficient management system in the public sector, in developing countries such as Turkey. Data analysis revealed that there is a strong relationship between ESL in a branch of a public sector Social Security Institution in Turkey. Training and personal development was found the most effecting factor of customer satisfaction. The study also finds a positive relationship between working conditions and satisfaction.

Homburg and Stock (2005) argued that certain customer characteristics (such as customer trust, customer price consciousness, and the importance of product/service to the customer) and salesperson characteristics (such as empathy, expertise, and reliability) moderate the relationship between salespeople's work satisfaction and customer satisfaction. Results revealed that the link between work satisfaction and customer satisfaction is systematically moderated by the salesperson and customer characteristics under consideration.

Homburg and Stock (2004) investigated the relationship for salespeople in a business-to-business context and found that the presence of a positive relationship between salespeople's job satisfaction and customer satisfaction and is found to be particularly strong in the case of high frequency of customer interaction, high intensity of customer integration into the value-creating process, and high product/service innovativeness.

Yuanqiong He, Wenli Li, and Kin Keung Lai, (2011) considered different dimensions of service climate separately, including customer orientation, managerial support and work facilitation, and introduced an important mediator - employee commitment - to examine the relationship between service climate and customer satisfaction. Empirical results indicate that different dimensions of service climate have different effects on customer satisfaction.

Ronald J. Burke and Jim Graham and Frank Smith (2005) examined the correlations between measures of employee satisfaction and customer satisfaction before and after a major process reengineering initiative. Scores on some employee satisfaction factors were predictive of customer satisfaction at both time periods. Other employee satisfaction factors were found to have a stronger relationship with customer satisfaction in one period but not both. Snipes et al. (2005) proposed three facets of employee satisfaction that have the highest contribution to customer satisfaction were "satisfaction with customers", "satisfaction with the work itself" and "satisfaction with benefits".

Xu and Goedegebuure (2005) tested the relationship between employee satisfaction, customer satisfaction, and their joint impact on profitability and found that employee satisfaction and customer satisfaction are positively correlated, and have a positive impact on profitability.

Another study, conducted by Loveman (1998) within the banking sector, found positive correlations between internal service quality, Employee Satisfaction and loyalty, Customer Satisfaction and loyalty and revenue growth, but does not provide empirical support for the suggested positive impact of employee satisfaction on customer satisfaction. The existing empirical research on this link, however, is subject to numerous limitations.

Silvestro and Cross (2000) in their work in a retail setting (grocery supermarkets) confirmed linkages between customer satisfaction and revenue, but failed to show a linkage between employee satisfaction and revenue or customer satisfaction. Similarly, Pritchard and Silvestro (2005) were unable to find a relationship between employee satisfaction and customer satisfaction.

Kamakura et al. (2002) conducted an extensive empirical study of the service profit chain in a Brazilian national bank, using structural-equation modeling and data envelopment analysis. However, their model only partially represents Heskett et al.'s model, since it is (quite explicitly) an adaptation of it, and does not embrace internal quality, employee capability, satisfaction and loyalty, SV or business revenues.

The literature mentioned above on the internal marketing and employee satisfaction, interactivemarketing and customer satisfaction and employee satisfaction and customer satisfaction shows that many of the studies have shown a positive link between (1) internal marketing and employee satisfaction, (2) interactive marketing and customer satisfaction and (3) employee satisfaction and

customer satisfaction. The present study is developed on the basis of this literature.

4. OBJECTIVES

Based on the review of literature three basic objectives are framed for the study.

1. To identify the relationship between the internal marketing factors and employee job satisfaction in State Bank of India in Visakhapatnam city.
2. To identify the relationship between the interactive factors and customer satisfaction.
3. To find the relationship between the employee job satisfaction and customer satisfaction.

5. HYPOTHESES

Based on the review of literature three hypotheses are framed:

H_1 = Internal marketing factors are positively related to employee satisfaction.

H_2 = Interactive factors are positively related to customer satisfaction.

H_3 = Customer satisfaction is positively related to employee satisfaction.

6. METHODOLOGY

The present study is confined to State Bank of India in Visakhapatnam city, Andhra Pradesh. The data is collected from 185 frontline employees of State Bank of India by using a structured questionnaire. Convenience sampling method is used. Items of Section B of employee and customer questionnaire are measured on a five point

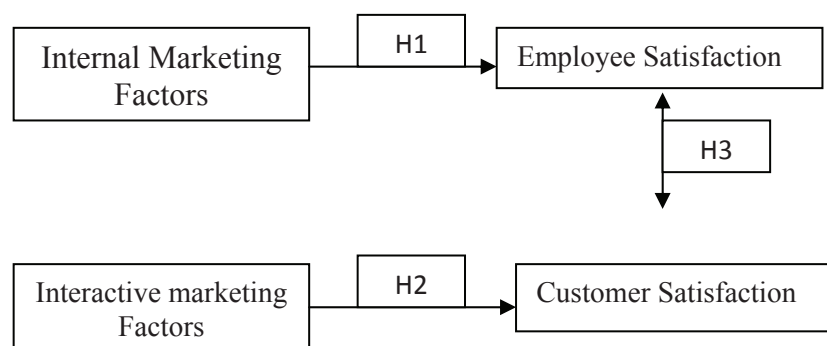


Figure 1. Research Model Depicting the Relationship Between Employee Satisfaction and Customer Satisfaction.

Likert scale, with 1 for “Highly Dissatisfied” and 5 for “Highly satisfied”.

The Minnesota Satisfaction Questionnaire (MSQ) developed by Weiss, Dawis, England, and Lofquist (1967) is adapted and modified. The questionnaire is divided into two sections. Section A of employee satisfaction was designed to obtain demographic information of employees. Section B covers internal marketing factors like satisfaction of employees towards their job, training, working conditions, support from supervisor and colleagues etc.

To study the interactive marketing and customer satisfaction, the SERVQUAL model of Berry and Parasuraman (1988) is used. A total of 675 questionnaires were collected. The questionnaire is divided into two sections. Section A is designed to obtain demographic information of customers. Section B covers interactive marketing factors like reliability, assurance, empathy, responsiveness of employees etc.

6.1. Statistical Tools

Statistical Package for Social Sciences (SPSS) and AMOS 20 is used for statistical analysis of the data. The data is analyzed using the:

- ◆ Frequency for the demographic variables of both employees and customers.
- ◆ Reliability analysis to find out the reliability of the collected data.
- ◆ Structural Equation Modeling (SEM) to assess the goodness of fit and path coefficients of the structural models.

7. RESULTS AND DISCUSSION

7.1. Demographic Profile of the respondents

The profile of the employees and customers with respect to their age, education, marital status, occupation, monthly income and years of service/association with bank is shown in Table 1.

Among the employees 34.6 per cent of the respondents are in the age group of 41-50 years, 36.8 per cent are above 50 years of age, and 12.4 per cent are in the age group of 31-40 years. Of the total respondents 63.8 per cent are males and 36.2 per cent are females. Further 86.5 per cent of the

respondents are married and 13.5 per cent are unmarried. Further, with regard to the educational qualifications of the respondents it can be seen from the table that a majority (61.1 per cent) of the respondents are graduates and this is followed by post graduate respondents with 33.0 per cent. Majority of the respondents 36.8 per cent are earning a monthly income in between Rs.35,001-45,000 followed by 30.3 per cent earning between Rs.25,001-35,000 and 19.5 per cent earning less than Rs.25,000. Most of the employees are with the bank for more than 25 years.

In the case of customers 39.3 per cent are in the age group of 41-50 years, 25.2 per cent are in the age group of 31-40 years, and 19.1 per cent are above 50 years of age. In the case of customers 60 per cent are males and 40 per cent are females. 81.3 per cent of the customers are married and 18.5 per cent are unmarried. Further, with regard to the educational qualifications 57.3 per cent of the respondents are graduates and 34.3 per cent are post graduates. Regarding the monthly income a majority of the customers are earning a monthly income of less than Rs.25,000 and 28.9 per cent are earning in between Rs. 25,001- 35,000. 40.4 per cent of the customers are associated with the bank for 1-5 years, 32.3 per cent are associated with the bank for 6-10 years.

Table 1: Socio-Economic Profile of Employees and Customers

	Employees	Customers
Age (%)		
20-30 YEARS	16.2	16.4
31-40 YEARS	12.4	25.2
41-50 YEARS	34.6	39.3
> 50 YEARS	36.8	19.1
Gender(%)		
Male	63.8	60.0
Female	36.2	40.0
Marital status		
Married	86.5	81.3
Unmarried	13.5	18.5
Educational qualifications(%)		
Bachelor's degree	61.1	57.3
Honors degree	1.1	5.9
Post graduation	33.0	34.4
Professional course	4.9	2.4
Monthly income(%)		
< Rs.25,000	19.5	62.8
Rs.25,001-35,000	30.3	28.9
Rs.35,001-45,000	36.8	2.4

Rs.45,001-55,000	10.8	1.5
> Rs.55,000	2.7	4.4
Association with Bank(%)		
< 1 Year	3.8	3.7
1-5 Years	17.3	40.4
6-10 Years	5.9	32.3
11-15 Years	9.7	14.8
16-20 Years	10.3	8.7
21-25 Years	13.5	-
> 25 Years	39.5	-

7.2. Analysis Technique and Model evaluation

The use of SEM is predicated on a strong theoretical model by which latent constructs are defined (measurement model) and these constructs are related to each other through a series of dependence relationships (structural model). The emphasis on strong theoretical support for any proposed model underlies the confirmatory nature of most SEM applications. Strictly confirmatory approach of Structural Equation Modelling (Joreskog, 1993) using AMOS 20 was adopted as analysis technique for the present study.

7.3. Confirmatory Factor Analysis (CFA)

Confirmatory Factor analysis (CFA) is a multivariate technique to test whether a pre-specified relationship exists between the manifest and latent variables. It is used to provide a confirmatory test of our measurement theory. For the present study confirmatory factor analysis was run to assess validation of the measures. Two important criteria of confirmatory factor analysis, Reliability and Validity of scales, are considered.

8. RELIABILITY

The reliability alpha values for the various internal marketing dimensions are shown in Table 2. The obtained Cronbach's alpha value for work content .7716, for training the value is .7721. Further, the Cronbach's alpha value for working environment is .7692, .8068 for supervisor support.6981 for coworker support and 0.7978 for recognition. This shows that all the dimensions of internal marketing have a high degree of reliability.

The table also highlights the Cronbach's alpha for the various interactive factors. The obtained Cronbach's alpha values for satisfaction of customers towards the physical facilities .9045, employee responsiveness .8973, reliability.6710, efficiency.7991 and empathy .8845.

Table 2: Reliability Coefficients

<i>Internal marketing factors</i>	
<i>Variables</i>	<i>Cronbach's Alpha</i>
Work content	.7716
Training	.7721
Work environment	.7692
Superior support	.8068
Coworker support	.6981
Recognition	.7978
Interactive marketing factors	
Physical facilities	.9045
Employee responsiveness	.8973
Reliability	.6710
Efficiency	.7991
Empathy	.8845

8.1. Model Fit

The measurement model for internal marketing factors indicated an acceptable model fit of the data ($\chi^2 = 34.404$, $df = 9$, $p, 0.000$; $CMIN/DF = 3.823$; $CFI = 0.951$; $RFI = 0.892$; $NFI = 0.935$, $RMSEA = 0.0124$). In addition, all the indicators loaded significantly on the latent constructs. The values of the fit indices indicate a reasonable fit of the measurement model with data (Byrne, 2001, pp. 79-86).

Also, another confirmatory test has been conducted on the measurement model consisting of the interactive marketing dimensions. The measurement model revealed a good model fit with the data ($\chi^2 = 57.168$, $df = 5$, $p, 0.000$; $CMIN/DF = 11.434$; $CFI = 0.974$; $RFI = 0.916$; $NFI = 0.972$, $RMSEA = 0.122$).

The overall fit of the structural model for the relationship between internal and interactive marketing factors was good: $\chi^2 = 170.920$, $df = 43$, $p \text{ value} = .000$; $CMIN/df = 3.975$; $CFI = .953$, $NFI = .938$, $RFI = .906$, $RMSEA = .065$. The fit of the model is acceptable because the goodness of fit indices is satisfactory.

Table 3: Goodness of Fit Indices

<i>Goodness of fit measures</i>	<i>Internal marketing factors</i>	<i>Interactive marketing factors</i>	<i>Employee satisfaction and Customer satisfaction</i>
X2	34.404	57.168	170.920
df	9	5	43
p	0.000	0.000	0.000
CMIN/DF	3.823	11.434	3.975
NFI	0.935	0.972	0.938
RFI	0.892	0.916	0.906
IFI	0.951	0.974	0.955
TLI	0.918	0.922	0.922
CFI	0.951	0.974	0.953
RMSEA	.124	.122	.065

Table 4: Measurement Model Results for Internal Marketing factors and Interactive Marketing factors

<i>Results for Internal Marketing factors</i>					
<i>Constructs</i>	<i>Measurement items</i>	<i>Standardized estimates</i>	<i>p value</i>	<i>AVE</i>	<i>CR</i>
Work content	Q1a	0.790	*	0.5782	0.7985
	Q1b	0.653	*		
	Q1c	0.779	*		
	Q1d	0.691	*		
	Q1e	0.870	*		
Training	Q2a	0.878	*	0.545	0.7231
	Q2b	0.838	*		
	Q2c	0.599	*		
	Q2d	0.583	*		
Work environment	Q4a	0.796	*	0.5615	0.8343
	Q4b	0.724	*		
	Q4d	0.747	*		
	Q4e	0.591	*		
	Q4f	0.787	*		
	Q4g	0.825	*		
Superior support	Q5a	0.884	*	0.8035	0.9054
	Q5b	0.723	*		
Coworker support	Q6a	0.958	*	0.82	0.8134
	Q6b	0.682	*		
Recognition	Q7a	0.550	*	0.6606	0.7942
	Q7b	0.847	*		
	Q7c	0.977	*		
<i>Results for Interactivemarketingfactors</i>					

Physical facilities at the bank	Qt1	0.765	*	0.6097	0.9252
	Qt2	0.730	*		
	Qt3	0.702	*		
	Qt4	0.769	*		
	Qt5	0.659	*		
	Qt6	0.739	*		
	Qt7	0.849	*		
	Qt8	0.844	*		
	Qt9	0.874	*		
	Qt10	0.807	*		
	Qt11	0.794	*		
	Qt12	0.720	*		
	Qt13	0.815	*		
Employee responsiveness	Res1	0.721	*	0.614	0.8980
	Res2	0.786	*		
	Res3	0.762	*		
	Res4	0.788	*		
	Res5	0.793	*		
	Res6	0.801	*		
	Res7	0.767	*		
	Res8	0.799	*		
	Res9	0.767	*		
Reliability	R1	0.737	*	0.5263	0.6369
	R2	0.842	*		
	R3	0.570	*		
Efficiency	Ef1	0.744	*	0.542	0.7623
	Ef2	0.745	*		
	Ef3	0.721	*		
	Ef4	0.719	*		
	Ef5	0.753	*		
Empathy	Em1	0.947	*	0.7896	0.8989
	Em2	0.948	*		
	Em3	0.745	*		

8.2. Construct Validity

Construct validity is the extent to which a set of measured variables actually reflects the latent construct they are designed to measure (Hair et al., 2006). Construct validity is established in this study by establishing the face validity, convergent validity and discriminant validity.

Face validity for the different internal marketing and interactivemarketing factors are established by adopting the measurement items used in the study from the existing literature and adapting the same to the present research context.

The convergent validity assesses the degree to which two measures of the same concept are correlated. In the present study convergent validity was assessed by examining the estimates and average variance extracted of the constructs as suggested by Fornell and Larcker (1981). Table 4 shows the composite reliability (CR) and average variance extracted (AVE) scores of the different factors of internal marketing and interactivemarketing scales. All the indicators for the six internal marketing dimensions had significant loadings onto the respective latent constructs ($p < 0.001$) with values varying between 0.583 and 0.977 and in the case of the interactivemarketing factors the values ranged from 0.570 and 0.948. In addition, the average variance extracted (AVE) for each construct in

the case of internal marketing dimensions and interactive marketing factors is greater than or equal to 0.50, which further supports the convergent validity of the constructs. Composite reliability (CR) of all the latent variables is greater than the acceptable limit of 0.70 (Carmines and Zeller, 1988). The average-variance extracted for all the factors is greater than or equal to 0.5 which is acceptable (Fornell and Larcker, 1981).

Fornell and Larcker (1981) stated that the discriminant validity can be assessed by comparing the average variance extracted (AVE) with the corresponding inter-construct squared correlation estimates. Table 5 explains the discriminant validity for employee satisfaction. The square root of the AVE values of all the internal marketing factors is greater than the inter-construct correlations which supports the discriminant validity of the constructs. Thus, the measurement model reflects good construct validity.

Table 6 highlights the discriminant validity for the various interactive marketing factors. From the table it can be seen that the diagonal values are higher than the off diagonal values of interactive marketing factors, which shows that the interactive factors have good discriminant validity.

Path analysis is the process wherein the structural relationships are expressed as direct and indirect effects in order to facilitate estimation. To test the structural relationships, the hypothesized paths were estimated and the standardized path coefficients for the internal and interactive marketing factors are shown in table 7.

Internal marketing factors of work content, training, coworker support and recognition have a strong and significant influence on employee satisfaction at the 0.001 level. The factors work environment, and superior support have a low but significant influence on the employee satisfaction. Thus Hypothesis 1 is supported. These findings are consistent with previous studies (Che Ha, Abu Bakar & Jaffar (2007); Masroor and Fakir (2009); Nittala and Kameswari (2009); Karthikeyan et al (2010); Khan et al (2011)).

The satisfaction of the customers towards each of the interactive factors physical facilities, employee responsiveness; reliability, efficiency and empathy are positive and are significant at the .001 level of significance. Of all the factors, satisfaction of the customer towards efficiency, employee responsiveness, empathy and reliability had a high path estimate of .866, .851, .813 and .802 respectively. Further, the satisfaction of the customer

Table 5: Discriminant Validity for Internal Marketing Factors

	<i>Work content</i>	<i>Training</i>	<i>Work environment</i>	<i>Superior support</i>	<i>Coworker support</i>	<i>Recognition</i>
Work content	.760					
Training	.345	.738				
Work environment	.284	.245	.756			
Superior support	.307	.157	.067	.897		
Coworker support	.375	.283	.133	.332	.906	
Recognition	.540	.297	.167	.266	.442	.813

Note: Diagonal values are the square root of the AVE values; Values below the diagonal are square of inter construct correlations (SIC)

Table 6: Discriminant Validity for Interactive Marketing Factors

	<i>Physical facilities</i>	<i>Employee responsiveness</i>	<i>Reliability</i>	<i>Efficiency</i>	<i>Empathy</i>
Physical facilities	.780				
Employee responsiveness	.253	.783			
Reliability	.224	.466	.725		
Efficiency	.261	.544	.483	.736	
Empathy	.229	.478	.425	.494	.888

Note: Diagonal values are the square root of the AVE values; Values below the diagonal are square of inter construct correlations (SIC)

Table 7: Structural Path coefficients

Scale	Independents		Dependent	Estimate	p value
Internal Marketing	Work content	<---	Employee satisfaction	.809	*
	Training	<---	Employee satisfaction	.700	*
	Work environment	<---	Employee satisfaction	.495	*
	Superior support	<---	Employee satisfaction	.533	*
	Coworker support	<---	Employee satisfaction	.729	*
	Recognition	<---	Employee satisfaction	.797	*
Interactive	Physical facilities	<---	Customer satisfaction	.591	*
	Employee responsiveness	<---	Customer satisfaction	.851	*
	Reliability	<---	Customer satisfaction	.800	*
	Efficiency	<---	Customer satisfaction	.866	*
	Empathy	<---	Customer satisfaction	.813	*
	Employee Satisfaction	<---	Customer satisfaction	-.243	*

* Indicates significant at 0.001 level.

towards the physical facilities had a lower estimate of .591 but is significant at the .001 level of significance. Thus Hypotheses 2 that interactive factors are positively related to customer satisfaction is supported. These results indicate that interactive marketing is an important predictor factor of customer satisfaction. These findings are consistent with previous studies (Bargal and Sharma (2008); Carman (1990); Stafford (1996); Brady & Cronin (2001)).

On the other hand, there is a negative relationship between employee satisfaction and customer satisfaction with an estimate of -.243 at the 0.001 level of significance. Thus Hypotheses 3 that employee satisfaction is positively related to customer satisfaction is not supported. The results obtained in this study are consistent with the studies of ((Loveman (1998) Slivestro and Cross (2000); Pritchard and Slivestro (2005)).

9. DISCUSSION AND IMPLICATIONS

The shift towards recognizing the importance of human capital in globalization has led organizations to change their paradigms about people management. Most of the organizations now see their employees as an asset and critical for delivering high quality of service for customer retention. The study of internal marketing and interactive marketing focuses on an organizations internal customer satisfaction and external customer satisfaction respectively.

Among the employees 71 per cent of the respondents are in the age group of 41-60 years. Of the total respondents 63.8 per cent are males and 36.2 per cent are females. Further 86.5 per cent of the respondents are married and 61.1 per cent of the respondents are graduates 77 per cent are earning a monthly income between Rs.25,001 - 45,000. Most of the employees are with the bank for more than 25 years.

Customers who visit the bank are above 40 years, graduates, married with a monthly income of Rs. 55,000/- . As usual women respondents are only 36.2 per cent and it reflects the general tendency of low women participation in financial matters. About 71 percent of the respondents are in the age group of above 40 years and 38 per cent are below 40 years. As youth are more technology savvy, they prefer ATMs, online banking etc., and seldom visit the bank.

Internal marketing factors of work content, training, coworker support and recognition have a strong and significant influence on employee satisfaction. Work environment and superior support have a low but significant influence. When compared to the yester years there is a lot of change in the work environment in the public sector banks because of competition from the private banks. As the work environment is good by default, it has less influence on employee satisfaction. It is the same case with the superior support. Superiors consider mutual support between them and their subordinates is critical in the changing human relations scenario. As a result there is a significant change in the attitude

of the superiors towards their subordinates. In order to have high employee satisfaction work content, training, coworker support and recognition for their work are the most important factors influencing employee satisfaction.

Among the interactive factors physical facilities at the bank have least influence on customer satisfaction. Employee responsiveness, reliability, efficiency and empathy of employees are most important factors influencing customer satisfaction. When these factors reduce the transaction time and the waiting time for the customers, they do not feel about the physical facilities. Nearly 70 percent of the respondents use ATM resulting in less employee contact. Even when staff have a direct contact with customers in the bank, customer priorities appear to be responsiveness, efficiency, empathy and reliability rather than physical facilities.

Many studies concluded that the employee satisfaction leads to customer satisfaction. But interesting finding of this study is the negative relationship between employee satisfaction and customer satisfaction. A possible explanation for this may be in the very nature of employee/customer contact in the bank. The marketing trend in the banks is less reliance on employee/customer contact. In the competitive environment after privatization and globalization public sector banks like SBI also introduced ATMs, Internet banking, mobile banking, telephone banking and cheque drop facility for credit that reduced the personal contact. Use of credit cards further reduces the direct impact of bank employees upon customer satisfaction. The banks marketing strategy is therefore, in line with the findings of this study and recognizes that customers prefer technology rather than contact with staff. In banks, where Information Technology plays an important role in satisfying the customers, employee satisfaction does not drive the customer satisfaction. The results obtained for the linkage between employee satisfaction and customer satisfaction in this study are consistent with the studies of Loveman (1998), Slivestro and Cross (2000), Pritchard and Slivestro (2005) that identified the negative relationship.

10. CONCLUSIONS

In order to increase the employee satisfaction the banks should focus on internal marketing factors like work content, co-worker support, recognition and training as they have more influence on employee satisfaction than superior support and work environment. Similarly, the interactive marketing factors like efficiency, employee responsiveness, reliability and empathy should be taken

care of to increase customer satisfaction. The general assumption that employee satisfaction leads to customer satisfaction could not be supported by the study but the banks need to continue its internal marketing and interactive marketing as employees and customers play an important role in its success.

11. FUTURE RESEARCH

This research has a limitation that it is conducted in only one public sector bank in Visakhapatnam, Andhra Pradesh. In order to establish the findings of this study, future research should focus on the linkage between employee satisfaction and customer satisfaction in SBI in several cities and in other public sector banks. Studies should be conducted on the impact of IT in banks on customer satisfaction to establish the link between the reduced employee interaction and customer satisfaction.

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