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## The Influence of Internal Marketing on Employee Satisfaction in the Service Industry

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### Abstract

Many service firms today experience problems when managing their employees. Those issues range from a high rate of absenteeism and high turnover rates to performance degradation and lack of devotion, all of which result in losing external customers in the end. This research aimed to demonstrate the impact of "internal marketing" on employee fulfillment in the service industry. In order to prove this impact, the most commonly observed reasons why talented people leave their jobs and what employees need in reality have been identified. In this article, some solutions are proposed by referring to the best practices of some of the most successful companies. Those examples support that "internal marketing" is the greatest way to gain the loyalty and long-term commitment of qualified, talented and experienced staff. In consequence, this research has revealed that satisfying the employees is the first rule to please customers. It has clearly shown that "internal marketing" has become pivotal within the service industry since the first person that a potential customer meets at a service business is the frontline personnel, who are the immediate reflection of a company.

**Key words:** Internal marketing, internal customers, employee satisfaction, service industry



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### INTRODUCTION

Two decades ago, Berry and Parasuraman (1992), the two services marketing authorities, drew attention to the significance of retaining knowledgeable and competent employees. They said "If ever there was a time for service firms to compete more effectively for talent, that time is now," (p. 26). Boomer (2004, p.20) also stated that "People are assets whose value can be enhanced through investment. As the value of people increases, so does the performance capacity of the firm." If such is the belief, why can't businesses retain their brilliant, skillful members of staff? Why do talented people leave their jobs?

There may be many reasons for that; the need for more money, boredom, lack of an employee reward system, low morale, leaving employees out of the loop in the decision-making process, not communicating the vision and goals of the company well to them, not hiring the right people for the right positions, and so on. Yet, the most common reason is that most firms are so customer-focused that they lose sight of their employees' needs like empowerment, appreciation and feeling important to the organization, and their desire to learn more about their jobs. Berry and Parasuraman (1992) and Hales and Mecrate-Butcher (1994) underlined that the major purpose of internal marketing is to make all of the employees of an organization feel that they are valued, appreciated and trusted so as to retain the skilled workforce and as a result, reduce employee turnover rate, absence from work, and on the contrary, boost morale and devotion to outstanding service performance.

Employee satisfaction and being employee-focused is pivotal in both goods-producing industry and service industry; however, in the latter, it is of even more critical importance, because consumers first meet the infantries; that is, the frontline employees when buying services. In other words, no matter how wonderfully your service has been designed, it is all up to the performance of the frontline employees. Morgan (2004) explained that customers expect service personnel to be capable of answering all possible questions, and dispel their anxieties and worries.

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Carlzon (1987) also noted that the “*moments of truth*”, a customer’s first encounter with the service employee, is critical as that is the instant when the potential customer develops an impression about the overall quality of the service to be performed.

On the other hand, Grönroos (1994) complained that although it is the frontline employees that interact with customers in a service business, unfortunately, they are not regarded as marketers. However, he suggested that “*They have to be committed, prepared and informed, and motivated to perform as part-time marketers,*” (p. 13). Kale (2007, p. 3) agreed with Grönroos when he said that “*all employees of the organization are de facto marketers.*” Furthermore, Jain (2013) warned that when a business finds an employee who is loyal, qualified and competent, they had better keep him. Losing such a precious employee has some disadvantages. The person may transfer to another firm, which might be very threatening in today’s competitive markets. Moreover, finding a new staff member to replace the old, qualified one is another challenge. Especially in labour-intensive industries, hiring competent service employees has been a big challenge due to a shortage of skilled workforce today.

When such is the case, some companies opt for improving their personnel’s skills within the organization through “*internal marketing*” (Li & Sheldon, 2010). Yet unfortunately, with others, a common problem is managers’ myopic focus on employees, a failure that leads to high employee turnover rates in some industries, which in return brings about decreased productivity and plunging morale (Abbasi & Hollman, 2000).

### **INTERNAL MARKETING**

Berry (1981), the inventor of the term “*internal marketing*”, defined it as accepting staff as internal customers, considering their work as internal products that fulfil their needs and wants while delivering the objectives of the organization at the same time.

Service establishments must respect their personnel’s needs and wants, and regard them as the most trustworthy allies of their organizations. Berry and Parasuraman (1992) noted that companies should frequently evaluate the needs of their employees. If they do not, that will probably cause low morale among the staff, which will undoubtedly bring about poor performance. In that case, firms will have to face the consequences of their actions, one of which would be losing their best employees and the other one, saying farewell to their most loyal customers.

Also, Chang and Chang (2007) defined internal marketing as the activity of employees, who are considered as the members of the organization, assisting the establishment to produce goods and services for “*external customers.*” Grönroos (1994) warned that if companies overlook internal marketing, they may end up ruining external marketing, too.

Internal marketing is best performed when a business encourages its employees to act in a service-minded and customer-oriented fashion by adopting a functional, marketing-like attitude (Grönroos, 1994). Through internal marketing, employees are educated. Thus, they feel more self-confident and more proficient. As a result, this feeling will arouse enthusiasm among them to work with more passion and devotion.

Kudo *et al.* (2006) supported Grönroos by saying that internal marketing strongly affects employees’ loyalty and commitment to the organization and their enthusiasm to work harder. Similarly, Mowday, Porter and Steers (1982) and Trimble (2006) observed in their studies that the more committed employees are to their organizations, the more willing they are to agree with the objectives and values of the organization, make more effort to work harder and want to stay with the same business. Grönroos (2000) also agreed that practice of internal marketing within a company contributes to the dedication and loyalty of the employees of that company positively. Especially in service businesses, this is true for everyone from the workers at the bottomline to the CEO of the organization. As Grönroos (1994) expressed, not only the service employees, but also directors at all levels have to be devoted and ready to serve.

Regarding the education of employees, Lynch and Worden (2010) reported that at Hospital Corporation of America, employees are rewarded for sustained professional development, which is an example of encouraging employees for education.

Besides, Branson (2011), the British entrepreneur and owner of Virgin Atlantic Airways, Virgin Galactic and some other service businesses, said that if one nurtured his employees, he would soon enjoy excellent customer service. It is a give and take relationship. He stated that “*everyone on staff, from pilots to ground workers, has rigorous, operational, safety, security and even medical training; but at Virgin America, that’s just the beginning,*” (p.1). He added that the whole crew met their co-workers from different departments under the leadership of a trainer to practise conflict resolution, and improve their understanding of hospitality as well as their emotional intelligence.

Diagnosing employees’ needs and concerns is another important issue in internal marketing. Kale (2007) argued that if service companies want to hire and keep the best qualified employees, they must design jobs in such a way to attract and stimulate the right person. To do that, first they have to realize the goals, wants, views and anxieties of the internal customer. That is, they should communicate with their employees.

Branson (2011) also highlighted the importance of developing good rapport and close relationships with both frontline personnel and senior managers to facilitate mutual communication. He added that managers should mingle with their staff to develop insights into their worries and find out about what is really happening in the kitchen.

Finally, enabling employees to act like real problem solvers plays a significant role in the success of internal marketing. Branson (2011) explained that in Refresh, a training course at Virgin America, service employees are encouraged to think outside the box and they are empowered to come up with their own solutions to problems. Thus, they gain experience in generating creative and practical solutions to everyday business problems.

On the other hand, Duncan (2002) likened internal marketing to an orchestra. Taking that analogy, employees can be compared to musicians, all playing in harmony to produce one beautiful melody, that is flawless customer service. For an outstanding performance display, they need to rehearse extensively under the leadership of the maestro; in other words, the head of the Training Department. Otherwise, the final product may be nothing, but just cacophony.

## CONCLUSION

If a business wants to satisfy their customers, first they have to satisfy their employees. Several scholars have suggested that “internal marketing” is the best way to keep your qualified, skilled and experienced staff and make them feel valued and appreciated, which in return will boost morale, enhance their work performance, productivity and then, the quality of the service (Berry, 1981; Berry & Parasuraman, 1992; Boomer, 2004; Grönroos, 1994; Grönroos, 2000; Hales & Mccrate-Butcher, 1994; Jain, 2013; Li & Sheldon, 2010).

Internal marketing has gained even more significance in the service industry since the first person that a potential customer meets at a service business is frontline employees (Kale, 2007).

Grönroos (1994) and Kale (2007) criticize service businesses for ignoring the fact that frontline employees are the actual marketers there. Therefore, they believe that they must be trained very well.

If companies overlook that fact, they will have to suffer some consequences such as a high rate of absenteeism, high turnover rates, deteriorated work performance and lowered productivity (Abbasi & Hollman, 2000; Berry & Parasuraman, 1992). The worst of all is; however, losing external customers (Chang & Chang, 2007; Grönroos, 1994).

Employees should definitely be educated to become better qualified and more proficient in their jobs (Lynch & Worden, 2010) besides becoming more creative problem-solvers (Branson, 2011). To manage to do that, what managers should do is to communicate with their internal customers in order to empathize their aims, needs, wants, perspectives and concerns (Branson, 2011; Kale, 2007).

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