

## Importance of Internal Marketing for Service Companies Corporate Reputation and Customer Satisfaction

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**Annotation:** *The aim of this paper is to measure customer-based corporate reputation (CBCR) of service companies and to analyze importance of internal marketing within this construct. Research was conducted in Bosnia and Herzegovina and therefore customer-based corporate reputation is put in a specific cultural context. Convenient sampling method was used to gather responses from individual consumers. Apart from descriptive and one-dimensional statistic instruments, collected data were analyzed through exploratory factor analysis. Causality between variables was tested through correlation and OLS regression analysis. This research provided more insights into interconnection of two important constructs for service companies: corporate reputation and internal marketing. CBCR measure incorporates “customer orientation” and “good employer” dimensions which we classified as internal marketing elements.*

**Keywords:** *Corporate reputation, Internal marketing, services, customer satisfaction, loyalty.*

Corporate reputation is an important element of identity and it represents a component of company's value on the market. Reputation, image or prominence that company enjoys in public represents in its essence an intangible value that emerged as a result of development, business decisions and past actions of the company. Recently, Walsh and Beatty defined customer-based corporate reputation (CBCR) construct which takes customer lens to measure reputation construct. They define five dimensions of CBCR: customer orientation, relationship towards employees (internal orientation at the employees) expressed through the good employer' category, reliability and financial strength, products/service quality and social and environmental responsibility. Increase of employee and customer participation in service interaction, that is, the extension and complication of processes in services is a significant turning point when we observe service companies. This is the characteristic of high contact services at the same time, it is important to stress that different dimensions of corporate reputation could be perceived differently, depending on the subject that is perceived, and on the importance certain dimensions are given and criteria that are used. If your manuscript is an update of an ongoing or earlier study and the method has been published in detail elsewhere, you may refer the reader to that source and simply give a brief synopsis of the method in this section. [3] Research on customer perception is imposed as the most important category because of the higher degree of 'decision-making freedom' they have in comparison to employees and even with managers and shareholders. Customer decisions are directly reflected on financial result and market position in the short and especially in the long-term and there are commonly no restraints that tie them to the service company (with the exemption of banking or insurance services). Each decision on the change of service provider will be negatively reflected on the company operations. Monitoring customer perception is made more complicated by the fact that customer requests are becoming higher and higher and their decision making criteria more and more comprehensive. It is often because they endeavor to

create the image of themselves as responsible consumers.[5]

Finally, perception of service companies as ones that efficiently and effectively manage their resources and are being profitable also represents an important dimension of customer-based corporate reputation. These companies guarantee to customers the ability to remain on the market and to expand their operation as well as to follow the development and changes on the demand side. Discussion Customer-based corporate reputation is a recently developed approach which is concerned with extracting the best measures for the perception of corporate reputation by one of the most important stakeholder groups – customers. This research used the proposed framework and scale developed by Walsh and Beatty (2007) and through factor analysis confirmed the existence of five distinct dimensions of corporate reputation perceived by customers. Theoretically, the contribution of this analysis is in separating these dimensions into ones targeted at external customers and ones targeted at internal customers. The first group is reserved for quality dimension (SQ), social and environmental responsibility dimension (SER) and for perception of reliability and stability (in financial terms) of the observed company (RFS). The second group is, especially for services, built on an internal market – through the efforts toward employees: customer orientation (CO) and good employer (GE). One of the concerns that could be raised is how customers can assess or perceives the customer orientation or good employer dimension. This is relatively easy to explain in services, and especially in high contact services, because customer here becomes a part of service delivery process and in direct communication with employees he/she gets familiar with the extent of CO and can form his/her perception about the employer status of the company observed. When it comes to practical implications of this paper, we would like to outline that our main aim was to draw the attention of managers to the underlying components of corporate reputation. [1] We regard that employee satisfaction and perception of a company as a good employer is specifically important category for the corporate reputation, which has been unfairly neglected. Especially in services, companies should build their reputation with the help first line employees. Dissatisfaction of employees ruins the perception of “good employer” and hence has a potential to ruin corporate reputation. Importance and purpose of the five observed dimensions could not be analyzed by observing them per se. Therefore, a customer outcome variable needed to be selected. Out of the several suggested and already used variables, customer satisfaction was selected. Expectedly, all the dimensions classified as the ones targeted at ‘external’ customers

showed to have positive and significant influence. However, when it comes to the dimensions targeted at ‘internal’ customers, only customer orientation dimension showed to be of significant and positive influence. Good employer dimension doesn’t have a significant effect on customer satisfaction. [2] This could be interpreted again through the type of service and possible influence of industries selected. Possible lack of high contact service encounter (as it is true for GSM operators which took over almost 50% of the sample) could undermine customers’ ability to perceive this dimension as an important one for its own satisfaction or they are simply more interested in companies’ attitudes and actions focused towards them (customers) than to the employees. Here we have another proof that corporate reputation is important for customer behavioral variables and outcomes, in the first line for customer satisfaction. Hence and in line with resource based view, companies need to regard their reputation as an asset that ensures them competitive advantage. There is another possible reason for the fact that GE has no significant influence on CS. B&H is the transitional country where customers are not strongly convinced that they “have rights” to ask companies to fulfill their requests. CO starts to be evaluated as important factor thanks to the regional and global competition companies’ presence. Set up in a specific, transition, economy of Bosnia and Herzegovina, our research confirmed the existence of five specific dimensions of customer-based corporate

reputation proposed by Walsh & Beatty. However, when analyzing the relationship of these dimensions with customer satisfaction, not all dimensions proved to be significant. Specifically, the good employer dimension didn't have the influence on customer satisfaction in our model, which could be explained by specificities of selected service industries.[6] This also calls for re-examining the purpose of this dimension within the model. As for the limitations of the study, they mostly relate to the sample characteristics and selection of service industries. Probably more generalizable results could be achieved with a larger and more representative sample and with the change of service industry observed. This is also one of the recommendations for further research as well as investigating the influence of customer-based corporate reputation on other customer outcome variables (e.g. word-of-mouth or loyalty etc.). Additionally, it would be interesting to observe the changes in relationship over time through longitudinal study and to see the comparative study from different, though comparable, areas.

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