Internal Marketing

The Key to External Marketing Success

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Introduction

An important ingredient of strategic planning is a firm's core competency. When properly managed core competency can lead to a competitive advantage for the firm or an increase in market share or increased profits, etc. One form of competitive advantage is customer service and the result is unwavering customer loyalty. How can this be accomplished? Internal marketing is the key to superior service and the result is external marketing success. *Internal marketing* can be defined as the promoting of the firm and its product(s) or product lines to the firm's employees. Hence, for this strategy to be successful top level management must fully embrace it. Thus, the idea of internal marketing must originate at the top and be communicated down to the very bottom of the firm. Understanding customer expectations is a prerequisite for delivering superior service; customers compare perceptions with expectations when judging a firm's service (Parasuraman *et al.*, 1991).

The service industry is only one industry among many that has undergone major change as a result of competitive forces and deregulation, with more of the same promised for the future. Change means opportunity, and the challenge is to capitalize on that opportunity for the benefit of its customers, shareholders, employees, management, and society.

The extensive change of the recent past is no doubt going to continue, and in fact will probably accelerate in the future. This rapid rate of change is being driven by the opportunities created by deregulation and technology. These changes involve virtually every aspect of the service business: the local, national and global markets; the products and services; the technology surrounding the industry; the structure of capitalization and balance sheets and the professional skills and abilities needed to compete.

This article addresses these important challenges starting with strategic planning from the standpoint of professional imagery that should be cultivated through application of internal marketing. A literature review of strategic planning that affect the institutional and atmospherics imagery is presented as evidence for the creation and expansion of internal marketing. The authors realize that internal marketing is important to all industries, but that it is extremely important to the service industry. This article will address this issue using the financial service sector, specifically banking, for examples and recommendations. However, the concepts and principles apply to all parts of the service industry.

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Strategic Planning in the Financial Service Sector

A major part of strategic planning (for customer) analysis is to assess the consumer's current image of the bank, its products/ services and its competitors (Kotler, 1980). Whether a bank succeeds or fails depends largely on strategy of which internal marketing is a major substance. For this article, *strategy* is defined as a bank's activities and plans, designed to match the bank's objectives with its mission, and to match its mission with its environment in an efficient and effective manner (Thomas, 1988). People's attitudes and actions toward an object are highly conditioned by their beliefs about the object (Assael, 1987). Image is the term used to describe the set of beliefs that a person or group holds of an object (Levitt, 1983). In this context, *image* is the way in which the business professional is defined in the mind of the client. Image attributes are both functional and emotional (Cohen, 1988; Fine, 1990; McGarry, 1958). In addition, all businesses and its employees (banks and bankers) will have an image whether they seek to cultivate one or not. That image will exist at both conscious and unconscious levels for all individuals who are in contact with the bank (Assael, 1987).

- *Proposition 1.* The phenomenon of image does exist and is an extremely important ingredient in the successful operation of a service organization.
- *Proposition 2.* A positive image enhances the effectiveness of the service organization at all levels.
- *Proposition 3.* A negative image of an otherwise qualified representative detracts from all aspects of the service organization.
- *Proposition 4.* Image is one of the greatest potential enhancers of personal communication; correspondingly, it is one of its most dangerous potential detractors.
- *Proposition 5.* Image cannot be enhanced in the short term, because long-term customer perception is slow to adapt.

At any point in time, the current image of a bank is likely to lag behind the reality of the bank (Wheatley, 1983). For example, a particular bank may continue to be seen as the market leader long after its quality has started to slip. Another bank might have a second-class image long after it has transformed itself into a first-class institution. Images can be five to ten years obsolete in the same way that we are not seeing a real star in the sky but an image of that star as it was earlier, since light takes time to travel (Kotler, 1980). Image persistence is the result of people continuing to see what they expect to see, rather than what is. This means that it is very difficult for a bank to improve its image in a short time, even given a willingness to spend a great deal of money.

Furthermore, a bank cannot change its image simply through communications effort. The image is a function of good deeds, good words, good actions, and good appearance. The bank must live out what it wants to be and must use communications to tell the story. Some banks attempt to create phony images through slick communications campaigns, but this rarely succeeds because there is too much discrepancy between the message and the reality.

The components of image one can most directly program and manage include written communication programs, institutional contacts between prospects (customers) and one's bank, personal visits to one's branch offices, evaluation of the atmospherics, relationship (involvement) between him/ herself and prospects, and finally, the way in which one interacts with prospects.

- *Proposition 6.* Environmental forces tend to be the leading and lagging indicators which affect a service organization's image.

Institutional Contact

Before one ever has an opportunity to develop a professional image, other forces have already begun to shape that image. One's professional referral sources, the comments of existing customers, the message conveyed through one's printed image all have an impact on shaping what the prospective client will perceive when he/she finally comes face to face. At the very minimum, one's prospect will walk in, make telephone, or written contact to request an appointment or set up a meeting. Personal selling and image building begin anew at this point. Therefore, it is essential that the receptionist/contact person be selected based on the warmth, friendliness, professional demeanor, and helpfulness to staff employees.

This sensitivity to all individuals who make contact with the bank or banker is a critical ingredient at the switchboard and reception desk (contact person). This is no place to economize. Should one need help, it is available, ranging in scope and cost from the free brochures of the phone company on telephone etiquette to customized personnel training programs conducted by experienced consulting organizations. Evaluation of the institutional contact function should be part of any marketing audit one undertakes.

In a recent conversation with a local banker, she revealed how she was able to win successfully a potential competitor's customer. According to her, when the potential client called by mistake, the receptionist, rather than saying simply "wrong number," was extremely helpful. One basic principle ought to be followed in the bank and management of the customer contact function: wherever and whenever possible, separate the reception and operations functions. For example, the personality, appearance, dress, and efficiency of customer contact people must be an established part of one's personal communications program.

- *Proposition 7.* Atmospherics may prove difficult to control because it is all encompassing.

Atmospherics

In his text *Marketing Management, Analysis, Planning, and Control*, Philip Kotler (1980) uses atmospherics as an umbrella concept for all the signs communicated by an organization through its physical facilities, printed materials, product packaging, executive and sales staff appearance, and so on. Focus for a moment on the messages conveyed in the staging area – one's bank lobby, outer offices, or reception/waiting room. Does it enhance a favorable image for one's bank prior to direct contact between the banker and the prospect.

There are several topics to be considered when programming the atmospherics for one's facility. These include bank location, layout, decor, sound and light level, and the professional financial service advisor's individual office. The details of layout and decor are topics better left to architects, designers, and interior decorators. Design or the physical arrangement of a room and the style, quality, texture and arrangement of furnishings convey subtle but important image cues to clients. Sound and light levels must also be controlled. There should be no glare or "interrogation effect". These variables are associated with certain costs and to the extent possible one should give him/her every advantage in setting the stage for client contact.

Marketing Services

The special characteristics of services present a number of implications concerning their marketing. Although many marketing concepts and tools are applicable to both goods and services, the relative importance of these concepts and tools, and how they are used, are often different, and the advertising of each must reflect these differences. This article presents six guidelines for services advertising based on some of the special characteristics of services.

Internal Marketing – Promotion

In what Chase (1978) calls "high-contact" service businesses, the quality of the service is inseparable from the quality of the service provider. High-contact businesses are those in which there is considerable contact between the service provider and the customer, e.g., banks, health care, financial services, and restaurants. Human performance materially shapes the service outcome and hence becomes part of the "product".

Just as goods marketers need to be concerned with product quality, so do services marketers need to be concerned with service quality, which means (in labor-intensive situations) special attention to employee quality and performance. It follows that in high-contact service industries, marketers need to be concerned with internal, not just external, marketing.

Internal marketing means applying the philosophy and practices of marketing to the people who serve the external customer so that the best possible people can be employed and retained and they will do the best possible work. Therefore, the phrase internal marketing refers and concerns marketing to employees. More specifically, internal marketing is viewing employees as internal customers, viewing jobs as internal products, and (just as with external marketing) endeavoring to design these products to meet the needs of these customers better.

Although most executives are not accustomed to thinking of marketing in this way, the fact is that people do buy jobs from employers, and employers can and do use marketing to sell these jobs on an initial and ongoing basis. To the extent that high-contact service firms use the concepts and tools of marketing to offer better, more satisfying jobs, they upgrade their capabilities for being more effective service marketers.

The relevance of marketing thinking to personnel management is very real. The banks and insurance companies adopting flexible working hours are redesigning jobs to better accommodate individual differences, which is market segmentation. For example, Indiana National Bank's recent "Person-to-Person" advertising campaign featuring its own personnel was designed to motivate employees as well as external customers and prospects.

The crucial matter is not that the phrase "internal marketing" has attracted some attention, but rather the complication of the phrase be understood; i.e., by satisfying the needs of its internal customers, an organization upgrades its capability for satisfying the needs of its external customers. This is true for most organizations and is certainly true for banks and financial service organizations. As Sasser (1976) pointed out, "the successful service company must first sell the job to employees before it can sell its services to customers".

The most fundamental difference between a good and a service is that a good is an object and a service is a performance (Lovelock, 1983). The quality of the service rendered is inseparable from the quality of the service provider. A rude teller means a rude bank to the consumer.

Not unlike goods advertising, services advertising will normally be directed toward one or more target markets. When the performances of people are what customers buy, the advertiser needs to be concerned, not only with encouraging customers to buy, but also with encouraging employees to perform. Well-developed and cultivated advertising not only shapes the perceptions and expectations of consumers by promising helpful banking service, but also helps define for employees management's perceptions and expectations of them – namely, that we think of him or her as professionals and expect him or her to perform as professionals.

In order for "internal marketing" to be effective, the successful bank must first sell the idea to employees before it can sell its service to customers. Advertising is an important tool for selling products/services; it is a tool for motivating, educating or otherwise communicating with employees.

Interdependence of Promotion

The labor intensiveness of bank services introduces a degree of variability in the service provided which is not present when equipment dominates the production process. The ever-present potential for variability in the provision of bank services is well understood by those who consume financial services, and contributes to the important role that word-of-mouth communication plays in the selection of financial service suppliers. The importance for word-of-mouth communications in bank markets suggests the opportunity to use advertising to capitalize on this propensity.

When the consequence of buying (consuming) a bank service is perceived to be important, the consumer is often interested in the opinions of others with appropriate previous experience. Making a conscious effort in advertising to leverage word of mouth might involve a satisfied customer or an inspired employee (i.e., developing communication materials targeted at opinion leaders or featuring comments of satisfied customers or excited employees in the advertising itself). What is important and possible is to design non-personal communications which capitalize on the bank service consumer's receptivity to more personal, word-of-mouth communications. For example, E.F. Hutton emphasizes the importance of word-of-mouth communication: "People stop and listen when they know one's broker is E.F. Hutton".

Importance of Image Clues

Although a bank service is intangible in the sense that a performance rather than an object is purchased, there are tangibles associated with the bank service offered (for example, the facilities of a bank where the service is performed), and these tangibles can provide meaningful evidence concerning the service itself. Through innovative building design banks (i.e., buildings that are civic spirited, stylish yet steady or conservative yet innovative) have found clever ways to invite customers in, attract attention, and fit into their communities at the same time (Levitt, 1983).

Shostack (1977) has written about the need to use tangible clues in bank services advertising: "It is clear that consumer product marketing often approaches the market by enhancing a physical object through abstract associations. But a service is already abstract. To compound the abstraction dilutes the reality that the marketer is trying to enhance, that is, reliance must be placed on *peripheral* clues." For example, prior to his death, actor John Wayne was successfully used as an advertising spokesman for California's Great Western Savings and Loan Association. Well known for his strong personal views as well as for his film characterizations of a rugged and honest cowboy who always stood tall against evil, Wayne represented tangibility and credibility in Great Western's advertising. The tangibles that a bank may use provide implicit evidence about the service that the service itself cannot provide.

Making Bank Services Understood

One of the problems arising from the intangibility of bank service is that they are often difficult to define or grasp mentally. Services that bring customer and service provider into direct contact present the opportunity to "custom-fit" the bank service to the customer. Giving customers what they want is marketing's oldest and most important idea (Berry, 1987).

Unfortunately, banks and other service organizations often shackle their contact employees with thick policy manuals or strict sets of rules concerning the handling of specific transactions or non-routine requests. The end result is more standardized services that are also more inflexible; more "by-the-book" services that are also more regimented. Good bank services marketing involves giving service providers the freedom to serve (Berry, 1987). Most bank employees would rather provide good service than bad service, would rather be a hero to the customer than a villain.

Managements of bank services would do well to take a good look at the extent to which policy and procedure tie the hands of bank personnel. They would do well to take a hard look at the rule book. At the same time, bank managements would benefit from considering the possibilities of "symbolic management". Symbolic bank management involves the use of symbols to nurture shared values in a bank which guides employees' behavior while preserving their freedom to serve the customer truly (Berry, 1987).

At Wachovia Bank and Trust, bankers respond to a customer complaint or problem before the sun goes down on the day the complaint or problem surfaces. This value is known within Wachovia as the "sundown rule" (Berry, 1987). At Wells Fargo Bank, a new manager of the cash management division remodeled the division's offices soon after assuming his new responsibilities. When asked why this was so important, he said: "The offices looked bad, and I felt this is now how the best looks" (Berry, 1987). Wachovia and Wells Fargo are using symbolic management to shape values that in turn guide bank employee behavior.

- *Proposition 8*. Differentiation in the service sector is extremely difficult to achieve unless coupled with long-term strategic management advertising commitment.

Advertising Continuity

The intangibility of bank services undoubtedly adds to the frequent difficulty which competing banks have in differentiating themselves. Whereas goods can often be made physically distinctive on the basis of design, packaging, and branding, services have no physical appearance. Moreover, physically distinctive goods can be shown in advertising and associated with various forms of imagery.

Although differentiation is not easily attained by banks, its achievement is by no means impossible. Advertising continuity is an important strategy in this regard because it involves the continual use in advertising of certain distinctive symbols, formats, and/or themes to build and reinforce the desired image, regardless of any changes in specific advertising campaigns. For example, McDonalds' advertising consistently sends out the same signals: "We are fast and efficient, we are friendly, we are super-clean, we offer value, we are a family restaurant". Another example of advertising continuity is also epitomized by Harris Trust and Savings Bank in Chicago, which has used its cartoon lion mascot, Hubert, in its consumer advertising since the 1950s. Hubert is a device for tying Harris' past advertising efforts to its present campaign; Hubert is a means for "branding" Harris' advertising, and, in the process, for helping the bank to attain a distinctive image.

Advertising continuity gives a bank's advertising a recognizability which continually communicates and reinforces its image. Ideally, consumers should be able to associate a specific firm with its advertising even if the firm's name is inadvertently left off a specific advertisement.

Promising What is Possible

Since bank customers have only fulfilled promises to carry away from the service transaction, it is especially important that service firms deliver on advertising promises. Accordingly, when making promises in bank services advertising, prudence and caution should rule. In advertising in general, and bank services advertising in particular, it is better to promise only that which can be delivered for a very high percentage of the time.

Managerial Implications and Conclusion

There are four areas where banks and financial service organizations should place particular effort in order to enhance internal promotion: product/service focus, reward systems, marketing support, and organizational harmony.

Product/Service Focus

The introduction of new products/service should be introduced at intervals (spacing) according to a set schedule. The schedule should be based on the similarities between new and existing products/services in order to ease the absorption process and to ensure that ongoing successes lend credibility to the overall internal promotion strategy. Another important consideration is that certain segments of the distribution channel may be more effective and efficient with internal promotion because of distributor's (branch, satellite, or subsidiary) sophistication, unique location, or customer base. Focusing on the most promising segments will increase the return on investment by minimizing the cost of training, product support literature, and other materials.

Reward Systems

Many internal promotion strategies fail simply because existing reward systems do not encourage the sale of the new product/service. Because financial sales personnel are quick to reject new financial products/services if the amount of effort required to sell them outweighs the financial rewards available, a compensation scheme that does not directly reward internal promotion will merely maintain the organization's focus on its core products/services. Of course, there is more to a reward system than compensation. Psychological rewards often influence bank and financial service personnel's behavior and can determine the success of the internal promotion strategy.

Marketing Support

Internal marketing must also be supported by marketing programs such as training, collateral materials, and information systems. Training is particularly vital. For internal promotion to succeed, the bank or financial distribution channel must be technically proficient and confident in its ability to sell the existing and new products/services. The hallmarks of effective collateral materials are simplicity, consistency, and effective media. But, innovative media such as videotapes can be far more effective than written material.

Information systems are critical to internal promotion by supporting product relationships, potential customer needs, and even competitive trends. Advanced internal marketing strategies, such as life event marketing, must be driven by effective information systems.

Organizational Harmony

Finally, effective internal marketing depends on good co-ordination among all parties involved, including CEOs, managers, marketing personnel, branches, and the bank or financial service organization's frontline selling personnel. Two organizational problems often emerge that stifle internal marketing: internal politics and home office seclusion. Internal politics must be minimized at the outset by establishing organizational and compensation structures that will support the strategy and avoid conflict.

Home office seclusion, widespread among financial services firms and bank branches, is characterized by marketing product/service managers and support personnel who work in a home office environment that is detached from the day-to-day culture of the distributor or branch. Typical problems include a lack of timely response to inquiries, ineffective and uninformed advice, and literature that is unusable for marketing purposes. To combat this phenomenon, successful institutions often require greater exposure of home office personnel to branch or distribution channel.

Summary

We Americans live and work in a service-centered, service-sensitive economy. In North America, 80 percent of the jobs and 60 percent of the gross national product come from the performance of services rather than the production of products (Zemke, 1992). Organizations that deliver high-quality service increase or maintain market share and have a higher return on sales than do their competitors.

Yet most of us find out every day that service in North America is, at best, mediocre. Some banks tell us, "Put it in the mail or use the ATM or phone it in, but do not talk to me, pal, I am too important to deal with customers."

Service firms must reach out for the brass rings of strategic planning and internal marketing to meet the ever-increasing competitive challenges of the 1990s and beyond the year 2000. The firms that do not or will not embrace the issues of internal marketing and incorporate those ingredients into their strategic marketing plan will see their market share and profit base erode. Internal promotion can create a positive and/or superior image of the firm and its product in the mind of the customer.

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