

# *Internal Marketing– A Conceptual Framework*

## **AUTHOR**

**Dr. S. Praveen Kumar**  
Associate Professor,  
Panimalar Engineering College,  
Chennai.

## **Abstract**

*The term 'internal marketing' has been widely used in organizations. However, the term is often used loosely to describe many different managerial initiatives aimed at improving the effectiveness and efficiency of organizational resource application. The use of the term 'marketing' in this context does not simply mean the application or performance of marketing activity. More specifically, it means a focus on marketing concepts and theories that can be adopted for application to manage the organization of efforts to meet the needs of the internal customer, so that they in turn can understand and value the philosophy of providing satisfaction for the external customer.*

## **1. INTRODUCTION**

Globalised competition is a reality today and the competitive intensity is increasing phenomenally in all markets which are already hyper-competitive in nature. Many venerable and highly successful organisations of the past are no longer in existence because of their inability to face competitive pressures in the market. Firms are focused in building and sustaining competitive advantages in order to ensure sustained growth. There is a realization world over that the quality of human resource is a key competitive strength which can be leveraged to ensure excellence in all dimensions of the organisations operation, thereby building strong brand equity.

In the knowledge economy of today, more than the material and capital resources, ideas and knowledge serve as valuable currency. Firms which have talented, committed and engaged employees enjoy significant advantages over their rivals. Therefore, companies spend a great deal of time and effort in building, engaging, motivating and retaining talent. An important way of accomplishing this task is by Internal Marketing.

It is commonly believed that sole role of marketing is to sell products and services outwardly to customers. In fact, the first and most urgent job of marketing is often to sell inwardly toward a company's people. For, it is only when the people of the company fully understand and are committed to the value proposition of the organization and its brands the external marketing can reach its full potential. Happy workforce would mean higher productivity for the company and consecutively higher revenue for the country.

The term 'internal marketing' has been widely used in organizations. However, the term is often used loosely to describe many different managerial

initiatives aimed at improving the effectiveness and efficiency of organizational resource application. The use of the term ‘marketing’ in this context does not simply mean the application or performance of marketing activity. More specifically, it means a focus on marketing concepts and theories that can be adopted for application to manage the organization of efforts to meet the needs of the internal customer, so that they in turn can understand and value the philosophy of providing satisfaction for the external customer.

Internal marketing evolves from the idea that employees represent an internal market within the organization. This market needs to be educated and informed about the organization’s mission, the benefits of its products and services and the expectations of its customers. The rationale for this is that successful ‘marketing’ to this group will contribute significantly towards achieving ultimate collective success in the delivery of all marketing activity to external customers. Thus, the overwhelming purpose of internal marketing is to ‘involve’ employees in the organization’s mission and strategic direction, and to help them understand and value the corporate objectives. In doing so, it will achieve a ‘balance’ between operational efficiency and management objectives.

It is now recognized that ‘human capital’ is a source of competitive advantage in many cases over and above technology and finance. What is important to the notion of internal marketing is the importance not just of creating a workforce that is satisfied and committed to the organization but one that strives to go the extra mile to offer discretionary effort to satisfy the customer. Thus the challenge for businesses today is not just on satisfying employees and getting them to stay with the organization but to create the environment where they want to and do give discretionary effort to go above and beyond what is written in their job description. Organizations therefore have to work harder to ensure that they win the loyalty of the best employees.

A company is seen not as a sole and self sustaining operator in a competitive world but as a company that operates with a loyal network of partners-employees, distributors, dealers and

suppliers. If the company chooses its network partners carefully and their goals are aligned and the rewards are equitable and motivating, the company and its partners combined will become a powerful competitor. To achieve this, the company must share its mission, vision, and values with its team members so that they act in unison to achieve their goals.

## 2. TRACING THE EVOLUTION OF INTERNAL MARKETING

The concept of Internal Marketing (IM) was first proposed in the mid 1970’s as a way of achieving consistent service quality – a major issue in the services area. Its basic premise was ‘to have satisfied customers, the firm must also have satisfied employees’. This could be best achieved by treating employees as customers, i.e. by applying the principles of marketing to job design and employee motivation. Since then, the concept has seen a number of major developments and its application today is no longer confined to the services area.

Any type of organization can use Internal Marketing (IM) to facilitate the implementation of its external marketing strategy or other organizational strategies. However, despite nearly 40 years of development the concept has not achieved the widespread recognition amongst managers that it deserves. The major reason for this is that the concept was well ahead of its time.

**Figure 1**

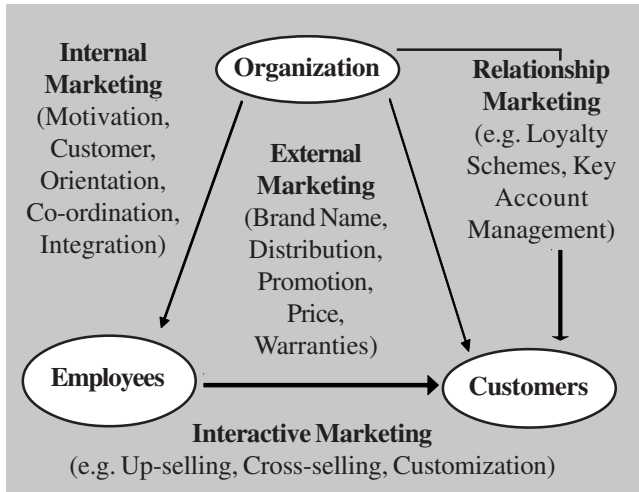
**Link between internal and external marketing programmes**



Source: Piercy, N. and Morgan, N. (1991). Internal marketing- the missing half of the marketing programme. *Long Range Planning*, 24 (2), 82-93.

Figure 2

The relationship between internal marketing, external marketing, interactive marketing and relationship marketing



**Internal marketing requires:**

- .. The acceptance of marketing techniques and philosophy
- .. A customer orientation and market orientation
- .. A participative approach to management
- .. A strategic approach to Human Resource Management to ensure the alignment of HRM strategy with organizational strategy
- .. The co-ordination of all management activity to achieve customer and market orientation or customer and market –focused management.

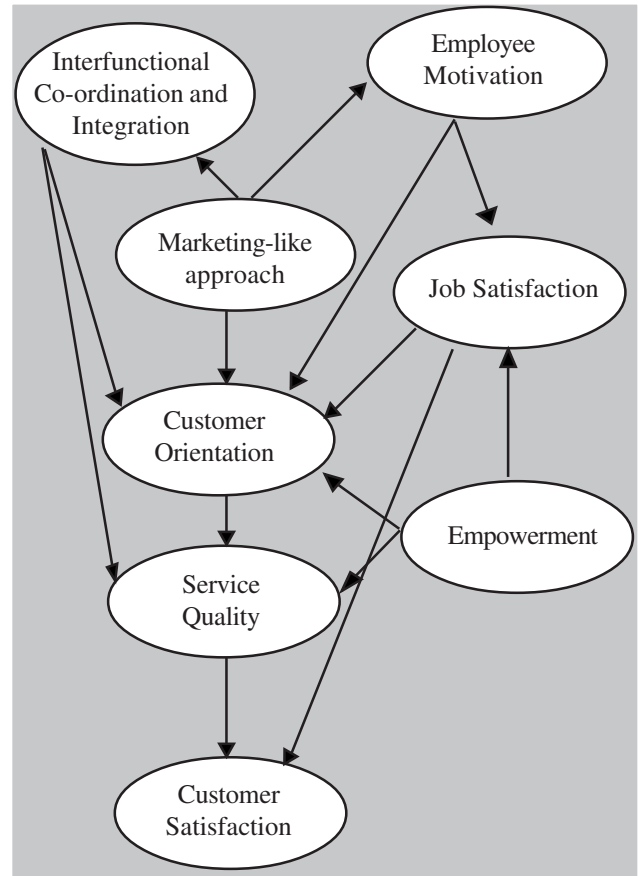
The influence of the more recent theoretical developments, such as relationship marketing, a re-emphasis of networking, interaction and total quality management theories, undoubtedly have had an influence on, and contribute to the importance of internal marketing in practice. Although many previous approaches to internal marketing have had considerable success in improving some organizations’ external activity, the problem of achieving a holistic, organization-wide, action-oriented implementation of internal marketing still remains.

Gummesson writes that internal marketing can be practiced at different levels within an origination and with it’s suppliers and networks.<sup>2</sup> For example, it can occur within the customer-supplier relationship; in the application of marketing know-how to personnel; in the activities which focus on

encouraging a company to be marketing-oriented; and in the marketing that takes place between profit

Figure 3

A Framework for Internal Marketing of Services



centers inside a decentralized company.

The relationships indicated in the above figure are derived directly from the Internal Marketing literature. For instance, the motivation of employees via marketing like activities is explicitly stated from the early literature onwards. Gronroos and others also recommend the marketing like approach to improve the inter-functional co-ordination and hence customer orientation. Inter-functional co-ordination and integration are central to more recent Internal Marketing literature. Improving customer orientation of the organization has been a central concern of the Internal Marketing concept from its inception. More recently, the central reason for interest in Internal Marketing has been the potential contribution of Internal Marketing to effective implementation of strategies via increased inter-functional co-ordination and employee motivation.

### 3. A RESEARCHABLE INTERNAL MARKETING MODEL DEVELOPED BY RAFIQ & AHMED

At the centre of this framework is customer orientation, which is achieved through a marketing-like approach by the motivation of employees, and inter-functional co-ordination. The centrality of customer orientation reflects its importance in the marketing literature and its central role in achieving customer satisfaction and hence organizational goals. In fact, according to leading researchers in market orientation, inter-functional co-ordination is an essential facet of market orientation.

The inclusion of the empowerment variable is essential for the operationalization of Gronroos interactive marketing concept. In order for interactive marketing to occur, front-line employees need to be empowered; that is, they require a degree of latitude of over the service task performance in order to be responsive to customer needs and be able to perform service recovery. The degree of empowerment given to service employees is contingent on the complexity/variability of customer needs and the degree of task complexity. Empowerment in the model impacts on job satisfaction, customer orientation and service quality.

The empirical evidence on the relationships in the model is fairly limited and somewhat mixed. For instance, Hoffman and Ingram found that there was a weak correlation between job satisfaction and customer orientation, and that role ambiguity, conflict and job satisfaction explained only 9 per cent of customer orientation.

Kelly's study of bank employees also found a weak correlation of customer orientation with job satisfaction and motivation. However, when the effects of role clarity and motivation were held constant, job satisfaction was found not to be a significant predictor of customer orientation. Furthermore, although the study found that there was no significant difference in customer orientation among four groups of contact employees, the tellers were significantly more dissatisfied with their jobs and significantly less motivated than the other groups of employees. What this suggests is that employees are quite capable of separating their feelings about their jobs from the actual performance of the job.

Siguaw et al. found that customer orientation was not related to job satisfaction; that is the inverse of the relationship propped in Internal Marketing model.

Herrington and Lomax in their study of financial advisers of the UK found no relationship between job satisfaction and customer perceptions of service quality. However, they did find a weak relationship between job satisfaction and customer intention to repurchase.

In view of the above, instead of regarding employee satisfaction as a major precursor to performance, it can be regarded as one of a number of factors, such as employee motivation, customer orientation and sales mindedness, simultaneously determining productivity and the quality of the service. Hence, in the model the impact of job satisfaction on service quality occurs indirectly via customer orientation rather than directly between job satisfaction and service quality.

### 4. INTERNAL CUSTOMERS

Central to the marketing philosophy are the concepts of customer and exchange, namely that customers receive products they desire in exchange for payment of some kind. In the external marketing exchange situation, products are bought in order to derive some form of utility or satisfaction. Applying these concepts internally, as is implied by treating 'employees as customers' the concepts require some care.

Firstly, one of the main problems with this approach is that the 'products' that employees are being sold may be unwanted or may in fact have negative utility for them; that is they may not want them. In normal marketing situations, customers do not have to buy products that they do not wish to buy. This is not true for employees, as they must either accept the 'product' or they can be 'forced' into acceptance under the threat of disciplinary action or dismissal. In normal marketing situations, the consequences of non-purchase are not so severe. Additionally, in normal marketing situations customers have a range of products to choose from; this is unlikely to be the case in an internal marketing situation, where one particular policy will be on offer. That is, the marketing approach consists of non-coercive actions to induce a response in another

social unit.<sup>8</sup> Therefore the use of force or formal authority is not considered to be a marketing solution to a problem.

Another problem with the notion of the employee as customer is the idea of customer sovereignty. For, if employees were to behave like external customers, they would make impossible demands upon the organization and its resources. It is for this reason that in this approach employees do not know they are customers even though they are treated as such.

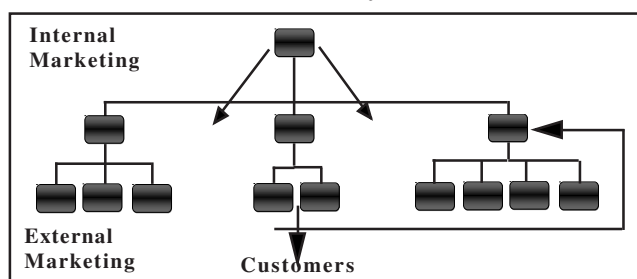
Moreover, the idea put forward by some that personnel is the first market of a service company appears to suggest that the employee market has primacy.<sup>9</sup> This stands on its head the most fundamental axiom of marketing that the external customer has primacy. It is the external customer who is the *raison d'être* of any company. For instance, many restaurant workers would prefer not to work late hours, but nevertheless have to because that is when the customers prefer to dine out. Accommodating employee preferences in this case would lead to commercial suicide.

## 5. HIERARCHICAL BOUNDARIES VS. UNBOUNDED NETWORKS

The literature treats internal marketing within a formal boundary context and rarely challenges the existence of the inside-outside of the company. However, Varey, who suggests a model where internal marketing is part of an integrated customer-oriented management model, says that the model '... does not assume the pre-existence of structures of organization...' The balance between internal and external focus is also discussed by Gummesson.

Figure 4 shows internal marketing in the

**Figure 4**  
Internal and External Marketing and their interdependence in the traditional well-delimited hierarchy.



hierarchical, well-delimited organization. The internal marketing activities are in-bound and directed to the personnel. External marketing is out-bound but can also impact the employee market, which is shown by the arrow to the right. For example, advertisements for a company sometimes attract the employee's attention more than they attract the consumer's attention, and if the chief executive is interviewed on television employees' watch with particular curiosity.

## 6. MARKET ORIENTATION

In a banking study, market orientation was evident in the choice of an internal communication logo, 'Customer First'. The strategy was that customer service improvement would lead to better customer relationships, more retained customers and thereby complement the organization's marketing activities. Overall, this would contribute to better long-term profitability. However, as the strategy was approved at the board level, the linear logic is better expressed in reverse order, starting with profitability, and working back from that to the point where someone has to 'do something' at the nadir point, where internal marketing begins.

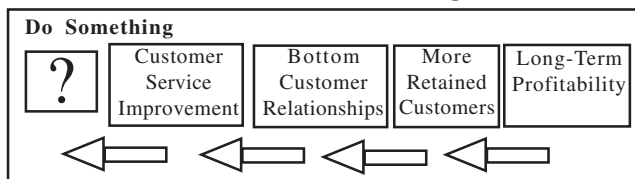
Market orientation was evident in the idea to involve staff in making the kinds of internal changes to policies and procedures that could be lined to market place performance that external customers would value. This involves more than traditional marketing skills. The more orthodox marketing approach to try to change staff attitudes by formal communications alone was rejected as superficial and unidirectional.

## 7. EMPLOYEES FIRST, CUSTOMERS SECOND – THE NEW FUNDA IN INDIAN MANAGEMENT

A radical image comes into the minds of corporate India; an inverted pyramid. What if we could turn the traditional organization upside down? What if management was accountable to the value zone and the people in it, not just the other way around? What if the organizational pyramid could be inverted? The bottom would become the top, the top would be at the bottom.

Employees first, Customers second, Management ... third?

**Figure 5**  
**Customer First: Linear Logic**



First, transparency ensures that every stakeholder knows the company's vision and understands exactly how his or her contribution assists the organization in achieving its goals. Working in an environment without transparency is like trying to solve a jigsaw puzzle without knowing what the finished picture is supposed to look like.

Second, transparency helps to ensure that every stakeholder has a deep, personal commitment to the aims of the organization.

According to the findings of polls Gallup has conducted over many decades customers switch from one supplier to another because they are attracted by one of the "four Ps" of marketing – a better product, a lower price, an attractive promotion, or better placement.

However, the four Ps – as attractive as they may be will not create a strong and lasting relationship between customer and partner without the fifth P, which stands of course for People. Placement, Promotion, Price and even Product cannot make up for a lack of engagement, execution, commitment and close relationships between the people in a customer organization and those in the partner or supplier organization. In this reference Elton Mayo has rightly said, "Paying attention to people pays".

## REFERENCES

1. Rafiq, M. and P.K. Ahmed, 1993. *The Scope of Internal Marketing: Defining the Boundary between Marketing and Human Resource Management*. Journal of Marketing Management., 9 (3): 219-232.
2. Gummesson, E. (1991) 'Market-orientation Revisited: The crucial role of the part-time marketer', European Journal of Marketing 25(2):60-75.
3. Kohli, A.K. and Jaworski, B.J. (1990). *Market orientation: the construct, research propositions, and managerial implications*. Journal of Marketing, 54 (2), 35 -58.
4. Hoffman, D.K. and Ingram, T.N.(1991). *Creating customer orientated employees: the case in home health care*. Journal of Health Care Marketing, 11 (June), 24-32.
5. Kelly, S.W. (1990). *Customer orientation of bank employees and culture*. International Journal of Bank Marketing, 8 (6), 25 -9.
6. Siguaw, J.A., Brown, G. and Widing, R.E.II (1994). *The influence of the market orientation of the firm on sales force behavior and attitudes*. Journal of Marketing Research, 31(1), 106-16.
7. Herrington, G. and Lomax, W.(1999). *Do satisfied employees make customers satisfied?. Marketing and Competition in the Information Age, Proceedings of the 28 th EMAC Conference (L. Hildebrandt, D. Annacker and Klapper, D., eds) 11 -14 May, p.110. Berlin: Humboldt University.*
8. Kotler, P. (1972). *A generic concept of marketing*. Journal of Marketing, 36 (April), 346 -54.
9. Sasser, W.E. and Arbeit, S.F. (1976). *Selling jobs in the service sector*. Business Horizons, June, 61-2.
10. Varey, R.J.(1995) 'Internal Marketing- A review and some interdisciplinary research challenges', International Journal of Service Industry Management 6(1):40-63.
11. Gummesson, E.(1999) *Total Relationship Marketing*, Oxford: Butterworth Heinemann.
12. Nayar, Vineet(2010) *Employees First, Customers Second*, Harvard Business Press, Boston.