A NEW INSIGHT INTO INTERNAL MARKETING EXCHANGE MODEL: WHO SELLS AND WHO BUYS IN INTERNAL MARKET?

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Abstract: Internal marketing has been one of the most unambiguous concept in the literature. Various studies revealed that internal marketing plays an important role for the organizational growth. Due to increasing competition, globalization, liberalization organizations are focussing to improve employee’s orientation. Internal market plays an important role in organizational success. Nowadays, organizations are moving towards competitive advantage to sustainable competitive advantage, to improve internal service quality for external service quality, organizational culture to learning organizational culture, internal market orientation for market orientation, brand value to corporate brand value, Internal branding with branding, marketing to relationship marketing and organizational procedure to innovations, etc. in which internal marketing plays a vital role.

Initially internal marketing was identified as an exchange process. But due to perplexity with respect to the concept it, is necessary to elucidate what is the exchange process of it. Employees are called as internal customers and organization as a market. There is need more clarification regarding who sells and who buys in the internal market. It is necessary to develop exchange process. Jobs are treated as internal products, but later in the literature it is found that there are various types of products in the internal market and exchange is different from the traditional marketing. Now a day’s organizations are focusing to make relationship and focus on mutual benefits. This there is need to develop an exchange model of internal marketing. In this paper a new exchange model is developed to bring new insight into the internal marketing concept.

Keywords: (Internal marketing, Exchange model, internal customers, internal market)

I. INTRODUCTION

Internal marketing means motivating and satisfying employees to create employee orientation to sell them job products and through inter-functional coordination they are utilized and provide service to organization, for which they get reward.

In the changing scenario, it is found that internal marketing is not only useful for service organization but also for product organization. This led to the development of it for the whole organization. In the third evolution of this concept Rafiq and Ahmed clarified it reduces conflict among employees and improves inter-functional coordination. In the third phase of internal marketing importance of inter-functional coordination emerged in it. To implement changes in the organization, there is need to overcome resistance to change. This is possible through internal marketing. Through inter-functional coordination, all internal functions are able to work well. It also improves service capability of employees to serve each other and external customers.

1.1 Significance of internal marketing

After the employee performance they required reward for it. If it is not according to their expectations then they develop negative attitude and became disinterested in their work. Next time they do not work in a proper manner and diminishes their positive ideas, innovativeness, positive attitude, good working culture etc. Internal interaction between internal supplier and internal customer is also gets affected. To achieve organizational objective internal exchange between organization and staff plays significant role which initiates the importance of internal marketing. According to Johnson et al (1986) through internal marketing efforts employees get clear vision, mission, goal, and reward for their work. This means that organizations sell their job product and produce some output from them for which they get reward. Researchers also investigated internal marketing improves internal exchange between internal suppliers and internal customers however, this concept is inherent in total quality management. In internal marketing internal supplier serves internal customer in a well manner to improve inter-functional coordination, conflict reduction, to overcome resistance to change. For improving employee’s behavior it works best.
II Objective of this research

Due to obstacles in internal marketing concept it is difficult to implement it in right manner. To implement internal marketing successfully it is necessary to focus on its theory first. What is its meaning and what is the exchange process of internal marketing.

III LITERATURE REVIEW

3.1 Importance of internal marketing evolution

Motivation is the first stage of internal marketing evolution. After evolution of total quality management importance of internal customers once again came into being to enhance service quality. At the time of evolution of internal marketing concept, it is revealed that it is to motivate and satisfy employees to serve external customers in a best way.

Internal marketing is a growing concept in the organization. Firstly we start from who is taking the responsibility of internal marketing in the organization. According to various studies human resource manager or top management is responsible for it. In various Big Companies like GE, Zappos, 3M, Google, CEO/top management is responsible for internal marketing. Yastrow and company works for various companies to improve internal marketing. According to Steve Yastrow’s successful organizations not only focus marketing outside but also within the organization. Most of the organizational people unanswerable about their brand promise. Even they do not know the reason of their work. Every employee should know about what is the aim of the organization. There is need of brand harmony in the organization. For example Kimpton Hotels and restaurants employees whether they are top executives or front line employees have same understanding and vision. Another example of well-known organization named Apple. Apple understands the value of customer interaction with employees. They provide best training program in how to become Apple brand. At the time of training employees bring Credo card with them which have short message of how to become Apple brand. Various studies of internal marketing are related to improvement in marketing functions. However, it has also strategic implications. For example software firms understand the importance of internal marketing in marketing function and also as strategy. It makes impact on efficiency of the employees. Corporate brand influence is more than the product brand. Working for reputed corporate brand is the centre of attention for people. Brands for example Infosys, TCS and Unilever, are attracts and retains people. Internalization of the organizational culture is the prerequisite for internal marketing. Firms like Marriott, Apple, Microsoft, Infosys, TCS, GE have strong internal structure that educate employees about the culture of the organization.

In 2000 Dawes (2000), by using data from the banking and insurance industries, aimed to examine the relationship between the dimensions of internal market orientation and customer orientation. It was found that all dimensions of internal market orientation had positive relationships with customer orientation. Information dissemination was found to be the greatest contributor to customer orientation while responsiveness was shown to be the least contributor. In one of the study of Spanish hotels 6 factors studied on internal customer orientation which are: Exchange of values, Segmentation of internal market, Internal communication, Management concern, Implementation of management concern & training. Internal customer orientation makes impact on market orientation and it act as major impact on business performance. Study shows that the most developed dimension by the Spanish hotel industry is Internal Communication with a mean score of 5.6. One of the study of internal marketing at chestnterracecourse is conducted to reveal importance of it in managing increasing attrition rate. According to researcher more improvement is required in the concept of internal marketing. Various researchers for example Mavridoglou in case of Greeek banks used Money and Foreman scale to measure internal marketing ,it is based on three factors Vision, Development and Reward. It is also suggested in various researches that more research is required in this field to measure it.

3.2 Concept of internal marketing

Internal marketing is an organizational process, through which value is delivered to internal customers.

When an organization provides value to their employees (internal customers) all the points of Holbrook are also applicable for internal customers. According to Holbrook, customer value is not always constant. There is a need to identify and develop a customer need regularly in the organization. This is not a one-time job to analyze customers need. Every individual has its own need. When a customer gains value they start to compare it with its alternative. Internal marketing is an organizational process, through which value is delivered to internal customers. Before analyzing internal customers need first there is need to do a motivational analysis of them. It is very difficult to implement internal marketing with de-motivated employees. There are various choices available in the market to satisfy the needs of the customer. It is the want that makes the purchase decision. For example, if a person needs a job, then he can do anywhere. But if he wants a job in a particular company, this is his want. Internal marketing makes employees happy. Thus it develops positivity in their work. Internal marketing has been studied with various factors to improve employee’s behavior for example employee motivation, employee satisfaction, employee attitude, employee happiness, employee loyalty, employee retention, employee customer orientation, etc. Satisfaction and motivation of employees is the most important to improve service quality. For this there is need to implement marketing plans in the organization. There are various
positive results of internal marketing revealed by researchers for example, it makes positive impact on employees happiness, internal service quality, commitment, competitive advantage, external customer satisfaction, relationship building etc.

3.3 Internal market

Internal market competition is healthy it is not for discouraging anyone. Internal market consists of all the employees inside the organization. To make competitive organization it is essential to improve internal market first. New ideas are generated in the internal market. This concept has been used by hotels, hospitals, tourism, banks, university, etc. In the starting this concept is found useful for service industry only but nowadays it is also applicable to other industries for example manufacturing industries. In the internal market there are various departments and units are working for common goal. Internal supplier and internal customers are involved in buying and selling of work to accomplish their goal smoothly and efficiently. First organization motivates and sells work products to their internal suppliers and then internal supplier sell it to internal customers. Various formal and informal promotional programmes are prepared by organization to create awareness inside the internal for example conferences, seminars, sports activity etc., this overall makes impact on financial performance of organization and also create awareness in the internal market towards common goal.

In today’s scenario organizations are not only want to gain financial benefits but also non-financial benefits. Now a day’s organizations are focusing to create positive word of mouth, long term relation with customers, employee branding, corporate branding etc. By adding internal values organization strengthens them. And it is also true a strong person/entity is able to defeat anyone. Thus, internal chain of value added for internal customers gives benefit to organization and external customers. It improves the performance of the organization and makes impact on financial status of it, improves efficiency of employees, creates positive image of organization etc. By providing value to internal customers, external customer service is also enhanced. There are various choices available in the market to satisfy need of the customer, It is the want that makes purchase decision. For example if a person needs a job then he can do anywhere. But if he wants job in a particular company, this is his want.

Organization is doing exchange with employees for mutual benefits. According to Berry motivating employees for job products enhance service quality of the organization. It is based on the assumption that satisfied employee’s lead to satisfied customers. Motivation and satisfaction alone is not found only objective of internal marketing. It is more than this. To make employees customer orientation motivation and satisfaction works as a tool. First internal customer orientation is created through internal marketing that makes impact on customer orientation. Organizations are facing problem to make employees customer oriented. Thus, by creating internal customer orientation they get success in it. It is the human who contributes in providing sustainable competitive advantage to organization. Now days are gone that are taking care of only external customer need, at present scene internal and external customers both are equally important. Organizations that are selecting, motivating, and managing their employees for outstanding performance in business gained competitive advantage in comparison to others. Competitive advantage is building by various organizations to compete in the market. But to become more competitive more profitable organizations it is necessary to gain sustainable competitive advantage.

3.4 Meaning of internal customers

The significance of the internal customer concept came into being in the mid-1980s. According to Nagel et al (1990), they are present in every organization. Similarly Gummesson (1987) et al stressed that all employees of the organization are internal customers. The internal exchange is happening in the organization; therefore, Groonroos (1981) suggested that every employee is both a customer and supplier to the other employee.

3.5 Meaning of exchange

Kotler (1999) defines exchange is a core marketing concept. It involves two parties each party has something that might be of value to the other party. Marketing actions are undertaken to get the desired responses from the target audience. Marketers include transfer and transaction behavior to broaden its concept. The successful exchange is those that analyze what each party expects from the other party.

In the marketing, there is an exchange transaction between buyer and seller. The aim of exchange transaction is to develop a long-term relationship between them. The marketing transactions result in the satisfaction of buyer and seller. In the transaction, buyers and sellers both gain something from each other. Buyers gain is through the satisfaction on the purchase and consumption of products. In the internal marketing jobs are products and buyers are internal customers (employees). If the buyer is not satisfied, then this transaction known as selling transaction. The seller’s gain is profit or benefit they received. Profit is an unambiguous term. Different people mean profit in different terms. In internal marketing, profit is the benefit earned by improving internal service quality. If the seller does not make any profit, then it is a dumping transaction. By this, there are two main functions of the marketing exchange process:-

1. Understanding customer needs and satisfying them with suitable job products.
2 The organization serves the customer in such a way that they achieve benefit to the organization. Thus, they make a long-term satisfying relationship.

By using work products employee, achieve their goal and organizational goal. Figure 1 represents the exchange between employee and employer.

The organization sells their job products to internal customers to improve service quality and employee buys to get motivation and satisfaction which results in external customer satisfaction. The main point here is that management should understand the need of employees and cares for them in a similar manner as external customers.

Rafiq and Ahmed (1992) make an objection to Berry’s idea of ‘employees as customers’, employees have to accept the job (product) what they get from the organization. They do not get a choice of job. The concept of “employee as customer” is questionable. Is external customer satisfaction having primacy over internal customers? If yes, then it means that organization is the first market and external market is at the secondary level. It looks inverting according to the fundamental axioms of marketing that external customer has primacy.

Fig 1.Buying and selling relationship between employees and organization

Thus, some scholars opposed ‘employees as customer’ notion due to following reasons:

(1) Products that employees are sold may be unwanted to them.
(2) Products that employees have may be of negative utility.
(3) Moreover, unlike the external customers, employees have no choice of products that they can select. They have to use the product, whatever they get.
(4) Due to the contractual nature of employment, employees forced into accepting job products.
(5) The financial cost of a satisfied employee could be considerable.

Marketing is the exchange process between buyer and seller. In the internal marketing, there is need to give more clarification of its exchange process. Money and Foreman gave the concept of ‘who is marketer’ and ‘who is customer’ in the organization. Money and Foreman (1996) gave the concept of four types of marketer and customer given below in figure 2.

Type 1: Marketer is department and customer is also a department.
Type 2: Marketer is organization and customer is a department.
Type 3: Marketer is department and customer is an organization.
Type 4: Organization is both marketer and customer.

All of the above four types are represented in figure 2.

Fig. 2 ‘Who are marketer and who are customer’.

- Type 1 of ‘who are marketer and customer’ in the diagram shows an exchange between departments. The importance of the relationship between employees is inherent in the total quality management to meet the customer requirement. In the organization, there are three types of interdependence between them:

1) Sequential interdependence-To carry the activities when the output of one group, becomes the input of another group.
2) Pooled interdependence- When employees give an independent contribution to the organization refers pooled interdependence.
3) Reciprocal interdependence - Input of A becomes the output of B and output of B again set as the input of A.

Berry’s exchange logic tells us that there is an exchange between employees and organizations. The organization sells job, therefore the organization is a marketer and employees purchase job that is why they are called as internal customers. Type 4 of Money and Foreman (1996) represents that organization is a marketer and customer both. This means we need to add organization as a customer in the Berry’s model.
For this, we need to clarify what organization sell as a marketer and what organization buys as a customer. Berry makes clear that organization as a marketer sell job. Now the question is what a customer buys when becomes an organization.

In the literature, there is no clarity in the exchange process of internal marketing thus, by using Money and Foreman and Berry’s concept, a new exchange model is presented in figure 3.

**Fig. 3: New Exchange model of internal marketing**

New model : Derived from Berry and Money and Foreman concept

- **Following two processes are shown in figure 3-**
  - Process 1
a) Organization as a marketer sells jobs by motivating them.
b) Employees as a customer buy jobs and pay in the form of psychic cost, energy cost, time cost, opportunity cost etc.

- Process 2

a) Employees as a marketer sell their service to the organization by utilizing their skills, talent, knowledge etc.
b) Organization as a customer buys services pay in the form of monetary or non-monetary benefits to the employees.

The organization as a marketer sells their jobs. Internal customers pay for it that improves the performance of the organization. Thus, it improves internal service quality of the organization. In this exchange process, employees as a customer to evaluate cost and value analysis of the job. If the cost of the job is more than value, then they do not get satisfaction by purchasing a job.

An example of process 1: Mr. Raj gets a job in a private bank A and his workload is the means of stress for him. He starts to compare job cost with other banks and found that in another bank job stress is low. It makes his mind to switch the bank. After this, he will think about switching costs. If salary in another bank also low and he needs a good salary to run his family in this situation he would not switch bank. In this situation bank A gets success in retaining Mr. Raj. However, this does not mean that problem get resolved. Mr. Raj is facing conflict due to workload. This means that internal customer always thinks about the cost of his work. They buy jobs, but they analyze it with its cost. They get satisfaction only if they get more value than the cost they are paying. An organization has to work continuously for adding value in his job.

According to Collins and Payne (1991), the organization as a customer purchase labor. They explain that exchange process between employee and employer in which employee sells labor in order to earn income. According to Money and Foreman organization is also acting as a customer by this understanding employee as a marketer sells their services to the organization by utilizing their skills, talent, knowledge, etc. On the other hand, Organization as a customer buys services and pay in the form of monetary or non-monetary benefits to the employees.

An example of process 2: Mr. Sunil is working in an ABC bank as a manager. He manages his team by using his talent and by making effort for it. Organization analyzes his service by doing a job evaluation. Mr. Sunil gets a low salary in comparison to Ramesh who is also a manager in the organization. Mr. Sunil is more talented than Ramesh. Mr. Sunil has more knowledge about job sometimes he gives training to Ramesh. According to ABC bank, Mr. Ramesh gets more salary because he bargained for salary at the time of recruitment. Now Sunil as a marketer is dissatisfied. However, he is still selling his service to ABC bank. The organization gives benefits to all employees and they buy services. The organization as a customer want improvement in internal service quality only then it is satisfied. In the above example, Mr. Sunil is dissatisfied because he is considering it an unfair practice in the organization. Here is a need to boost the morale of Sunil to improve the internal system. As a customer organization needs not only to focus only purchase services but also how to maximize satisfaction by this exchange. That can be done by creating good working culture, work environment, fair policies etc. in the organization. This is a continuous process.

In the exchange process of marketing both marketer and customer wants satisfaction. For example, in the external market also, if the customer likes the product and wants to purchase, marketer tells them about the price. If the customer is unable to pay the price, then marketer does not sell it. Nobody can sell any product or services without getting any profit or benefit. As a marketer, they have to convince the customer that the product is very valuable and it would benefit you in the future. However the days are gone in which marketer by expressing the benefit of product sells it, now day’s customers are smart they purchase only if they really find benefit in it. If they get satisfied, again, they will make purchases. Now the time comes to delight customers.

To strengthen internal marketing, there is a need to get success in exchange process that gives satisfaction to both marketer and customer.

Many authors defined aim of internal marketing in their own style. Payne (1993) explained purpose of internal marketing are –

1) Development of internal and external customer awareness.
2) External customer awareness is old concept. Without proper marketing of external customer, organizations are not able to get profit. To satisfy external customers is the typical job. Philip Kotler (1999) “it is difficult to satisfy everyone in the market”. Organizations are still working to find ways to satisfy customers. Traditional marketing is focusing to satisfy external customer directly. Internal marketing creates internal customer awareness which directly and indirectly satisfy external customers. Internal marketing is a solution to deliver superior service to customers by satisfying employees (internal customers).
3) Internal marketing helps in removal of functional barriers in the organization.

There are many hurdles in the working of the organization. Functional barriers are one of them. To tackle people is a difficult task. Proper coordination and cooperation between employees is requires to achieve goal of the organization. Thus, it helps to achieve organizational effectiveness.

The above points can be clear with an example: if we want to work energetically outside our home, we expect with our family that understand our problems, giving proper coordination, motivate to work, etc. so that we give positive outcomes. This means our family indirectly influences our external work. If our family wants that we work hard, we need first to improve our family environment. Our organization is also our family that influences our work. Lack of dedication of employees can be destructive to an organization which
increases cost of the organization. Organization success is depends on their employees depicted by Hogg C (1996). If the organizations are not trying to understand needs and desires of employees then it is their biggest mistake. Sometimes for getting short term profit organization has to pay big cost for it. By fulfilling employee’s needs and desires organizations are not losing anything. By this, they are able to get competitive advantage. It takes proactive decisions. Therefore, employees should be deal as external customer to earn long term benefits of the organization.

Information and education of employees is very important to deliver better service. Thus, main activities of internal marketing are to inform and educate employees about the product and services, organizational mission, strategies and expectations of organizational customer.

Following are objectives that Internal marketing should develop given by Tansuhaj et al. (1988) and Ahmed et al. (2003)-

- **Internal marketing starts with employee motivation.** To implement internal marketing successfully motivated employees are required.
- **Internal marketing is to satisfy internal customers.** It increases the willingness of employee to do job. Employee’s willingness to do work is increases by implementing internal marketing tactics. Employee caring management can results in willingness of employee to do job. Employees are interested to work if they get benefits for it. If they are not getting reward or any other benefit for it then they are disinterested in work. They develop negative feeling towards organization. This would be fatal for organizational growth.
- **Internal marketing implemented to increase employee participation.** They are involved in taking organizational and individual decisions.
- **Many research shows positive relation between internal marketing and employee commitment.** According to various researchers commitment is necessary for success of marketing. According to some researchers internal marketing helps to achieve commitment. Internal marketing in the organization is to improve the employee efforts, commitment, satisfaction, involvement, motivation, improving work environment. Employee improving their performance results to achieve organizational goal.

Main purpose of internal marketing is to improve service quality. But if we say that its main purpose is to improve the service quality providing to external customers only then it may be wrong. Nowadays internal marketing are using in product organization also. One thing also here if the employee is providing better service due to making their image in front of customer or due to work pressure of the organization but may be they are not motivated because of poor human resource system. By reviewing literature it is clear that internal marketing adding value to organizational product and services by selling it in organizational market. It is the exchange process inside the organization. It is essential that importance of organizational product and services are better understand by internal customer first before it sell in the external market. It is possible only if organization sell jobs to internal customers. Berry defines jobs as internal product of the organization. Internal marketing not only provide better service to external customer but also cares to its employee. Ravneet Kaur (2012) presented a model which shows that internal marketing aim is to improve service quality through employee satisfaction. It results into increase revenue, decrease costs and build market share. By reviewing literature in short we can say that internal marketing is to improve the organizational performance, gain competitive advantage, improve organizational effectiveness, improves internal relationship, build brand image etc. by using internal marketing practices. There are the three phases of internal marketing that describes different views of researchers towards it.

**Conclusion**

Internal marketing emerged as a solution to improve service quality. Berry first recognized it as an exchange process. In the internal marketing employee’s are treated as customers. Groonroos also found importance of internal marketing to improve interactive marketing. But it is found that there is no complete exchange process of internal marketing. Thus, it is necessary to understand who are buyers and sellers in the internal marketing process. Various researchers are trying to find right process of internal marketing implementation, but the major problem is in its concept. Thus, this research paper focused on the internal marketing concept as an exchange process. In this paper new model was prepared that represents that organization as a marketer selling jobs to internal customers (employees) by motivating them and employees as a customer buy jobs and pay it in the form of psychic cost, time cost etc. Employees as a marketer sells their service and organization as a customer pay in the form of monetary and non-monetary benefits. In the internal marketing exchange process employees and organization both are treated as a customer and marketer both to improve internal service quality and customer satisfaction.

**REFERENCES**