STUDYING THE IMPACT OF INTERNAL MARKETING STRATEGY ON PERCEIVED SERVICE QUALITY
A CASE STUDY OF MOBILE TELECOMMUNICATION COMPANY OF IRAN (MCI)

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Abstract
Main goal of research is to study the impact of internal marketing strategy on perceived service quality by clients at MCI. To achieve this, a descriptive research design was adopted. Statistical population consists of all employees of marketing department and clients of MCI in Tehran. And, out of this, 150 employees and 217 clients were selected by Cochran formula and simple random sampling as sample. Research method is descriptive survey. The tools to collect data was questionnaire that its validity as content and its reliability were approved using Cronbach’s alpha (0.895). In order to analyze data, structural equation modeling (route analysis) and Friedman ANOVA were used with software of Lisrel and SPSS. Results indicate the positive and significant impact of internal marketing on perceived service quality by clients. Also, results show that among factors of internal marketing, extensive training and empowerment of clients and among factors of perceived service quality, trust and accountability are of utmost importance at MCI at present.

Keywords: Internal marketing, perceived service quality, marketing strategy, extensive training, trust and accountability
INTRODUCTION

Nowadays service organizations have found that they must move towards improving the quality of their services in order to keep their clients and gain competitive advantage (Kandampully & Menguc, 2000), because the quality of service leads to customer satisfaction and loyalty, and ultimately profitability of organization (Kuo, Lu, Huang, & Wu, 2005). In fact, it can be said that customer satisfaction of received services and service improvement are two important indicators in assessing the performance of the organization (Yassin et al., 2004). However, numerous studies have shown that quality of products and services through attraction and retaining customers in any industry play the key roles in success of organization in producing competitive services and increasing power of competition (Hosseini & Qapanvari, 2013).

Features of services such as intangibility, inconsistency and inseparability, which make service quality different and depend on the people who provide it (Rusta & Akhavan, 2012), and make frontline employees or service providers play vital role in quality of products or services provided to clients (Delafrooz, Taleghani, Taghineghad, & Nademi, 2013). Employees are an organization’s internal customers and the attention of organization to them is known as internal marketing.

Internal marketing is one of marketing concepts that has been introduced as a way to solve problems relating to employees and providing quality services to then by Berry (Rafiq & Ahmed, 2000). Internal marketing is infrastructure and foundation service marketing and has become one of the vital and main strategies of many service companies including banks, nowadays (Ballantyne, Christopher, & Payne, 1995) which can be justified with challenges that organizations face in conditions of global competition. The nature of business has changed the way that many successful manufacturing and service industries in the world, consider provision of efficient service compatible with customer requirements as a source of competitive advantage (Lewis, 2000).

One of the areas that has witnessed a transformation in recent decades is the field of ICT and on top of it telecommunications industry. In Iran in the past two decades, due to the entry of firms and operators such as MTN, Talia and Rightel, the mobile industry is more competitive and more dynamic than before. Under these circumstances, companies are looking to benefit from new approaches in the field of marketing and customer service to win customer satisfaction and loyalty and durability of the company. MCI company also as the first mobile service provider in the country tries to retain its customers and satisfy them by providing quality services to promote itself as leading operator. Accordingly, the issue which is considered in this research is that what impact internal marketing strategies have on the quality of service
perceived by the clients of MCI? And whether the internal marketing can improve the level of perceived service quality?

Due to continuous changes in technology, especially telecommunications industry and the emergence of various mobile service providers has led to increase customer expectations of service quality than before and this is a big challenge for the studied company to be able to meet clients’ needs and satisfaction by environmental opportunities. The researcher in this study attempted to examine the impact of internal marketing on the quality of service perceived by the customer of MCI to provide practical solutions to overcome the above mentioned problem.

AN OVERVIEW OF THE THEORETICAL BASICS

Internal marketing

Internal marketing is one of the marketing topics that have been proposed by Berry 20 years ago as a method to resolve issues and problems related to employees and proving quality services to them. However, this concept has been widespread in marketing literature, it has been practically used less. Other topics suggested that this branch of marketing requires more extended researches. Internal marketing includes attraction, development, motivation and continuation of employees’ quality through career as a product and meeting their needs. In other words, internal marketing is the philosophy of relationship and promise between clients and employees (internal clients) of organization(Cahill, 1995). In one sense, internal marketing is proposed as academic, scientific and commercial knowledge about improving the level of customer and employees satisfaction. This branch of marketing is mostly influenced by quality management and service marketing that insists on importance and necessity of providing quality throughout the whole process of providing services. This area of marketing considers the relationship of clients and internal providers in creating for external clients that this appears as a value chain and tools to develop quality of products and services and inter-organizational and cross-organizational interactions within an organization(Lings, 2000).

Internal market includes company employees who have to be involved with the business and are part of a business. They are important for marketing, so that employees with high levels of satisfaction and those who have long-term relationships with companies and are familiar with it, because they have a very high degree of knowledge and experience, have necessary potential for customer satisfaction and building trust and relationships with customers respectively(Sin et al., 2005).

The main objective of internal marketing is to ensure of employees’ satisfaction and developing products and services in order to gain external customer satisfaction, and this
process is from internal clients to external clients. Studies carried out in this field indicate that there is a positive relationship between satisfaction of internal clients (employees) and job satisfaction of external clients. Studies by Cowherd and Levine (1992) suggest that employees' satisfaction has a great impact on quality of products and as a result satisfaction of external clients.

Various models of internal marketing have been presented. In each of these models, elements of internal marketing are different. However, these models have some overlapping elements. Ballantyne (2000) proposed containing elements of marketing including employee involvement in the development of policies, procedures and processes, unilateral feedback, education, information sharing, bilateral interaction and group learning. Grönroos (2007) introduced dimensions of internal marketing as: training, management support and internal communication, intelligence support, human resources management, external communications, and IT systems development and improvement of internal service. Finn et al. (2015) proposed internal marketing elements including respect, accuracy and speed, useful information, keeping informed and active feedback. According to Foreman and Money (1995), elements of internal marketing include employee development, compensations, understanding and internalizing the organization vision. Tansuhaj and colleagues (1991) argue that positive attitude towards the employees, training, communications, and two-way feedback and help to understand the relationship between performance and compensation are the constituent elements of internal marketing.

At present study, internal marketing model is based on model by Bansal et al. (2001) is. According to this model, internal marketing elements include:

1. Employment security: This aspect of internal marketing covers equipping employees in order to promote. Gasta (2011) believe that employment security means organization provides opportunities to empower employees, so that it would depend on employee in terms of expertise and empowerment internally and externally. Reviews suggest that increasing level of employment security will increase satisfaction, loyalty and rust in management (Bansal et al., 2001).

2. Diverse and widespread training: in a developed global economy, knowledge creation and development is one he main factors to reach competitive advantage. Generally, employees' training is in relation with recognition and solving problems, making necessary changes in processes and methods and after sale services. Based on researches carried out, it has been specified that these results lead to improve attitudes, increase skills in relation to improving service quality and customer satisfaction and loyalty (Bansal et al., 2001).
3. Offering generous compensations: Offering higher wages and benefits and payments in proportionate with performance and productivity is one of the methods to act. According to researches, it was indicated that employees with higher wages and benefits have higher satisfaction and commitment to organization (Bansal et al., 2001).

4. Knowledge and information sharing: In order to create communication and information sharing, organizations should establish information flow using various methods. The importance of this information flow is in facilitating decision making and establishing a suitable feedback mechanism. Also improving the level of capabilities can be observed (Bansal et al., 2001).

5. Empowerment of employees: Some defined empowerment as a form of lack of concentration which requires devolution of main decision makings to subordinates (Rue & Byars, 2003). Empowerment refers to a set of motivational methods seeking to increase the level of employees’ involvement in order to improve their performance to collection arts motivational applicable and the search increase level participation for staff recovery performance they (Tubbs & Moss, 2000). In other words, empowerment includes taking responsibility in order to make decisions about business activities under performance (Herrenkohl, Judson, & Heffner, 1999). Employees’ involvement and empowering them are of new methods to release human talent and ability in organization. The main goal of devolution power and granting decision making right to lower levels is to motivate a sense of pride and confidence, self-respecting and taking responsibility among employees (Pritchard & Beckhard, 2008).

6. Decreasing glass gaps between employees: by decreasing the class gap of employees, they can easily express their ideas and consequently creativity, honesty, confidence and job satisfaction will be increased. Two methods to decrease the position difference and level of wages in width of organization and making organizational symbols are based on developing culture of honesty, trust and organizational justice (Bansal et al., 2001).

**Perceived service quality**

Since the time, the role of services became clear in everyday life, the concept of “quality of service” has been considered as the main feature of competition between organizations so that paying attention to the quality of service, will differentiate organization from its competitors and could lead to a competitive advantage (Ghobadian, Speller, & Jones, 1994).

Customers often compare offered services of an organization with their expected services. They come back to this firm if offered services were more than or at least equal to their expected services (Ganguli & Roy, 2010).

Perceived quality services are related to a level of quality that customer perceives during receiving services and after that from performance of organization. This perceived level of
performance can be greater, lower or equal to expected performance. Satisfaction with performance is a function of primary expected level of performance and perceived performance from those expectations (Aldlaigan & Buttle, 2002). Zeithaml et al (1988) define perceived quality as a customer perception from general quality or superiority of products and services by accepting related goal with other options. Aakers (1991) stated that perceived quality in two different fields of service quality and product quality should be considered.

In general, perceived service quality includes customer judgment about producing advantages to products of competitors. Perceived quality is not a real or objective quality but it is subjective evaluation of customer about products (Erenkol & Duygun, 2010).

There are many reasons that show organizations need to provide high quality service to their customers, including:
- Benefits from service quality
- Activity of competitors
- Environmental factors
- Nature of services
- Inter-organizational factors
- Increasing customer expectations (Javadin & Keymasi, 2005).

Various models have been proposed to assess the quality of service. Grönroos (2007) argues quality of services in terms of three dimensions of technical quality, functional quality and image of the company. Lehtinen and Lehtinen offered three dimensions of physical quality of products or services, interactional quality and organizational quality in order to assess the quality of services (Harrison, Stern, & Willner, 2000). In this research, in order to measure service quality, SERVQUAL model has been used. SERVQUAL is one of the models to measure service quality has been provided by Parasuraman for the first time. This model contains following 5 dimensions (A. Parasuraman, 1994):

1. Tangibility: Physical dimensions include available facilities and equipment and appearance of the service personnel (Ghalavandi, Beheshti Rad, & Ghalei, 2012) and that the facilities and equipment and other means of communication are visible (Feizi & Tatari, 2004).
2. Reliability: Means the ability to offer secure and reliable services so that customer expectations are met. In fact, reliability is meeting commitment, i.e. if the service organization makes promises on the time, manner and cost of services, it has to meet them. This dimension of service quality especially is important in services that have a higher risk (Ghalavandi et al., 2012).
3. Responsibility: Refers to the organization’s ability to offer services timely and quickly to clients. In other words, being responsive refers to the desire to help customers and provide prompt service (Feizi & Tatari, 2004).

4. Assurance: Refers to the knowledge, skills and competence of employees and the organization to instill a sense of confidence to customers. Guaranteed combinations are of the following:
   - Competence: having the knowledge and skills necessary to provide services.
   - Courtesy: respect and friendly way of treating customers by employees.
   - Reputation: trust and credibility and trusteeship of employees.
   - Security: Low risk of doubts for services to be received by clients.

5. Empathy: Personal attention and allocation of work time for all customers. This means that according to the mood of the people, they should be treated specially, so that customers are convinced that organization understands them and they are important to organization (Martínez & Martínez, 2010). Empathy reflects the willingness of the organization to provide fast service to customers and reflects the sensitivity and awareness of requests, questions and complaints raised by customers (Chua, 2004). Empathy is a combination of the following:
   - Customer understanding: efforts to identify customers and their needs.
   - Connection: keeping customers informed through a language that is understandable to them and listening to their talk.
   - Accessibility

Hypotheses
According to the goals of the present study and based on theoretical principles about the variables mentioned, the hypotheses of this study can be formulated as follows:

The main hypothesis:
Internal marketing strategy has a significant impact on the quality of service perceived by the customers of MCI.

Sub-hypotheses:
1. Employment security of employees has a significant impact on quality of services perceived by customers of MCI.
2. Extensive training of employees has a significant impact on quality of services perceived by customers of MCI.
3. Employee empowerment of employees has a significant impact on quality of services perceived by customers of MCI.
4. Information sharing of employees has a significant impact on quality of services perceived by customers of MCI.
5. Granting fair compensation to employees has a significant impact on quality of services perceived by customers of MCI.
6. Decreasing the gap between employees has a significant impact on quality of services perceived by customers of MCI.

RESEARCH METHODOLOGY
This research is an applied one in terms of objective and descriptive survey in terms of gathering of data and methods of analysis.

The population of the research consists of employees of marketing department and clients of MCI in Tehran. According to statistics provided by the company, number of employees are 250. To determine the sample size of both employees and clients, Cochran formula has been used and accordingly, sample size of employees equals 146 and sample size of clients is 384. For sampling of both populations, simple random sampling was used.

Tool to collect data in this study was a questionnaire. To measure the internal marketing, the researcher-made questionnaire based on the model of Bansal et al. (2001) and to measure the perceived quality of service, standard questionnaire of Parasurman and colleagues (1991) were used. In order to check the content validity of comments, opinions of professors, experts in this field were used. To check the reliability of the questionnaire, Cronbach's alpha coefficient was also used that due to obtained values (internal marketing: 0.84 and perceived quality: 0.89), it was found that both the questionnaire used in this study, have appropriate reliability.

In order to analyze the data from SEM (route analysis) has been used with the help of Lisrel and Friedman test by using SPSS that will be discussed in the following.

ANALYSIS AND FINDINGS
Results of route analysis
Figure 1 presents SEM (route analysis) of the main hypothesis in the standard estimates mode. As can be seen, the standard coefficient obtained for the relationship between internal marketing and perceived quality of service equals 0.62 that indicated the positive correlation between these two variables. The coefficient of determination ($R^2$) equal to 0.38, which indicates that internal marketing explains 38 percent of perceived service quality changes.
Figure 1. SEM (route analysis) of the main hypothesis in the standard estimation mode

![SEM Diagram](chart1)

Chi-Square=108.76, df=43, P-value=0.00000, RMSEA=0.037

Figure 2 presents SEM of main hypothesis in significance mode. As can be seen, a significant number (t-value) obtained for the relationship between internal marketing and perceived service quality equals 8.58 that is greater than minimum acceptable value (1.96). The main hypothesis of the study is approved at 95 percent confidence, and we can say that strategy of internal marketing has a significant and positive impact on the quality of service perceived by the clients of MCI.

![SEM Diagram](chart2)

Chi-Square=108.78, df=43, P-value=0.00000, RMSEA=0.037
Figure 3 and 4 present structural equation model (route analysis) of sub-hypotheses in the standard estimation and significance modes.

In relation to the first sub-hypothesis, standardized coefficient obtained is equal to 0.31 that shows the positive correlation between employment security and perceived service quality. The coefficient of determination ($R^2$) equal to 0.096 that shows employment security explains 9.6 percent of perceived service quality changes. According to t-statistic obtained (4.88), first sub-hypothesis is approved in Figure 4 and it is concluded that employment security has a positive and significant impact of perceived service quality of MCI’s clients.

In relation to the second sub-hypothesis, standardized coefficient obtained equals to 0.48 that shows there is a positive correlation between extensive training and perceived service quality. The coefficient of determination ($R^2$) equals to 0.23 that shows employment security explains 23 percent of perceived service quality changes. According to t-statistic (7.09) in Figure 4, the second hypothesis is approved and it is concluded that extensive training of employees has a significant and positive impact on perceived service quality by MCI’s clients.

In relation to the third sub-hypothesis, standardized coefficient obtained equals to 0.54 that shows there is a positive correlation between employees’ empowerment and perceived service quality. The coefficient of determination ($R^2$) equals to 0.168 that shows information sharing explains 16.8 percent of perceived service quality changes. According to t-statistic (6.95) in Figure 4, the fourth hypothesis is approved and it is concluded that information sharing has a significant and positive impact on perceived service quality by MCI’s clients.

In relation to the fifth sub-hypothesis, standardized coefficient obtained equals to 0.32 that shows there is a positive correlation between compensation and perceived service quality. The coefficient of determination ($R^2$) equals to 0.102 that shows compensation explains 10 percent of perceived service quality changes. According to t-statistic (5.16) in Figure 4, the fifth hypothesis is approved and it is concluded that compensation has a significant and positive impact on perceived service quality by MCI’s clients.

In relation to the sixth sub-hypothesis, standardized coefficient obtained equals to 0.29 that shows there is a positive correlation between decreasing gap among employees and perceived service quality. The coefficient of determination ($R^2$) equals to 0.102 that shows decreasing gap explains 10 percent of perceived service quality changes. According to t-statistic (7.09) in Figure 4, the sixth hypothesis is approved and it is concluded that decreasing gap among employees has a significant and positive impact on perceived service quality by MCI’s clients.
Figure 3. SEM (route analysis) of sub-hypotheses in the standard estimation mode
Table 1 summarizes the results of the route analysis to test hypotheses. The results show that internal marketing strategy and its every five dimensions has a positive and significant impact on perceived service quality of MCI’s clients.
Table 1. Summary of Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Route</th>
<th>Standard coefficient</th>
<th>T-statistic</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main</td>
<td>Internal marketing strategy has a significant impact on quality service perceived by MCI's clients</td>
<td>0.62</td>
<td>8.58</td>
<td>approved</td>
</tr>
<tr>
<td>1</td>
<td>Employment security has a significant impact on quality service perceived by MCI's clients</td>
<td>0.31</td>
<td>4.88</td>
<td>approved</td>
</tr>
<tr>
<td>2</td>
<td>Extensive training has a significant impact on quality service perceived by MCI's clients</td>
<td>0.48</td>
<td>7.09</td>
<td>approved</td>
</tr>
<tr>
<td>3</td>
<td>Employees’ empowerment has a significant impact on quality service perceived by MCI's clients</td>
<td>0.54</td>
<td>8.11</td>
<td>approved</td>
</tr>
<tr>
<td>4</td>
<td>Information sharing has a significant impact on quality service perceived by MCI's clients</td>
<td>0.41</td>
<td>6.95</td>
<td>approved</td>
</tr>
<tr>
<td>5</td>
<td>Compensation has a significant impact on quality service perceived by MCI's clients</td>
<td>0.32</td>
<td>5.16</td>
<td>approved</td>
</tr>
<tr>
<td>6</td>
<td>Decreasing gap among employees has a significant impact on quality service perceived by MCI's clients</td>
<td>0.29</td>
<td>4.74</td>
<td>approved</td>
</tr>
</tbody>
</table>

**Friedman test results**

In this research, in order to study a similar importance of each dimensions of internal marketing and dimensions of perceived service quality, this test has been used.

Table 2. Ranking of internal marketing dimensions

<table>
<thead>
<tr>
<th>Test statistic</th>
<th>Variable</th>
<th>Average ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of samples</td>
<td>150</td>
<td>Employment security</td>
</tr>
<tr>
<td>Chi square statistic</td>
<td>202.933</td>
<td>Training</td>
</tr>
<tr>
<td>Freedom degree</td>
<td>5</td>
<td>Empowerment</td>
</tr>
<tr>
<td>Significance level</td>
<td>0.000</td>
<td>Information sharing</td>
</tr>
<tr>
<td>Compensation</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Nondiscrimination</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results of Friedman analysis in Table 2 show that among the dimensions of internal marketing, extensive training with an average rating of 4.36, empowerment with an average rating of 4.24 and information sharing with an average rating of 4.02 are the most important. The lowest rating with an average rating of 2.16 is also related to non-discrimination.
### Table 3. Ranking of perceived service quality dimensions

<table>
<thead>
<tr>
<th>Test statistic</th>
<th>Variable</th>
<th>Average ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of samples</td>
<td>217</td>
<td>2.76</td>
</tr>
<tr>
<td>Chi square statistic</td>
<td>203.330</td>
<td>2.12</td>
</tr>
<tr>
<td>Freedom degree</td>
<td>4</td>
<td>3.49</td>
</tr>
<tr>
<td>Significance level</td>
<td>0.000</td>
<td>4.02</td>
</tr>
</tbody>
</table>

The results of Friedman analysis in Table 3 show that among the dimensions of perceived service quality, reliability with an average rating of 4.02, responsibility with an average rating of 3.49 are the most important. The lowest rating with an average rating of 2.12 is also related to assurance.

### CONCLUSIONS AND RECOMMENDATIONS

Internal marketing is infrastructure and foundation of internal marketing and has become one of the vital strategies of service organization, nowadays. In the very dynamic and competitive environment of telecommunications industry, internal marketing has brought sustainable competitive advantage for the telecom industry because it helps to create acceptable quality for clients and consequently increase brand equity. Therefore, applying appropriate internal marketing strategies is crucial for them. This study aimed to examine the impact of internal marketing on perceived service quality at MCI. The results of this study showed that the internal marketing has a significant and positive impact on the quality of service perceived by clients of MCI. These results are consistent with results of studies by Baghi Zade Baghdashti (2010); Ramezanpour et al (2012); Ebrahimi and Abdolbaghi (2010); Akroush and Al-Mohammad (2010); Tabatabaii Hanzalii and Akhavan (2010).

Considering the quality of internal marketing dimensions’ impact on perceived service quality and according to the importance and priorities of each dimensions of internal marketing, following suggestions are offered:

- Company should perform clear plans for transforming temporary employment contracts to permanent ones. Also presenting a future image of career of employees and outlining career path can be effective in creating a sense of employment security to employees.

- Investing on training will have tangible results and these results lead to improve attitudes, increase skills in relation to improving service quality and satisfaction and loyalty of employees. Therefore, given the importance of employee training, creating efficient and effective educational system is necessary (in which educational needs are identified clearly, appropriate
program is designed to meet needs, designed program is performed truly and educational process is evaluated appropriately).

It is recommended that senior managers provide the necessary mechanisms to implement empowerment. Efforts should be made to make the employees feel important in doing significant work and are effective in achieving corporate objectives. A sense of competence should be made in them to perform tasks better and believe in themselves as empowered enough to provide higher quality services.

It is recommended to try knowledge sharing and transferring it to all employees using management information systems, implementation of knowledge management and creating knowledge sharing culture within the company.

Compensation system is based on performance and due to more efforts of each employee to achieve organizational goals, he will be compensated and compensations will be distributed fairly among employees. It is recommended that top management take constructive actions to improve organizational justice (distributive justice, procedural justice and interactional justice). This means that there should be the division of labor in terms of volume and complexity fairly and commensurate with the expertise and capabilities of people. Managers should act without any prejudice and discrimination (offering compensation, leave, mission, ...). Managers should consider interests of all employees while making decisions and should avoid following special group interests in their decisions. Managers should inform employees of results of decisions made about them.

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