Assessing impact of internal marketing on business performance

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Objectives of the dissertation

1. To understand how DMOs (Destination Management Organization) internally market themselves.
2. To develop and standardize the measures to evaluate internal marketing in case of destinations.
3. To analyse and understand the relationship between internal marketing and destination performance.
4. To recommend to destination managers and planners ways and means to improve destination performance (for internal customers).

Methodology

The quantitative part of the study in this research involved the collection of primary data from the stakeholders (i.e. restaurateur and hotelier, civil authorities, tour guide and escort, public and private monument authorities, employees of tourism authorities, travel agencies/ tour operator, event managers and merchandisers) at destination in selected

states of India. For this purpose, data were collected from the four states (Madhya Pradesh, Rajasthan, Uttar Pradesh and Delhi) out of the top 11 states of touristic activities in India according to the Ministry of Tourism, India.

The study has utilised some forms of qualitative research also. Hence, case studies have taken place in the thesis; those are about *Atithi Devo Bhava* and *Malaysian Hospitality*.

A structured questionnaire was developed to measure the effect of internal marketing on destination performance. At the beginning of the questionnaire the role of stakeholder was asked for preparing a respondent profile and segregating them on the basis of the nature of their role in the tourism industry. Section A had 1 question, which represented the 13 internal marketing dimensions. This section asked how important were each of the 13 variables. This section was, therefore, about stakeholders' expectations from DMOs. Section B also had 1

question about overall destination performance. Section C, had 12 questions which attempted to measure actual performance of internal marketing effects at the chosen destinations. This section was about the stakeholders' experience through DMOs during the routine operations of the business. Section D comprised of 6 questions of 8 variables, which measured destination performance.

Statistical tools were used to evaluate correlations between internal marketing variables and measures of destination performance. All the statistical tools were applied through statistical software packages IBM's SPSS 21.0, AMOS 21.0, and spreadsheet software package Microsoft's Excel 2013.

Internal consistency of measures was established through item to total correlation on each section of instrument, separately. Cronbach Alpha ($\Rightarrow$) and split-half reliability coefficients were computed.

Face validity of all the three measures was ensured while selecting the statements for the measures. Content validity was established through the introduction of measures to a panel of judges consisting of experts in the area of specialization from the academics and professional field. The content validity was reconfirmed through factor analysis also.

Paired-sample t-test has been applied to check the gap between expectations and experience of stakeholders from DMOs at a destination. One way ANOVA has been applied to evaluate the significance of difference between the states and stakeholders on certain parameters of variables. Ranking of variables has been done on the basis of their mean score and standard deviation for identifying the most important ones.

The cause and effect relationships of all the variables were established separately through Structural Equation Modelling (SEM). Relationships between dependent and independent variables have been established through simple linear regression (one dependent and independent) through AMOS. The relationships were also established for

each of the cells in the research design with simple regression. Z-test was computed to evaluate the significance of difference between the various categories of stakeholders and states on the basis of the mean scores for all the variables.

Results

Statistical procedures suggested that there were only 8 variables which constitute the concept of internal marketing. This means the variables have had a positive relationship with constituency of internal marketing. Those variables were – *marketing like approach, customer orientation, stakeholders' satisfaction, training and development, leadership, inter-functional coordination & integration, internal communication, and vision of DMOs*. This means that through adopting these variables at a destination, DMOs could excel their performance for social, economic and all other benefits.

According to the model, *marketing like approach, customer orientation, stakeholders' satisfaction, training and development, leadership, inter-functional coordination & integration, internal communication, and vision of DMOs* are required for effective internal marketing of a destination. Internal marketing was found to be related to destination performance, whereas, destination performance gets reflected in *revenue generation, employment generation, investment in tourism related businesses, cultural exchange between host and guest community, recreational facilities, and inter and intra generational equity of income*.

Theoretical conclusions

Though the Structural Equation Model (SEM) advises that 8 variables, namely – *marketing like approach, customer orientation, stakeholders' satisfaction, training and development, leadership, inter-functional coordination & integration, internal communication, and vision of DMOs*, it antecedents internal marketing. However, earlier researchers pointed out 4 more variables – *strategic reward, stakeholders' empowerment, stakeholders' motivations, and*

quality of service, but those were dropped in this study, due to lack of statistical evidences.

Practical applications of the dissertation

The dissertation is intended to serve as a manual for DMOs in their search for appropriate strategy for increasing business performance of their stakeholders.

This research enumerated different dimensions related to roles of destination managers and planners to support the development of destination through a holistic approach. How top level destination managers should play roles in *external marketing development* (EMD) and *internal destination development* (IDD). This study provided a framework to approach the destination success and consequences.

Essence of this research is that DMOs need to look at the destination stakeholders as internal customers. Essence of internal marketing is to continuously and constantly keeping together all the stakeholders, hold them in good humour, and support them in delivering superior services to tourists – *the customer's customer*.

Contents of dissertation

Abstract of chapter one

Chapter one introduces the subject of this study. This chapter discusses about internal marketing and its practices around the world and in the Indian perspective. The scope of the study was set as tourism industry. That is why, this chapter stresses on tourism industry's present and future within the global and Indian context. Towards the end of this chapter objectives of this study were laid out.

For a very long time services marketing triangle and internal marketing (IM) is an area of interest for many researchers but it is explored in very limited settings, within the service organizational context only. Through this study the researcher has tried to explore whether the concept of internal marketing in the tourism industry is as acceptable as in the service industries. If yes then how, and if not, then what modifications are required to make it usable.

IM concentrates more on inward functions than the outward functionality of a business. It deeply studies about employees as customers and jobs as products. How the concepts of IM can be applied and implicated into the present environment of business? This is the major focus throughout the study.

The purpose of this research is to examine how internal marketing concepts are applicable to destination management and how it impacts business performance in case of tourism. The basic purpose of this research is to evaluate how principles of internal marketing (IM) can be deployed for development of a destination when internal customers are not necessarily employees, but a set of stakeholders who are loosely connected to the DMO (Destination Management Organization).

The majority of research pertaining to IM is mostly conceptual and still remains even at present. The lack of widely accepted definitions of the IM concept and a relevant, valid measure has led to an increasing number of attempts made by the academia to investigate the related concepts and measures, especially in India and Indian context.

Abstract of chapter two

Chapter two is about review of the literature, related to this study. It starts with review of the concept of internal marketing, followed by review of variables of internal marketing, and objectives of the internal marketing. Next, the tourism is defined and discussed in the literature relevant to the section, tourist destinations, elements of the destination, Destination Management Organisation (DMO), and the role of DMOs is discussed. Further, this chapter attempts to decipher the concept of destination performance; discusses about the focus on stakeholders, and their importance at a destination. The chapter also presents a research gap in the existing literature on the subject. Finally, two very interesting cases of internal marketing are explored. One case is of '*Atithi Devo Bhava*' campaign, initiated by MoT, Government of India, and promoted by Mr. Amir Khan. The authors reached out to each stakeholder for delivering a superior experience to the tourist. Another case is that of *Malaysian*

Hospitality, Brand MH, where the Government of Malaysia has shaped and empowered some agencies for making superior experience to the tourist. They also formed certain policies for administering and delivering what they intended to deliver.

Abstract of chapter three

Chapter three presents the research design adopted for this study. The importance of this chapter is in redefining the variables of internal marketing with reference to the tourism industry. The chapter also proposes a model for the study. The researcher identified hypotheses for empirical testing. This chapter enumerates the geographical spread of the sample and the procedure for developing the instrument for the study.

Abstract of chapter four

Chapter four has discussion around data analysis, with the help of statistical procedures. This chapter includes reporting of internal consistency in different sections, reliability of instruments, ranking of different variables in different aspects. Results of the factor analysis, paired sample t-test, Analysis of Variance (ANOVA), Structural Equation Modelling (SEM)

are also presented in the chapter.

Abstract of chapter five

Chapter five is about the findings, conclusions and recommendations for destination managers and planners for improving the performance of the concerned destination. The chapter starts with how internal marketing varies in states and with different stakeholders. Their top three expectations from DMOs are also reported. Next, factors that constitute internal marketing and that can be applied to a destination were explored. The chapter contributes to the framework of the antecedents of internal marketing and meaning of the development of tourist destination. The most important element of the chapter is the synthesis model of internal marketing and destination performance. Two cases of internal marketing *ADB* and *MH* are also summarised towards the end of the chapter. Significance of research, limitations of the research and further research directions are presented in this chapter. Finally the researcher attempts to define the internal marketing in the context of the tourism industry.

Figure 1. *Synthesis model of internal marketing and destination development's impacts within Indian context*