

An Exploratory Investigation into the Interpretation And Perceived Importance of Internal Marketing, from the Perspective of Employees.

Mbago Ndifuna Hamza
Breyer State University, USA

Key words

Internal marketing, Financial services, Customer service.

Abstract

Internal marketing has been present as a concept in business literature for many decades, yet there appears to be no clear definition as to its actual purpose, its benefits, or who should implement such an initiative, if at all.

The objective of this research was to take an exploratory investigation into internal marketing from the perspective of the employee, in order to ascertain their interpretation of internal marketing and its perceived level of importance within an organisation.

Through the process of interviews and a focus group, the thoughts and beliefs of employees were extracted and analysed in relation to current literature. Interestingly, the apparent confusion as to an actual definition of internal marketing was present throughout the research, as was the failure to find agreement on who should implement such an initiative. The research also highlighted the different benefits that employees believed internal marketing could produce, from shared knowledge and commitment, to actual product sales. However, internal marketing was unanimously seen as important and the input of senior management critical to its success.

Introduction

Internal marketing is increasingly seen by organisations to be a key tool in delivering a better service to employees. This is especially true for service organisations, which rely on the excellence of the service encounters between employees and customers for repeat use, which ultimately drives profitability. However, there would appear to be confusion as to what is actually meant by internal marketing, if the employees, who it is aimed at, consider it to be important and if so, who should deliver such an initiative.

The research has therefore taken an exploratory investigation into internal marketing from the perspective of the employee. Due to the high level of customer contact and potential long-term commitment between customer and company, the financial services market is a particularly relevant area to research with regard to internal marketing. The financial services organisation Goldfish was therefore used to gather the necessary data, in order to try and gain a greater understanding, from the perspective of the employee, as to their interpretation of internal marketing and its importance within an organisation.

The financial services industry

The past ten years have seen considerable change in the retail financial service business environment. The sector has experienced shifts in consumer demand, technological innovation and entry of new competitors from outside the traditional banking environment (Payne *et al*, 2000). Indeed, new players, especially from the retail sector have been able to gain valuable market share, by utilising the information they hold, to target their loyal base of customers. These companies include Marks and Spencer, Virgin and Tesco.

To date there is not a great deal of evidence to suggest that many banks have attempted to integrate customer measures, employee measures and shareholder measures (Payne *et al*, 2000). Indeed, it would appear that the big four high street banks have rested on their laurels, relying on their oligopolistic position to generate large profits at the expense of the customer. However, it would seem that their lethargy and potential lack of investment have allowed new companies, who are not restricted by out-dated legacy systems, to introduce a new range of financial services products, which can be integrated and work harder for the customer. It is acknowledged that these leaner, more customer-orientated companies are challenging the dominance of the big four high street banks and gaining significant market share.

One such company is Goldfish. Goldfish was created in September 1996, as a joint venture between British Gas and HFC bank. It was launched as a credit card, in an attempt by British Gas to retain its customers in a newly deregulated market. Its lead proposition was Goldfish points, which could be redeemed for savings on British Gas bills, as well as on vouchers for leading high street retailers, including Marks and Spencer and Boots. The launch was seen as a huge success and in its first full year, it became the fastest growing credit card in UK marketing history (Data monitor, 1998).

This platform allowed the Goldfish brand to be stretched, to offer further products including Travel and Home Insurance, Personal Loans and even Individual Savings Accounts. The strength of the brand and high level of customer service led Centrica, the owners of British Gas, to decide to increase the potential of Goldfish even further and become a full bank, offering further financial products. This commitment was not shared by HFC and in December 2001 Centrica and HFC parted company. Centrica, requiring the backing of a financial institution, in order to obtain the necessary licences, formed a joint venture with Lloyds TSB. This joint venture has since led to Goldfish achieving its banking licence, and it is now in a position to launch its first banking related product, in the form of a savings account.

Further to the transition of Goldfish, from being just a credit card provider, to becoming a full service bank, they have also relocated offices and are endeavouring to recruit a considerable number of staff, in order to fulfil their ambitions.

In the financial services arena, customer service is increasingly seen as a key differentiator to success. Goldfish are very conscious of this fact and state, as one of its key competitive advantages, the high standard of customer service, delivered by employees. Indeed, the intangible nature and complexity of financial services means that the role of the employee as the channel of delivery of the service is crucial. The employee is the key to the delivery of a quality service and the success of the organisation is dependent on the ability and the motivation that its employees bring to their jobs (Asif & Sargeant, 1998). Due to the rapid and extreme nature of internal change, with the shift in strategic alliances, and office relocation,

Goldfish is viewed as an interesting body of research for investigating the understanding and perceived importance of internal marketing from the perspective of the employee.

Rationale for the research

Internal marketing was first proposed over twenty years ago as a solution to the problem of delivering a consistently high standard of service (Berry *et al*, 1976). However, since then there has continued to be a great deal of confusion in current literature as to exactly what internal marketing is, what it is supposed to do, how it is supposed to be done, and who is supposed to do it. The variety of interpretations as to what internal marketing constitutes has led to a diverse range of activities being grouped under the umbrella of internal marketing.

With the increased level of automation and knowledge of the customer, leading to commoditisation of many products and higher expectations from consumers, organisations have started to realise that a key competitive advantage and area of differentiation is the level of service and experience that the customer receives. The skills and enthusiasm of people are hard to replicate, as opposed to technology, and therefore it is increasingly important for companies, especially those service orientated, to offer exceptional service to customers, a process that many believe is only possible with a knowledgeable, empowered, and enthusiastic workforce (Asif & Sargeant, 2000).

These days, customer service is gaining cachet as companies struggle to differentiate themselves in a crowded and ever more technology driven marketplace. Yet many organisations, busy funnelling money and efforts into call centres and customer relationship management (CRM) software, overlook an equally important audience, the employee, whose satisfaction is just as essential to profitability and the customer's satisfaction (Dana, 2000).

This research is therefore deemed important in order to gain a greater insight into internal marketing, from the perspective of the employee, who can be seen as instrumental to the success of any business. The requirement for such research is further supported by the acknowledgement of the enhanced levels of competition within the financial services sector. Asif and Sargeant (2000) state that this increased level of competition has made it difficult for financial services organisations to concentrate resources on the development of employee satisfaction. Indeed, factors such as the blurring of the distinction between banks and building societies, the increased internationalisation of the sector and the entrance of new retail players, has compelled many institutions to rationalise their operations and look for improved levels of productivity from their staff (Asif and Sargeant, 2000).

These potentially conflicting needs, for continued staff support and satisfaction, on the one hand, and rapid organisational change, on the other, has therefore made the role of internal marketing a crucial one. George and Berry (1981), as cited by Asif and Sargeant (2000), argue that good communication can act to keep levels of satisfaction high in the workplace, and make employees less resistant to change. There has, however, been comparatively little academic interest to date in the subject of internal marketing and rather less in the processes underlying such communications and the outcomes thereof.

The researchers were in an advantageous position to investigate internal marketing within the context of the financial services industry, as he was based in the Marketing department of Goldfish. Access to the employees had been agreed with the organisation, and

the researchers believed that his existing relationship with the employees would aid in open and truthful communication and therefore produce valid results, which would result in a better understanding of internal marketing and its perceived importance.

Aims and objectives

The objective of this research was to take an exploratory investigation into internal marketing from the perspective of the employee, in order to ascertain their interpretation of internal marketing and its perceived level of importance within an organisation.

The research aimed to achieve a greater insight into the aspect and themes of internal marketing from the perspective of the employee. This phenomenological research studied employee's perspectives of their world and attempted to describe, in detail, the content and structure of the employee's consciousness, to grasp the qualitative diversity of their experiences and to explicate their essential meanings (Kvale, 1996).

Secondary research was investigated in order to establish existing work in the area of internal marketing. From this base, the research investigated the aspect of internal marketing and its perceived level of importance within an organisation. Goldfish was used as the main body of research. It was noted that the financial sector, by its very nature, is a global one and as such, its management practices are likely to reflect current international trends, at least with respect to other OECD countries (Quester & Kelly, 1999).

The researchers recognised that only one organisation was used in the collection of the data and therefore the breadth of the findings was quite narrow. They were also conscious that the use of interviews and a focus group to obtain such data, which whilst deemed as suitable methods, had their own inherent limitations. The relationship the researcher had with the organisation and participants, combined with his research ethics did, however, allow for a unique and open investigation.

The resurgence of interest in marketing literature about what internal marketing means and what activities it embraces (Ballantyne, 2000) provided an ideal starting point. The research therefore commenced by identifying the main areas of debate and interpretations of internal marketing, in order to establish a solid foundation from which to conduct and analyse the research.

Literature Review

This section of the investigation looks to draw together the current thoughts on internal marketing. Commencing with proposed definitions, the work shall continue by addressing the role and focus of the employee within internal marketing. The influence of human resource management and management styles shall be discussed, before concluding with the possible broadened scope of internal marketing.

Internal marketing has been present as a concept in business literature for many decades. More than twenty years ago internal marketing was proposed as a solution to the problem of delivering consistently high service quality by Berry *et al* (1976). However, despite the rapidly growing literature on internal marketing from authors including, Barnes, 1989; Berry, 1981; Cahill, 1996; Collins and Payne, 1991; Flipo, 1986; George, 1977, 1990; Grönroos, 1985; Piercy and Morgan, 1991; Pitt and Foreman, 1999; Richardson and Robinson, 1986; Sasser and

Arbeit, 1976; Winter, 1985, it would appear that very few organisations actually apply the concept in practice (Sargeant and Saadia, 1998).

The following text will highlight some of the potential reasons why internal marketing has failed to be adopted. These reasons include the actual purpose of internal marketing, who should own and manage such an initiative and what it should actually aim to achieve. Indeed, Ahmed and Rafiq (2000) state that one of the main problems in applying internal marketing, is that there does not exist a single, unified concept, of what is meant by internal marketing. This has been investigated further.

Conclusions

The objective of this research was to undertake an exploratory investigation into internal marketing from the perspective of the employee, in order to ascertain their interpretations of internal marketing and its perceived level of importance within an organisation.

Through the process of interviews and a focus group, the thoughts and beliefs of employees have been extracted and analysed in relation to current literature. The research has uncovered the following key aspects about internal marketing from the perspective of the employee:

- Employees unanimously viewed internal marketing as important
- The apparent confusion as to an actual definition of internal marketing was present throughout the research. This was first identified in the literature review and was identified in the research findings
- There was failure to find agreement on who should implement such an initiative and the benefits it should produce
- Links with Marketing, Human Resources and Brand were continually reiterated throughout the findings
- Internal and external marketing were seen as similar initiatives that should complement each other
- employees believed that there was no internal marketing within Goldfish, but that internal marketing is practised successfully by some organisations. Those employees who expressed this view had experienced internal marketing from the point of joining the organisation. Thereby shaping their view from the outset
- The need for direction and commitment from senior management was seen as key to the success of internal marketing

The investigation concluded by addressing how the research was conducted and the possible improvements that could be made. Future areas of research were also identified, both through the actual research findings and the literature reviewed.

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