

Internal Marketing, Retail Employee Commitment, and Employee Response to Retail Theft: An Exploration

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Abstract Inventory shrinkage, the financial loss to retailers attributable to a combination of employee theft, vendor fraud, shoplifting, and administrative errors, continues to be a major concern for US retailers. Of particular interest to this study is that portion of these losses that is attributable to retail employees, as, in the US, the bulk of shrinkage in the retail sector is attributable to this source. A National Retail Foundation Security 2011 report indicated that, of the \$34.5 billion losses owing to shrinkage, 43.9 % was attributable to employee theft. Consequently, retailers have tried different strategies to stem this problem, among them encouraging employees to report shrinkage. The thesis in this study is that the nature of the relationship that employees have with retailers will influence the likelihood of their cooperation in this endeavor. This relationship will be based on internal marketing, which should lead to retail job satisfaction and employee commitment.

Keywords Internal Marketing • Retail Theft • Retail Employee Commitment
Retail Job Satisfaction

Introduction

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The aim of the paper is to link two streams of research—that on retail theft and that on internal marketing—in an effort to explain the ways that employees might commit to an organization in order to help it stem shrinkage attributable to employees. Therefore, this paper explores the impact of internal marketing (as determined by retailer rewards, retailer communication, and retailer training) on retailing job satisfaction and retail employee commitment, and the subsequent response to efforts to aid in stemming retail theft by employees. The paper builds on the stream of research on internal branding and its links to desired organizational outcomes by exploring the impact of internal branding on job satisfaction and organizational commitment in a retailing context.

Background, Hypotheses, and Conceptual Model

Berry and Parasuraman (1991) defined internal market as “attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs” (p. 151). They view it as “the philosophy of treating employees as customers” (p. 151). Opoku et al. (2009) posit that internal marketing is “the application of marketing-like tools to the employee market inside the firm to support customer consciousness and sales-mindedness; to create, at least, a stable workforce committed to customer service and to see employees as customers” (p. 319). The ultimate aim of engaging in “treating employees as customers” is to generate positive employee outcomes such as job satisfaction, employee commitment, and financial performance.

There have been increasing efforts to explore internal branding and its impact on organizational outcomes in retailing. Panigyrakis and Theodoridis (2009), for example, investigated the dimensions of internal marketing and their links to business performance. Their findings indicated that among the dimensions of internal marketing were formal interaction, reward systems, feedback, internal procedures and policies and internal customer orientation (ICO). These were found to positively influence business performance. Lings and Greenley (2010) explored internal marketing behaviors and their impact on employees’ marketing and other in-role behaviors, as well as on financial performance, as measured by retail managers’ subjective evaluation of the financial performance of their stores. These researchers concluded that the internal marketing orientation of an organization had an impact on employees’ involvement in enacting strategic directives and on financial perfor-

mance. Chang and Chang (2009) conducted a study in which they assessed how perceptions of internal marketing impacted organizational commitment among nurses. They conducted this study among registered nurses in two teaching hospitals in Taiwan. They found a positive link between perception of internal marketing and organizational commitment, with communication management having the greatest impact on organizational commitment.

We draw on the conceptualization of the internal branding factors proposed by researchers such as Punjaisri et al. (2008), Zain et al. (2009), and Wei and Atuahene-Gima (2009). They find that internal communication, training, and rewards are among the key factors that constitute internal marketing efforts. We propose that these factors contribute positively to retail employee job satisfaction, which subsequently impacts organizational commitment and employee intentions to disclose other employees' theft. These views are in line with those postulated by Boichuk and Menguc (2013) in their study of the links among employee dissatisfaction, supervisor support, continuance commitment, and employee voice; employee voice, a dependent variable, was defined as employees' willingness to share ideas for service improvements with their employers (travel agencies, in their studies). They found that supervisor support and continuance commitment interacted to positively impact employee voice among dissatisfied employees. The following hypotheses were tested, based on the foregoing discussion.

Internal Communication

H1. There is a positive relationship between retailer internal communication and retail job satisfaction.

Retail training

H2. There is a positive relationship between retailer training and retail job satisfaction.

Retail rewards

H3. There is a positive relationship between retailer rewards and retail job satisfaction.

Retail Job Satisfaction, Organizational Commitment, and Employee Retail Theft Disclosure Intentions

H4. Retail job satisfaction positively impacts organizational commitment.

H5. Retail job satisfaction positively impacts employee intentions to disclose employee theft.

H6. Organizational commitment positively impacts employee intentions to disclose employee theft.

Mediation

- H7. Retail job satisfaction mediates the relationship between retail internal communication and employee intentions to disclose employee theft.
- H8. Retail job satisfaction mediates the relationship between retail training and employee intentions to disclose employee theft.
- H9. Retail job satisfaction mediates the relationship between retail rewards and employee intention to disclose employee theft.
- H10. Organizational commitment mediates the relationship between retail job satisfaction and employee intention to disclose employee theft.

Methodology

A scenario-based experimental design was used to collect data among students enrolled in undergraduate business programs at a Midwestern US university. The students took part in exchange for partial course credit points. Two scenarios (available upon request) depicting a fictional retail store, Retailer R Us, were used as manipulations of some of the variables of interest in the study, in particular retail communication, retail training, and retail rewards. This kind of scenario-based experiment involving the use of vignettes to manipulate information has become one of the methods used in data collection in business research (see, for example, Song and Zinkhan 2008; Xie and Peng 2009; Morrisson and Huppertz 2010; Neale and Fullerton 2010; Rungtusanatham et al. 2011; Boichuk and Menguc 2013). Participants in each of the two conditions were asked to read the vignette, which they were told was published recently in a leading business publication, and then to imagine that they were employees of the retail store in the vignette. They were asked to respond to a series of statements that followed, based on how they thought an employee working at this retail store would respond to each statement. These statements were measures of the variables in the model. A second part of the study gathered demographic information on participants. A total of 410 participants provided completed questionnaires. There were 165 women (40 %) and 239 men (58 %). The majority were aged 20–24 years (78 %) and Caucasian (62 %).

Measures

As indicated above, participants were instructed to imagine that they were employees of this store and to respond to the measures accordingly. The internal marketing variables were measured by asking participants to respond to the following question: “How do you think the average employee at Retailer R Us would rate the _____ at Retailer R Us?” Internal communications, training, and rewards were,

in turn, inserted into the blank; and scales were 7-point Likert scales anchored by: Poor/Excellent; Bad/Good; and Unfavorable/Favorable. Organizational commitment was measured using the combined 12-item scale for affective and normative commitment proposed by Allen and Meyer (1990). These two kinds of commitment focus on loyalty to the organization and attachment to the organization. Retail employee job satisfaction was measured a short-form 7-item scale based on the scale developed by Macdonald and MacIntyre (1997). These were measured on 7-point Likert scales. Intention to disclose employee theft was measured by asking participants to indicate the likelihood that the average employee at this retail store would report co-workers who are involved in retail theft. This was measured a 3-item, 7-point Likert scale (Impossible/possible; Improbable/probable; Very unlikely/Very likely).

Data Analysis and Results

The data were analyzed using both SPSS v21 and Mplus v6. In the case of manipulation of the retail store information, participants in the positive retail store condition reported more positive feelings, while those in the negative retail store condition reported more negative feelings. Prior to performing a confirmatory factor analysis, the Kaiser-Meyer-Olkin (KMO) measure of sampling accuracy as well as Bartlett's test of sphericity were used to determine whether the data were appropriate for factor analysis (KMO=0.965; values between 0.5 and 1.0 indicate factor analysis is appropriate; Bartlett's test: Chi-square=16,734.06, $df=780$, $p<0.000$; these indicate the data were appropriate for factor analysis). CFA and test of the structural model were conducted using Mplus 6 (Muthén and Muthén 2010). We used maximum likelihood estimation because all the variables were continuous. Assessments of the reliabilities of the scales used in the study were done using SPSS version 21. Cronbach alphas for the variables were as follows: retailer communication, 0.98; retailer training, 0.98; retailer rewards, 0.98; retail job satisfaction, 0.97; organizational commitment (affective and normative commitment), 0.93; and intention to disclose employee theft, 0.89.

An initial confirmatory factor analysis showed overall goodness of fit of the model indices to the data: Chi-square=1,452.65, $df=480$, $p\text{-value}=0.000$; CFI=0.947; TLI=0.942; RMSEA=0.070; Standardized Root Mean Square Residual (SRMR)=0.044. Items loaded on the appropriate factors, and the factor loadings were high (lowest=0.567; highest=0.980) and all significant at $p<0.000$. We tested the structural model proposed in this study (Fig. 1) using maximum likelihood method with Mplus 6 (Muthén and Muthén 2010). The proposed structural model showed a good fit: $\chi^2=690.97$, $df=391$, $p=0.000$, CFI=0.980; TLI=0.978; RMSEA=0.043; Standardized Root Mean Square Residual (SRMR)=0.041 (Browne and Cudeck 1993). Of the ten hypothesized relationships, all but two (H6: Est.=0.091, $p=0.457$; and H10: Est.=0.081, $p=0.457$) were positive and significant.

Discussion and Conclusion

The aim of this study was to test a model that linked the streams of research on internal marketing and retail employee theft, in an effort to assess the impact of internal marketing variables on employee satisfaction and commitment, and subsequently on employee intention to disclose employee theft, equivalent to the concept of employee voice in other studies. The results indicate that internal marketing variables positively impact retail job satisfaction and that this satisfaction strongly impacts employee commitment; however, this commitment does not translate to intention to disclose employee theft. However, retail job satisfaction directly and positively impacts employee intention to disclose employee theft. In addition, retail job satisfaction mediates the relationship between the internal marketing variables and intention to disclose employee theft. Hence, retailers need to implement effective internal marketing mechanisms based on internal communications, training, and rewards, as this leads to high levels of job satisfaction and commitment. Job satisfaction in turn contributes to intentions to report other employees who engage in theft.

References

References Available Upon Request