

INTERNAL MARKETING: THE CONCEPT AND CONTROVERSIES

Internal Marketing was originally proposed as an approach to services management which entailed the application of traditional marketing concepts within the organisation in order to improve corporate effectiveness. A related concept called internal-customer suggests that the employees be treated as customers in order to improve the quality of service offered to external customers. The approach basically inverts the organisational pyramid and puts customers on top and divides the employees into two categories, viz., (i) those who serve customers and (ii) those who serve those serving the external customers. Hence the front-line employees became internal customers to the back-office support service staff, supervisors and management.

Internal marketing is supposed to build a market oriented and customer focused culture in an organisation that facilitates the following:

1. Enable the organisation to build customer focus into the corporate mission and make every employee (whether in operations, marketing, finance or personnel) understand the importance of customer satisfaction and play a direct/indirect role in providing the same.
2. Treat the front-line employees as internal customers and keep their morale and motivation high.
3. Create an environment where customer contact personnel feel empowered to deliver high quality service to customers and do not feel threatened to give feedback to the management on the negative moments-of-truth experienced by customers, and
4. Streamline service delivery systems (including the back-office support systems and procedures) in order to suit customer needs regardless of internal conveniences.

Hence the concept of internal marketing cuts into various aspects of Human Resources Management (HRM) such as motivation, leadership, values and shared vision. It also looks into the aspects of structure, service delivery systems, and procedures. This has led to a territorial dispute between marketing, operations and HRM. In this article, we look in to the current controversies over the concept of Internal marketing and analyze the whole issue in an integrated manner.

The controversy surrounding the extension of the marketing concept beyond market transactions is as old as marketing itself. Marketing text books (See Kotler 1967), define marketing as an exchange process and as a result of the same, any exchange between two parties, be it church and its members, politician and voters, and employer and employee can theoretically be brought under the marketing umbrella. This led to the application of marketing concepts to as diverse fields as politics (McGinness, *The Selling of the President*, Trident Press, New York - 1969) to church

and charity. Today it is an accepted practice to talk about selling of charities or education like selling of toilet soaps. It is interesting to note that a concept developed for activities concerned with the flow of goods and services from producers to consumers has come a long way.

The only problem is that the concept is now being applied inside the organisation while the earlier extensions were all attempted externally. Hence the questions raised are what is being marketed and to whom. Obviously there is no clarity on the marketing-mix used either.

Now that marketing is seen as a function to be performed by everyone in the organisation, some HR people see it as the handy work of the marketing mafia to retain its preeminent position in organisations. It is also true that a section of pro-active HR personnel have started selling their version of internal marketing to their organisations in order to consolidate their portfolios. Marketing people say that it is a break-through concept and the HR personnel say that they were always practising these and 'internal customer' concept is old wine in a new bottle.

Even the concept of empowering front-line employees in terms of dealing with customers is also fraught with many problems. It is easy to say that front-line employees are free to take decisions up to several thousand Rupees. Not many front-line employees are in a readiness state to use such extraordinary powers, in redressing consumer grievances. After all, if the money involved is greater than his means, he would certainly like to get the endorsement of his superior or boss.

Additionally, the customer contact personnel are the ones who are in an ideal position to observe the positive/negative experiences of customers with regard to the service provided by the organisation. Not many front-line employees would be willing to feed the management with the negative experiences of consumers as it always has the potential risk of back-firing.

HOW MUCH OF MARKETING IS THERE IN INTERNAL MARKETING?

However, most successful applications of internal marketing typically talk about improved motivation, leadership, team-building and working relationships which are nothing but pure and simple HRM principles. In that sense Internal marketing may appear to be old wine. What is interesting is that they do not stop with this but basically lead to awareness of big picture and better customer service. Hence the concept of internal marketing goes beyond the functional limitations and looks at issues in an organisational perspective. Also the concept has brought about a marriage between Marketing, HRM and Operations.

If Internal marketing is to play the role of corporate integrator, some people argue, why then call it marketing? Why not call it by some other name? Basically, internal marketing is trying to get the entire organisation to develop a customer-focus and market-orientation. If customer orientation is part of marketing, then

there is a definite justification for using the term internal marketing. But it does use quite a lot of basic HR principles.

Fundamentally, both marketing and HRM deal with people. At this core level, definitely there are a number of concepts such as attitudes, motives and satisfaction which are going to be common to both the disciplines.

What is probably new is the extension of the idea of one set of people within an organisation becoming customers to another group within the same organisation. Even this concept existed in a different form in the profit-centres concept. One SBU/profit-centre buying from another automatically becomes a customer to the other. But the moot question is can we equate employees with customers.

CAN EMPLOYEES BE EQUATED WITH CUSTOMERS?

At the micro level, if we are going to equate the front-line employees to the external customers we must be aware of the dissimilarities. We have listed some of these in Figure - 1.

Internal Customer	External Customer
1. Come under the jurisdiction of the management	1. Not under the direct control of the management
2. Continuous relationship with the organisation	2. Transaction based discrete relationship
3. Cannot switch in and switch out at will. Switch back is normally unwelcome	3. Switch in and out is easy. Switch back is welcomed with folded hands.
4. Management has the right to hire and fire.	4. Firing rights are not with the management
5. Management pays money (salary) - Hence the power is with the management.	5. Customer pays money and the power rests with her.

Differences Between the External and Internal Customers
Figure - 1

Issues such as individual customer satisfaction versus meeting the corporate objectives have been debated at length in the literature. Additionally,

employees of the organisation are bound by the rules and regulations of the organisation whereas the relationship with customers are not tightly governed by rules. Of course when a customer voluntarily enters the premises of an organisation to avail its services, he/she will be governed by its rules. Consider for example, a customer entering a McDonald's outlet cannot ask for waiter service.

However the organisational relationships are much more complex. Though to some extent we may find parallels in customer relationships, the relationship between one employee and another is much more complex as it is governed by past behaviours and other situational factors. Many times, people have hidden agendas and they use organisational issues to settle scores with each other. As the hierarchy is involved, people can use positional power and play politics to achieve their end objectives. These are not going to be very pronounced in the case of customers.

Marketing Representatives (MR) may be internal customers for the Finance Officer(FO) of a company. But the FO will not take a lenient view if an MR does not produce proper vouchers for the expenses incurred during his/her sales tour just because he/she is an internal customer.

OUR APPROACH:

Our approach to this issue will be to look at the whole business from an integrated perspective. We are getting into the age of integration. We still have the hang-over from the industrialisation era which taught us the division of labour to division of everything. We should realise that we are in an information age with capabilities to integrate everything.

Consider for example the shift in the use of computers in organisations. Traditionally computers were used to automate processes that were carried out manually. Currently people are talking about information technology (IT) based Business Process Reengineering (BPR). Basically, function-oriented structured analysis methods cannot exploit the new IT environment to its full potential. The new analysis methodology for BPR should specify explicitly data and cross-functional processes, independent of any particular details of implementation.

The functional divisions such as Finance, Marketing and HR were all created for internal conveniences. Now that we have the technology we should break the traditional chimney's built around the functional areas. Business problems are so complex that it is not going to be possible to fit them into the functions of management.

The primary objective of any business is survival and growth. In today's turbulent environment which is characterised by changing consumer tastes, fierce domestic and global competition, ever changing exchange rates, and rapid technology changes businesses cannot afford to work in a compartmentalised basis.

What is talked about is multi skilling of employees and broadening the perspectives of executives. Definitely the introduction of the internal-customer concept helps the organisations to look at issues in an integrated fashion. It has helped marketing people understand HR principles and vice versa.

Gone are the days when a receptionist was considered a decorative piece in an organisation. In modern organisations, the receptionist has access to major data bases and she is able to answer most of the customer or supplier queries by looking at her computer screen. The office of the future will have all its work systems designed in a way that every one will be a front-line employee.

In the era of delayering we are witnessing the demise of middle management. With computer control systems, it is possible for a manager to monitor the work of a large number of people. Additionally we also witness the formation of smaller SBUs comprising of 50 or less people. Within these work groups there cannot be any hierarchical relationships if they have to function effectively. Though there will be specialists within the team, every one in the team will be expected to know the duties of front-line employees.

Basically internal customer orientation is one of many approaches companies follow to face the environmental challenges. In a changed scenario, executives and academicians trying to protect their turf by building walls and erecting chimneys around their functions of specialization will get exposed. Marketing provides a framework to understand these inter-functional linkages needed to provide better customer service.

CASE STUDIES ON INTERNAL MARKETING:

In this section we present two case studies to highlight how the issues of marketing, HRM and operations are interrelated. Quite often, in services management we cannot draw a clear boundary between functions which is evident from the following cases.

CASE - I

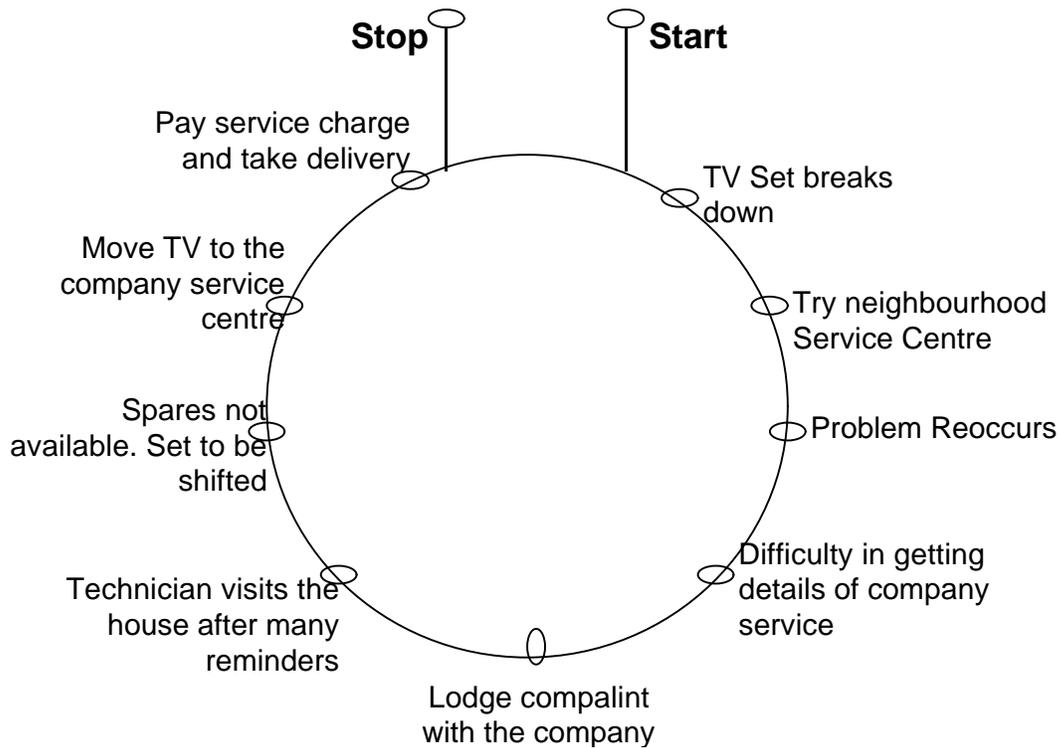
The author was requested by a large company engaged in the manufacture and marketing of consumer durables such as, TV, VCR, and washing machines to study their after sales service facilities. For the purpose of illustration, we confine ourselves to TV repair only.

As a first step, qualitative interviews were held with selected customers, service technicians, back-office workers and the managers to understand the problems and issues involved.

After talking to about 20 customers, it became clear that the experience of most of the consumers were similar in nature. A typical customer would first try fixing the

problem with the unauthorised neighbourhood service station. When this does not work out (as in most cases) he/she would lodge a complaint with the company. The service technician would normally show up after a week and that too after repeated reminders. He would not have the required spare parts for fixing up the problem and would ask for the set to be moved to the company service station. Many customers would experience difficulty in shifting the set to the service station as it is located in some remote corner of the city (Contrast this with the attractive show rooms situated in shopping malls all over the city). Finally the TV would get repaired and the customer would leave the service station with a feeling that the service charges were too high (in comparison to their neighbourhood service station).

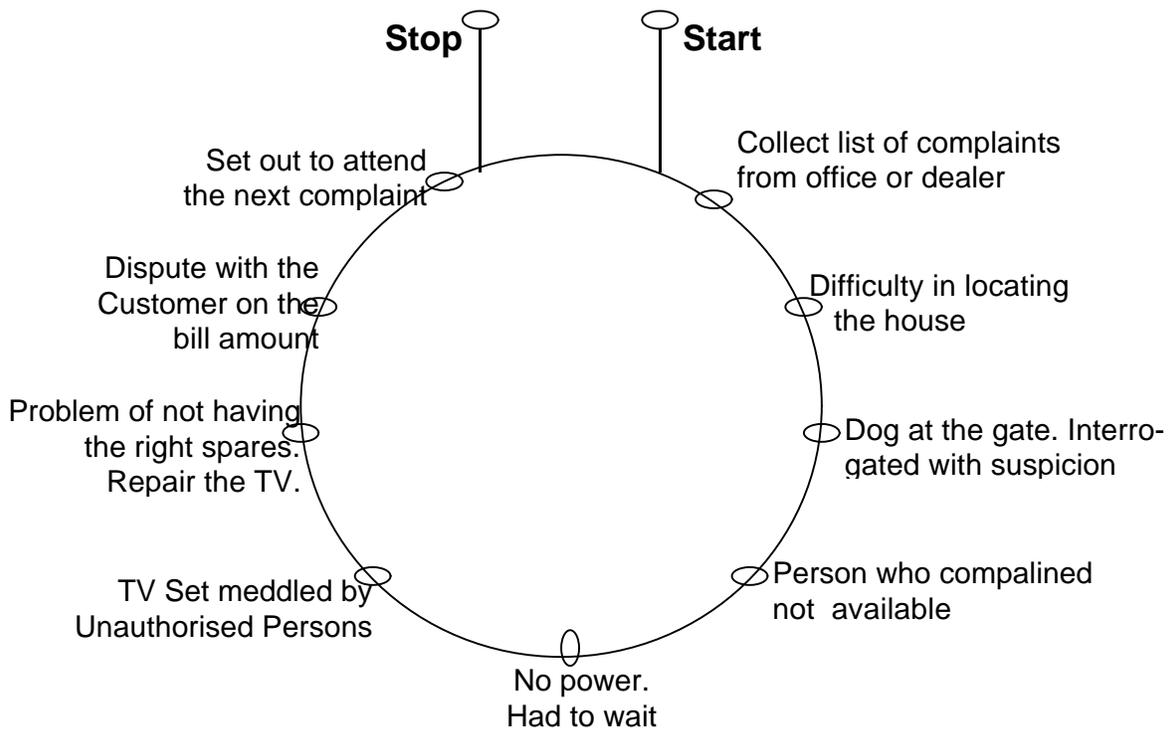
By putting together all the moments-of-truth experienced by the customers as indicated above, the cycle of service diagram (Figure-2) was constructed. This was subsequently used to highlight the plight of the customers to the staff of the after-sales service division.



Cycle of Service for TV Repair Consumers
Figure - 2

Subsequently, the service technicians were interviewed. Interestingly, their experience was very different and revealing. On a typical day a service technician

would collect his complaints from the office and set out to attend to the complaints. After locating the house with great difficulty he would be interrogated with suspicion or would be greeted by a dog before getting entry into the house. The person who complained would not be available as they visit only during office hours and the housewife or the servant-maid in the house would not be able to explain the problem. In most cases there will not be power available (India is notorious for power cuts!) to repair the set and would have to wait till the power comes. Technician would get annoyed to see that the set had already been meddled by unauthorised people. If he has the right spare parts (which is rare as he does not know the nature of the complaint) he would set it right or would ask for the set to be moved to the service centre. After this some dispute would erupt with the customer about moving the set to service centre or on the bill amount if the TV is repaired. The he would set out to attend the next complaint. Using this experience of the service technicians, another cycle of service diagram (Figure - 3) for the service technicians was constructed. Here we have used the same cycle of service mapping used for customers to understand the internal customers as well.



Cycle of Service for TV Repair Technician
Figure - 3

As a second step, an informal interaction session was arranged for the entire group of people from the after-sales service division in a hotel. They were first shown the cycle of service diagram (Figure - 2) for customers. The technicians expressed their grave concern over customers going to neighbourhood service centres and not coming directly to them. Then they were shown the cycle of service diagram (Figure - 3) for service technicians. On seeing both the diagrams, the group started offering its comments and suggestions for improvement of the service to both internal and external customers.

Some indicative suggestions to improve the life of internal customers are listed below.

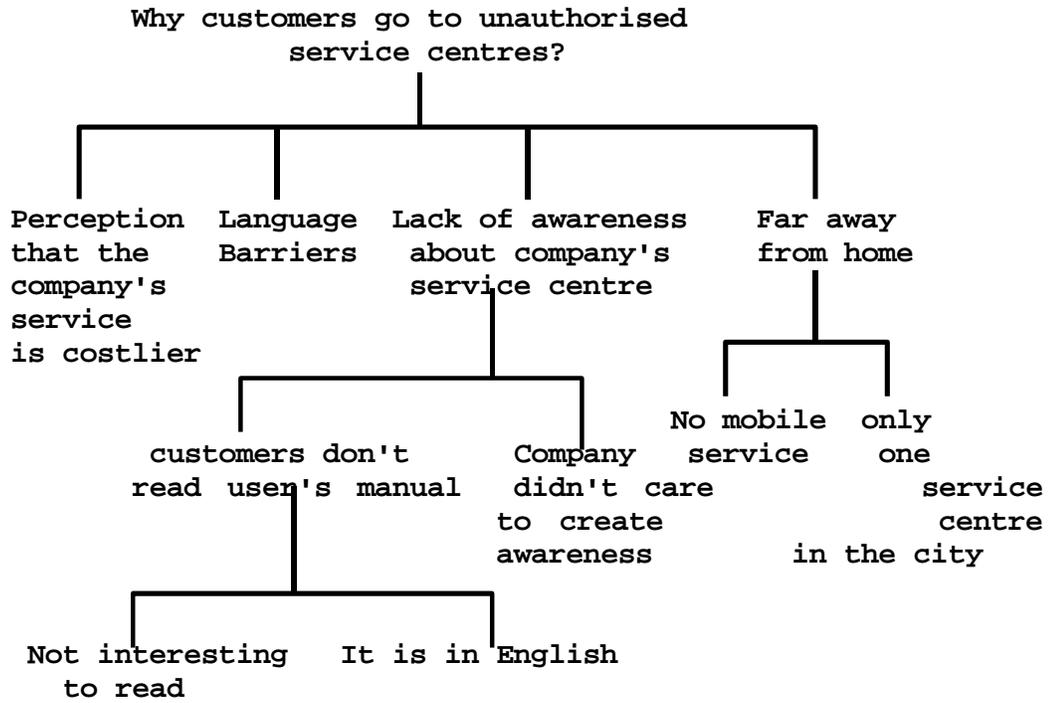
1. The telephone operators offered to take details of land marks near the houses so that it will be easy for the service technicians to locate the houses.
2. It was suggested that they put people with some technical knowledge at the telephone in order to enable the person get more details about the nature of problem with the TV sets. This will also help the technicians carry the right spare parts for service.
3. The manager of the division offered to supply dog biscuits to the service technicians to enable them tackle the dogs at the gate. (This was promptly turned down by the technicians as they had already become experts in handling dogs.)
4. The management offered to liaison with state electricity board to get details of load shedding in different parts of the city every day and feed the service technicians with the same information.

Similarly a number of suggestions came for the improvement of service to external customers. This included change in the working timing of the service technicians to suit the convenience of the customers; introduction of mini van service to pick-up and deliver the TV sets; and printing pamphlets to be distributed to customers to educate them on TV maintenance and repair.

However they were all at a loss to understand as to why should customers allow their TV sets to be meddled by unauthorised service personnel. This problem was analyzed using the why-why analysis. The reasons put forward were very interesting.

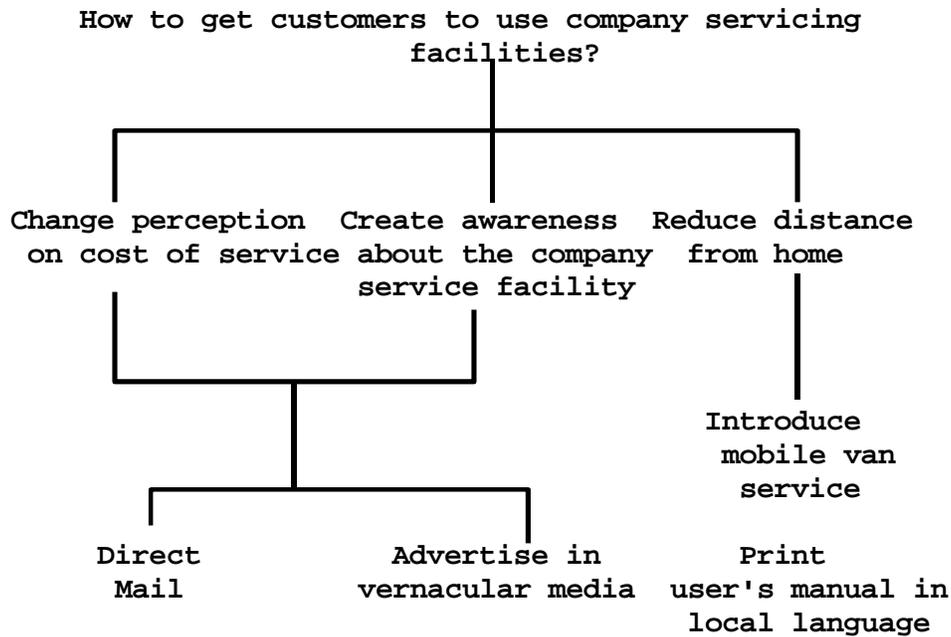
1. Customers perceive that the company service is costlier than neighbourhood service.
2. Customers have language barriers in communicating with the company as the telephone operators spoke in English.
3. Many customers were not even aware of the company's service facility.
4. Company service facility was situated in a place far way from the main city.

By probing further as to why the wrong perception and why the lack of awareness, the complete why-why diagram shown in Figure-4 was developed.



Why-Why Diagram
Figure - 4

Having understood the reasons, a how-how approach was used to attack each one of the deterrents to the use of company service facility. Then came the solutions, viz., 1. Increase the no. of service stations, 2. Introduce mobile service vans, 3. Advertise in vernacular media, 4. Print pamphlets and user's manual in the local language and 5. Build a data base of buyers and use direct mail to customers. These are summarised in the how-how diagram (Figure - 5)



How-How Diagram
Figure - 5

In this case we can see the inter-linkages between delivery systems, front-line employees, the back-office support staff and the corporate policy on after-sales-service.

Case - II

Another study was carried out for a public sector bank to look in to the reasons for the poor off-take of a new credit scheme for purchase of consumer durables, introduced by the bank. This time the approach used was Ghost audit or mystery customer shopping. Investigators visited a number of bank branches asking for a loan to buy a car. The front-line clerks were blissfully unaware of any such scheme being offered by their bank. Discrete enquiries with the branch managers revealed that they were not interested in pushing the scheme as it would be difficult to recover money from individuals.

The bank had printed a lot of brochures and mailed to individual branches. But the branch managers had dumped them all in the dust bins. In this case, we cannot blame the front-line clerks as they were not even informed of the new scheme. The problem was mainly with the regional managers. They were not willing to take risks. Partly the management was to be blamed because they had an inadequate performance appraisal scheme for the branch managers which laid greater emphasis on deposit mobilisations and not on funds utilisation and profits earned.

In this case reshuffling of regional managers was undertaken and also the appraisal schemes got modified. Subsequently, the branches were operated as profit centres and individual targets were fixed for different schemes in consultation with the branch staff. This case clearly brings out the fact that branch operations were functioning independently of the corporate marketing objectives. The integration was brought about by the appraisal system developed by HRM.

THE LESSONS:

As a new concept, internal marketing has brought to light the importance of keeping the motivation and morale of the front-line employees high. It has also helped companies understand the need to regularly make marginal upgradations of the internal systems and procedures to bring about continuous improvement in the quality of service provided to the customers. What is Kaizen to product quality, internal marketing is to service quality. Above all it has once again proved the point that in the ultimate analysis it is the people who will have to deliver the results.

In order to survive in the stormy business environment we should get out of the narrow focus of Marketing, HRM and Operations as it will only help us fix the noise in the engine while the boat sinks. We are sailing in the turbulent sea and we need to keep the boat moving towards the destination. The enemy is outside and there is no point in having internal conflicts. Companies should learn to develop the external orientation and responsiveness to be successful. Inter functional and hierarchical conflicts within an organisation can only lead to dissipation of energy in unproductive ways.

INTERNAL MARKETING CHECK-LIST

Check the answers to the following questions to understand the extent to which your organisation is practising the concept of Internal marketing.

1. Does the mission statement of you organisation talk about customers and market orientation?
2. Are the employees in the marketing department convinced of the need for customer focus for the survival and growth of the organisation?

3. To what extent do employees in other departments, such as, production, finance, personnel understand the need for customer focus?
4. Does the job description of every employee in the marketing department include the role of the employee in providing customer satisfaction?
5. Does the job description of every employee in other departments include the role of the employee (either directly or indirectly) in providing customer satisfaction?
6. Does your organisation treat the front-line customer contact employees as heroes?
7. Do the customer contact personnel feel empowered to deliver high quality service to customers?
8. Do the customer contact personnel feel confident about giving feed back to the management on the negative experiences of the customers?
9. Does your organisation have a streamlined service delivery systems (including the back-office support systems and procedures) in order to suit customer needs regardless of internal conveniences.
10. Are interdepartmental conflicts resolved with customer focus in mind and not based on personalities?

If you get more than 8 yeses to the above questions, your company is truly pracising internal marketing. 6-8 is also a good score. If the score is 4-6 your organisation needs improvement. Less than 4 means a poor internal markeing oriented company.