

# **MARKETING MANAGEMENT AND STRATEGY**

## **WEEK 11 INTERNAL MARKETING**

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### 11.1 Introduction

Welcome to week eleven lecture! It is my pleasure to have you in this class. In the previous lecture we started focusing on holistic marketing theory components. We have done relationship marketing and examined its significance in the marketing world. It is one discovery in marketing that is really changing how we interact with customers not just from a transactional point of view but from a collaborative and long-term perspective. To implement a relationship strategy requires human resources which are well trained and motivated. This kind of human resource can be developed through internal marketing. In this lecture we examine the process of recruiting, training and motivating organizations human resource from marketing perspective to enable them deliver the strategy

### 11.2 Intended Learning Outcomes

At the end of this lecture, you will be able to:

- Describe the concept of internal marketing.
- Discuss the significance of internal marketing.
- Evaluate the components of internal marketing strategy.
- Discuss the drawbacks to internal marketing strategy.

### 11.3 Quotes and belief about internal marketing

#### Quotes

1. “Internal marketing is probably much more important than external marketing. That's even more true today than it's ever been.” Tom Stewart
2. “Customers will never love a company until the employees love it first.” Simon Sinek.
3. “Build trust and earn attention. The entity that gets the most trust will get the most customers.” Seth Godwin
4. “People want to deal with people, not machines and automated s. Be human and personal at work. The humility we respond with is key.” Seth Godwin

#### Beliefs

- **People matter:** The main driver for most IM initiatives is to create a work environment where people feel excited and rewarded in their day-to-day tasks.
- **IM drives performance:** Employee satisfaction is a key element in developing customer satisfaction, as every employee is considered an extension of the brand.
- **Anyone can make a difference:** Successful results are credited to all employees, at all levels and functions, not just at senior management.

- **Employee loyalty is critical:** Employees will remain loyal to the company, even in difficult times, if the company is transparent about the challenges, it is facing and about its strategic direction.
- Culture can be a competitive advantage: IM preserves and helps evolve a company's culture, particularly in cases where culture is a source of differentiation for the brand.

#### 11.4 Concept of Internal Marketing (IM)

There is an overlap between marketing and human resource view of internal marketing. Some authors will view it as human resource function while others recognize the marketing aspect of internal marketing. The idea of viewing employees as internal customers was first developed by Berry (1981). Ballantyne (2000) defines Internal marketing as a relationship development strategy for the purpose of knowledge renewal. He further clarifies that knowledge renewal is the purpose of internal marketing and that it gains legitimacy through external market relevance. (Kotler et al., 2006) argued that internal marketing is the task of hiring, training and motivating able employees to serve the customer well.

Ferrel and Hartline (2008) suggested internal marketing as —a planned effort using a marketing-like approach to overcome organizational resistance to change, and to align, motivate and inter-functionally coordinate and integrated employees towards the effective implementation of corporate and functional strategies in order to deliver customer satisfaction through a process of creating motivated and customer orientated employees. According to Kotler and Armstrong, “Internal Marketing is orienting the service delivery employees and other supporting service people to work as a team to provide customer satisfaction.” From the above definitions, it may be inferred that Internal Marketing refers to the process within a service organization to motivate and empower their employees at all the hierarchical positions to consistently offer a quality and a satisfying service experience to the consumers. A review of the literature shows a multitude of definitions of internal marketing such as:

- Marketing like approach,
- Establishment of internal relationships
- Jobs as internal products,
- Satisfaction of employees as internal customers,
- Training and development of employees,
- Customer orientation,
- Motivation and empowerment of employees,
- Inter-functional integration
- Internal communication encompassing the concept of internal marketing.

## 11.5 Significance of internal marketing to a firm

Internal marketing is a crucial strategy that focuses on engaging and motivating employees, ensuring they are aligned with the company's goals and values. The significance of internal marketing to a firm includes several key aspects:

1. Employee Engagement and Motivation: this may be expressed through two key issues.
  - Improved Morale: Effective internal marketing enhances employee satisfaction and morale. When employees feel valued and understood, they are more likely to be motivated and engaged in their work.
  - Retention Rates: Engaged employees are less likely to leave the company, reducing turnover rates and the associated costs of hiring and training new staff.
2. Brand Ambassadorship: becoming the brand ambassador has a great contribution in determining what the public and potential customers say and think about the firm. It ensures the following.
  - Consistent Messaging: Employees who are well-versed in the company's mission, vision, and values can consistently communicate these to customers, ensuring a unified brand message.
  - Advocacy: Satisfied employees are more likely to advocate for the company, enhancing its reputation and potentially attracting new customers and talent through positive word-of-mouth.
3. Service Quality: every firm seeks to offer high quality products and services. By engaging in internal marketing, the firm ensures:
  - Customer Experience: Motivated and knowledgeable employees tend to provide better customer service. This directly impacts customer satisfaction and loyalty.
  - Innovation and Improvement: When employees are engaged, they are more likely to contribute ideas for improving products, services, and processes, leading to continuous innovation.
4. Organizational Alignment: this may take the forms of:
  - Strategic Alignment: Internal marketing ensures that employees understand the company's strategic goals and their role in achieving them, leading to better alignment between individual and organizational objectives.
  - Cohesive Culture: It fosters a strong, cohesive organizational culture where employees share common values and goals, promoting teamwork and collaboration.
5. Performance and Productivity: there will be great performance and productivity which can be assessed through.
  - Efficiency: Engaged employees are generally more productive and efficient, as they are more committed to their tasks and the success of the company.
  - Quality of Work: Higher motivation and better alignment with company goals often result in improved quality of work.

6. **Crisis Management:** every firm must engage in crisis management once in a while. Internal marketing ensures that:
  - **Resilience:** A well-engaged workforce is more resilient and better equipped to handle crises. Employees who feel supported and valued are more likely to stay committed during challenging times.
  - **Communication:** Internal marketing ensures that employees are well-informed, which is critical during crises to maintain order and prevent misinformation.
7. **Employee Development:** the desire of every firm is to see its employees develop. Internal marketing brings about this through the following
  - **Skill Enhancement:** Internal marketing often includes training and development programs, which help employees enhance their skills and grow within the company.
  - **Career Growth:** Providing opportunities for career advancement helps retain talent and ensures that the company has a skilled workforce ready to take on future challenges.

In summary, internal marketing is significant because it fosters a positive work environment, aligns employees with the company's goals, enhances customer satisfaction, and ultimately drives the overall success and growth of the firm.

### **11.6 Prerequisites for Internal Marketing**

There are a few variables in the organization which need to be considered for a successful Internal marketing (Bansal et al, 2016).

- **Internal Communication:** The primary aim of Internal Marketing is to create customers and service quality conscious service staff. This is possible to achieve only when the employees are informed about the organizational core values, guiding philosophy, vision, Marketing strategies, long term and short-term objectives, consumers needs and expectations, priorities of different consumer segments etc., which is sought to be done through Communication.
- **Organizational Culture:** Organizational culture refers to the set of shared beliefs and norms in the organization which influence the behavior of all the employees. Culture facilitates the understanding of the organizational functioning and serves as a guide for the employees.
- **Managerial Skills and Competencies:** Managerial skills are visible in the long-term and short-term planning done by them and its effective implementation. The competencies of the managers are reflected in making Internal Marketing successful by building relations with all the employees in the chain of service creation and service delivery.
- **Linking Internal and External Communication:** All through the implementation of Internal Marketing, the Service Marketers must ensure that the messages being conveyed in the Internal and external communication are the same. Any mismatch between the message contents of internal and external communication can lead to confusion, thereby adversely affecting the outcomes of Internal Marketing.

## **11.7 Internal marketing process**

Involving the employees in the development of the marketing strategies is one of the first step to Internal marketing. However, there are various ways in which the organization can design Internal marketing (Bansal et al 2016):

- a) **Aligning Organizational objective with employee attitude:** The service staff should be involved and taken into confidence while designing the external promotional and communication marketing plans. They should be clearly informed about the vision of the organization and their role in the fulfillment of the vision should also be briefed.
- b) **Comprehending the Organizational Core values:** Every employee of the organization should be introduced to the core values and philosophy of the organization. This is important as it is the employees who reflect the organizational values to the customers.
- c) **Coordination:** Having acquainted the employees to the driving philosophy of the organization and the overall vision statement to all, it is useful to coordinate the efforts of all employees to achieve the common purpose of customer satisfaction and organizational growth. This step is critical as humans have a tendency for conflicts.
- d) **Developing congenial environment:** Creation of an open and trustworthy atmosphere is the next step in Internal marketing process. The employees should feel confident sharing their views with their immediate seniors as well as with the top authorities for the purpose of improving the service quality or reduction in the customer waiting time.
- e) **Empowering employees:** Internal Marketing is facilitated by having empowered employees in the organization. The level of belongingness and motivation is directly proportional to the degree of empowerment offered to the service staff.
- f) **Reward:** Internal marketing can also be done by rewarding the service employees for their exceptional performance in discharging their duties. Critical cases may be given special consideration along with the routine services offered by the employees. This not only motivates the winning employee but also generates healthy competition amongst the other service personnel.

## **11.8 Roles of Internal Marketing in a business**

There are several areas where internal marketing can play a vital role (Mishra, 2010):

- **Management of change:** Many companies are undergoing some form of transformation through mergers, alliances, or downsizing. The need for communication is stronger in these circumstances. Internal marketing may be used to place, and gain acceptance of new systems such as the introduction of information technology and new working practices, and other changes. It creates good coordination and cooperation among departments of the business.
- **Building corporate image:** When companies change their brand, their name, or their values, it is essential to communicate the change to all stakeholders including employees. Internal

marketing can play a key role in creating awareness and appreciation of the company's aims and strengths - as all employees are potential company ambassadors.

- Employee empowerment: Internal marketing empowers employees and gives them accountability and responsibility. As companies empower staff to build stronger customer relationship, internal marketing underpins the drive for greater involvement, commitment, and understanding.
- Enhancing Organizational Commitment: Lack of commitment from employees can be harmful to an organization, resulting in poorer performance arising from inferior service offerings and higher costs. The major thrust of the internal marketing concept is to ensure that employees feel that management cares about them and their needs are met. If these are not met then the satisfaction of external customers is difficult, if they are met then employees become committed, co-operative, and enthusiastic about the organization.
- Employee satisfaction: Internal marketing approach can assist in creating more satisfied customer-contact employees who clearly appreciate the logic and benefit of courteous, empathetic behavior when dealing with customers, lead to greater customer satisfaction. Internal marketing which aims at reducing interdepartmental and inter-functional conflict and developing the co-operation and commitment needed to make external marketing strategies work.

### **11.9 Elements of Internal Marketing**

The following section gives a clear summary of the internal marketing elements namely from employee point of view (Azzam, 2016):

1. Employees Selection: Employee selection is the process of interviewing and evaluating candidates for a specific job and selecting an individual for employment based on certain criteria. It involves several steps aimed at identifying the best candidate who meets the job requirements and fits well within the organization. If selection is to be done effectively, there should be a faire selection of highly skilled, talented and qualified personnel who are responsible to provide high quality services in firms where direct contact between employees and customers take place.
2. Employees Training - Employees training enables them to experiment with the latest technologies in such a way that something is created, and this adds to the firms' overall knowledge stock which will be responsible for providing high quality services in their firms.
3. Employees Motivation - There is a growing trend in today' business for recognizing the need to humanize jobs and to give the employees more and more responsibility to enhance their job satisfaction.
4. Employees Empowerment - Empowerment is the process of delegating power and authority to employees so that objectives of the organization is achieved. Empowerment of employees as an element of internal marketing can achieve various benefits to the hospitality firms where employees are in some circumstances are responsible to take the decision immediately, these benefits are motivating factor for employees, reducing the

burden of top management, qualifying subordinates to take responsibility and exploring talented and highly qualified employees who can be responsible for improving the services quality.

From marketing perspective elements of internal marketing can be classified as internal; products, price, promotion, place, physical evidence, people and processes (Mohanty& Mishra, 2019. Each of these is discussed briefly.

- Internal product: From an internal perspective, product generally relates to the employee 's job. Treating job as product does not mean the tasks that are needed to be performed by the employee, rather it has much broader aspect of making job more comfortable and valuable for them through training, empowerment, remuneration and career opportunities to increase satisfaction level of the employee.
- Internal price: The price element of the internal marketing mix is concerned with what internal customers need to 'pay', when they buy into the product offered by an organization. In terms of internal marketing, there are many costs borne by the employee in exchange of the job which are not monetary based, but more intrinsic in nature. These intrinsic costs relate to the price that employees pay to work for the organization. Internal price is thus the sacrifice and contributions made by employees.
- Internal place: Services normally make use of non-physical distribution channels to deliver some of their service elements to customers. The non-physical relates to the invisible and intangible aspects such as the cultural and symbolic aspects of the organization). The aim of the place element to devise an internal environment and atmosphere that is conducive to the achievement of goals. This can be achieved by giving more resources, better support, changing or at least attempting to change and fine-tune organizational culture, as well as examining ways of empowering employees through structural and responsibility adjustments. Thus, place comprises of organizational structure and organizational culture that play an important in the satisfaction of employees.
- Internal promotion: e internal promotional mix is a blend of communication tools used by an organization to execute the promotion process and to communicate directly with the internal market. Internal communication is sharing of information within the company, which enables creating value for the external customer. The internal communication creates a platform to maintain relationships with the employees, and communicating statements of mission and organizational developments while giving the particular attention to their external customers.
- Internal people: From an internal marketing perspective, the employee is the internal customer whose perception of the service encounter is affected by internal suppliers and other employees. From an employee satisfaction perspective, the relationship with leaders, supervisors/direct managers and co-workers all have an impact on the employee as employee behavior depends on their interaction with others in the internal environment.

Leaders, managers and supervisors have a powerful influence over employees and their work behaviors.

- Internal processes: From an internal marketing perspective, internal process relates to how the employee receives the job product. The delivering superior product elements require design and implementation of effective process to ensure that both employees and customers experience a satisfactory interaction. Process design involves understanding the characteristics of products or services well in order to translate the product or service design into information, knowledge, organizational capabilities and operating processes needed to deliver the service.
- Internal Physical Evidence: physical environment or servicescape is the physical facility or actual working environment where the service is provided; it refers to the non-living features of the service environment. In order to increase efficiency, effectiveness, productivity and job commitment of employees, the business must satisfy the needs of its employees by providing good working. Physical evidence relates to the physical environment being the tangible aspects used to improve service quality, influence employee productivity and satisfaction. The physical environment includes aspects such as the branch buildings, exterior signage, parking and landscaping. Good workplace design of an organization has optimistic relation with occupants' health and well-being, and it help to reduce the ratio of absenteeism and improved satisfaction.

### **11.10 Barriers to Internal Marketing**

There are several factors which hinder the process of Internal marketing (Bansal et al 2016).

a) Resistance to change: Whenever a new idea is to be implemented, a likely reaction by those getting affected is to resist the new idea or the proposed change. Many a times people resist the change due to lack of complete information, fear of loss of authority, fear of loss of promotional opportunities or job security. Service managers must confront such factors leading to resistance to change and ensure that all employees concerned are able to appreciate and accept the proposed implementation of Internal Marketing.

b) Failure to fix responsibilities: Often the service organizations are unable to identify the position and delegate the requisite responsibility to effectively implement Internal Marketing. This is evident when the service employees are able to take a decision concerning quality service delivery but are unable or unwilling to do it.

c) Lack of support from the top management: Even when all the variables within an organization are in right perspective for the implementation of Internal marketing, nothing can be achieved if it does not have the support of the top level management. For an effective Internal Marketing, the employees down the line should get supportive and substantial indicators from the top management for its implementation else the whole exercise will be futile.

d) Managerial incompetence: If the service managers responsible for the Internal marketing are incompetent or does not rightly appreciate the concept of Internal marketing, the implementation

cannot be effectively done. Often, the managers are unable to catch the indicators affecting the service quality level or the employee motivational levels and thus fail in their duty of putting Internal marketing process in place and may only pay a lip service to the concept.

### **11.11 Advantages of Internal Marketing**

There are a number of benefits which a Service firm can accrue from the Internal Marketing.

a) Introduction of change: A service organization will have to consistently upgrade its service creation and service delivery system to offer quality services to its consumers. For doing so a number of changes may be desired from time to time including the upgradation of technology, increased dependence on Information Technology and improvements in the service delivery processes necessitating refreshers training for the service staff. All these tasks are feasible to be smoothly implemented in the event of the presence of the concept of Internal marketing.

b) Building Corporate Brand Image: Internal Marketing commences with treating the service staff as the potential consumers. Efforts are made to convince them of the organizational practices and strategies so that in turn they are able to convey the same to the target consumers with conviction. In this process, Internal Marketing facilitates the Corporate Brand building.

c) Improving Coordination: Internal Marketing tries to contain the Inter-departmental and Intra-departmental conflicts by aligning the organizational objectives with the individual attitude and behavior. Since all the employees in the service organization are expected to look up to a common direction to channelize their efforts, this in turn, will facilitate the development of cordial relations and improvement in the coordination amongst all the employees in an organization.

d) Motivates the Employees and enhances performance: Internal Marketing begins with the encouragement of the service employees and sharing with them the process of decision making. This facilitates in improving the performance of the employees and delivery of consumer satisfying experience during the service transaction.

### **11.12 Best practices in Internal Marketing**

We conclude this lecture by examining the six best practice elements related to and supportive of an overall IM initiative as highlighted by Mulhern ( 2006).

- Senior Management Participation: Leadership initiative, support and/or buy-in are vital for the success of any internal marketing initiative. Major change will come from the top down, inspiring employees to follow what their company leaders truly believe in.
- Integrated Organizational Structure: IM should encompass all employees in a company. Using a horizontally integrated management or process structure enables all functions and levels to be involved in a collaborative decision-making process.
- Strategic Marketing Approach: Best practice companies take a formal approach to internal marketing by applying research and planning processes as well as tools and techniques similar to those used in external marketing programs.

- **Human Resources Partnership:** The human resources function provides a vital role in developing strategies that synchronize with internal marketing and business development.
- **Focus on Employee Engagement:** Creating an efficient and collaborative work environment where employees feel involved and motivated is critical to the success of internal marketing. Focus is on positive reinforcement of proactive work.
- **Internal Brand Communication:** Best practice companies communicate the brand promise to employees across the most relevant channels and then motivate employees to deliver on that promise to all levels of customers.

## 11. 12 Review Questions

1. "The idea of viewing employees as internal customers was first developed by Berry (1981). Explain how treating employees as internal customers can impact employee morale and service quality. Provide an example of how a company might implement this concept in practice."
2. "Ballantyne (2000) defines internal marketing as a relationship development strategy for the purpose of knowledge renewal. Discuss how knowledge renewal can contribute to continuous innovation within an organization. What strategies could a company use to promote knowledge renewal among its employees?"
3. "Ferrel and Hartline (2008) suggested internal marketing as a planned effort using a marketing-like approach to overcome organizational resistance to change. Identify two common barriers to change within organizations and propose internal marketing strategies to address these barriers."
4. "Internal marketing ensures that employees are motivated and knowledgeable, which directly impacts customer satisfaction and loyalty. Describe a scenario where poor internal marketing led to a decline in service quality. How could effective internal marketing have prevented this situation?"
5. "Internal communication is crucial for informing employees about the organization's core values and objectives. How can an organization ensure that its internal communication is aligned with its external communication? Discuss the role of organizational culture in facilitating effective internal communication."

### Self-test

1. Which author first developed the idea of viewing employees as internal customers?
  - A) Kotler and Armstrong
  - B) Berry
  - C) Ballantyne
  - D) Ferrel and Hartline

2. According to Kotler et al. (2006), what is the task of internal marketing?
- A) Developing new products
  - B) Expanding market reach
  - C) Increasing sales
  - D) Hiring, training, and motivating able employees
3. Ferrel and Hartline (2008) describe internal marketing as a planned effort using a marketing-like approach to overcome what?
- A) Financial instability
  - B) Organizational resistance to change
  - C) Competition
  - D) Technological advancements
4. Which of the following is NOT an aspect of internal marketing?
- A) Establishment of internal relationships
  - B) Jobs as internal products
  - C) Customer satisfaction surveys
  - D) Training and development of employees
5. What is one key benefit of effective internal marketing?
- A) Increased advertising budget
  - B) Improved employee morale
  - C) Higher product prices
  - D) Expansion into new markets
6. Which of the following is NOT a key aspect of internal marketing's significance to a firm?
- A) Employee engagement and motivation
  - B) Brand ambassadorship
  - C) Service quality
  - D) Financial reporting
7. What is a prerequisite for successful internal marketing according to Bansal et al., 2016?
- A) External partnerships
  - B) Internal communication
  - C) Market research
  - D) Competitive pricing
8. What does internal marketing aim to create among service staff according to the text?
- A) Sales incentives
  - B) Customer and service quality consciousness
  - C) Technological expertise
  - D) Financial acumen
9. Which of the following is NOT an element of internal marketing from an employee's point of view?
- A) Employee selection

- B) Employee training
- C) Market expansion
- D) Employee motivation

10. What role does internal marketing play during a company's crisis management?

- A) Cost-cutting
- B) Resilience and communication
- C) Product innovation
- D) Market analysis

## **Marketing Management Project**

### **Part 10**

#### *Tasks*

- a) Discuss how well the firm you have been studying has been making deliberate effort to incorporate internal marketing in its strategy. Show the evidence.
- b) Suggest any improvement required to achieve maximum benefit from application of internal marketing to the firm.

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*Answers to self-test evaluations*

1. Berry
2. Hiring, training, and motivating able employees
3. Organizational resistance to change.
4. Customer satisfaction surveys
5. Improved employee morale
6. Financial reporting
7. Internal communication
8. Customer and service quality consciousness
9. Market expansion
10. Resilience and communication