

Introduction

1.1 Introduction

This thesis explores key themes within the internal marketing debate specifically focusing on discourse with regard to the antecedents of internal marketing practices, its affect on internal and external aspects of the organisation, and how it contributes to implementation of the marketing strategy of the organisation within the context of travel industry as special service. This chapter presents general background to the study, research aims and questions, significance of the research. At the end of the chapter the thesis structure is presented.

1.2 Background of the study

1.2.1 Service marketing and internal marketing

Services represent the dominant force in the economy, not only in developed countries but increasingly in developing countries throughout the world. Service industries also account for most of the growth in new jobs (Varoglu and Esar, 2006). In modern markets most purchases involve a combination of product and service elements, and, in the long term, service quality may be more important than product quality to customers (Lings, 2004). Services marketers deal with special challenges that stem from product intangibility and the people factor. These special challenges are the driving force in the fast-growing development of services marketing as a subdiscipline of marketing (Berry, 1987).

Service employees not only have a vital role, but also become a part of the service that is delivered (Varoglu and Esar, 2006). During the process of service delivery, customers base their impressions of the organisation on the performance of customer contact personnel. In what is called ‘‘ high- contact’’ service businesses, the quality of the services 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. in the research case, travel companies. Human performance shapes the service outcome and hence becomes part of the product (Greene et al, 1994). Greene et al also note Lovelock’s (1983) argument that the

most fundamental difference between a good and a service is that the good is an object and the service is a performance so, just as goods marketers need to be concerned with product quality, so do services marketers need to be concerned with service quality. This means, in labour-intensive situations, giving special attention to employee quality and performance (Greene et al, 1994).

Research in services has long recognized the need for managers to focus internally on employees as well as externally on customers (Lings, 2004). An early attempt by Booms and Bitner (1981) to present a new marketing mix for services which includes people also included process elements which linked internally to the service delivery process of the organisation. Kotler (1994) projected a service marketing triangle that presented marketing relationships upon which services managers should focus their attention. These are:

1. The relationship between the customer and the company(external marketing)
2. The relationship between the customer and the employee (interactive marketing) and
3. The relationship between the company and employees (internal marketing).

So marketing management in modern markets requires the integration of both the product and service offering to achieve competitive advantage, and, as a result, the prerequisite of superior services marketing theory needs to concentrate on the internal market as well as the external market. Services organisations marketing plans should contain three main strategy sections; new customer strategies, existing customer strategies and internal customer strategies (Berry, 1987). For example, if we consider tourism as special industry, taking the special characteristics of tourism as a unique service (intangibility, perishability and inseparability) as identified by Cooper et al (Baum, 2006) into consideration, it is evident that business managers in general (and human resource managers specifically) encounter special challenges in tourist organisations (Varoglu and Esar, 2006). For these reasons, it is important for managers to identify ways to effectively manage contact employees ensuring that their attitudes and behaviours are conducive to the delivery of quality services (Lings, 2004). It follows that, in high-contact service industries, marketers need to be

concerned with internal and not just external marketing by adopting suitable internal programmes aimed at employees which complement the external programmes aimed at customers. Internal marketing refers to the way in which an organisation motivates and educates its employees to behave in a customer-conscious or market-oriented manner through the application of marketing-like processes (Snell and White, 2009 p.195).

1.2.2 Internal marketing as evolved concept

Recent decades have witnessed a broadening of the marketing concept from a focus only on market transactions, or the transactional view of marketing, to a focus on managing relationships with the firm's various publics or stakeholders, also known as relationship marketing (Webster, 1992; Grönroos, 1997). Kotler (1972 p.46) defined marketing broadly as the "task of creating and offering value to others for the purposes of achieving a desired response". According to this definition marketing involves more than inducing customers to purchase goods and services. It involves efforts targeted at the mutual exchange of value, providing both customers and sellers something that is desirable and important to them (Schweitzer and Lyons, 2008). Grönroos extended this to describe relationship marketing as a process to establish, maintain, and enhance relationships with customers and other partners, at a profit, so that the objectives of the parties involved are met. This is achieved by "a mutual exchange and fulfilment of promises" (Grönroos, 1994, p. 9). An integral element of the relationship marketing approach is the promise concept. If promises are not kept, the evolving relationship cannot be maintained and enhanced. Another key element of relationship marketing is trust. Morgan and Hunt's (1994) commitment-trust model is the most influential model of relationship marketing. The model posits that shared values, open communication between parties, and the absence of opportunistic behaviour all lead to the development of trust within a relationship. Trust also leads to more committed relationships, which are, in turn, affected by shared values, perceived benefits of the relationship, and perceived costs of terminating the relationship. Relationship commitment then leads to greater cooperation and agreement, and to a reduced tendency to leave the relationship.

Schweitzer and Lyons (2008) argue that both the transaction and relationship marketing model can be applied within the employment relationship at different stages, thereby establishing the employer-employee relationship, developing and maintaining this relationship in order to achieve individual and organisational outcomes. The idea is to create high value relationships by targeting the right employees segment, customizing the job offering through the marketing mix, and finally keeping this relationship through creating mutual value, shared values with employees as well as trust. They argue that this will lead to certain outcomes such as employee satisfaction, lower turnover rates, and advocacy of the notion that employees act as "part-time marketers" (Grönroos, 1990) to the organisation to both potential customers and employees. This idea of relationship marketing inside the organisation is compatible with the theme of internal marketing which has gained attention from both academic and practitioner over the last thirty years (Pitt et al, 1999). Internal marketing stresses the importance of the marketing concept internally, within the firm, by focusing on the employee as source of competitive advantage (Berry and Parasuraman, 1991). In the literature, internal marketing has two key motives. First, it complements external strategic marketing efforts, through interactions between the personnel and customers. These interactions are perceived as instrumental in encouraging customer attraction and satisfaction. Second, it effectively develops and maintains a workforce which is both motivated and satisfied (Dunne and Barnes, 2000). This consecutively contributes to external and strategic marketing objectives as well as to quality, productivity and efficiency (Piercy and Morgan, 1989; 1991). Thus, the internal marketing initiative serves both the organisation and the individual employee successfully (Dunne and Barnes, 2000). Another predominant idea that underpins the concept is that it implies that management need to view organisation as a market where there exists an internal supply chain consisting of internal suppliers and customers (Flipo, 1986; Forman and Money, 1995; Pitt et al, 1999). This again would suggest that by satisfying the needs of internal customers, an organisation could be in a better position to deliver the service quality desired to satisfy external customers (Barnes and Morris, 2000). Internal marketing is an evolving concept. The literature review indicates that there is a lack of unanimously agreed internal marketing definitions, which reflects

ambiguity concerning underlying principles and has resulted in a variety of implementation formats in practice. Also there is lack of agreement regarding a conceptual framework that explains the managerial scope of internal marketing (Grönroos, 1994; Ahmed and Rafiq, 1995), or even the correct usage of the term (Sargeant and Asif, 1998; Rafiq and Ahmed, 1993; Hales, 1994).

One of the most comprehensive definitions is that proposed by Ahmed and Rafiq (2000b) which emphasizes employee motivation and cross-functional coordination efforts to accomplish customer satisfaction objectives. This definition seems unrelated to the marketing concept as the marketing concept seeks to adapt organisational offerings so as to more ably satisfy customer needs (Papasolomou-Doukakis and Kitchen, 2004). Internal marketing focus attention on the improvement of the tasks and functions (generally understood as "jobs") that employees execute and the environment in which they execute them (Ahmed and Rafiq, 2003). This may explain that more attention has been given to internal marketing by scholars outside of the marketing discipline than by those within it. Perhaps this is because marketing in its boundary spanning role is more externally focused. However, the fact remains that internal marketing appears to be more of a reality for disciplines such as human resources and operations management (OM), which by definition need to concentrate more on internal issues (Pitt et al, 1999).

In addition to the lack of a recognised accepted definition of the internal marketing concept, there is lack of relevant valid measures for the concept (Lings, 2004). This has led to an increased number of attempts by academia to investigate the concept and its measures. Little empirical attempts have been made relating to the measurement of the internal marketing concept. For example, Foreman and Money (1995) developed an instrument, entitled the internal marketing scale by using transaction cost analysis to measure the concept. Ahmed et al (2003) proposed the concept of an internal marketing mix that could be effectively used to create and achieve greater individual and organisational competencies and ultimately influence business performance. However, the development and the antecedents of internal marketing programmes' effectiveness remain puzzling. Recent studies show that developing an internal-market orientation towards satisfying employees' needs

(Lings, 2004; Lings and Greenley, 2005; Gounaris, 2006; 2008) precedes the effective implementation of internal marketing. These studies have also highlighted the importance of considering employees' needs in order to become more effective than firms which focus exclusively on external markets (Lings, 1999; Bansal et al, 2001). In other words, according to these studies, the internal marketing orientation concept reflects a system of values that guides the company's behaviour towards its employees, while the end goal always remains to improve customer value.

Although it is assumed that successful internal marketing programmes can lead to important payoffs for an organisation (Arnett et al, 2002), few organisations use internal marketing in practice (Ahmed and Rafiq, 2003). Panigyrakis and Theodoridis (2009) argue that the limited empirical research in the area as well as the little evidence of the notion and implementation of internal marketing could most probably be the main or high percentage factor when considering the rare presentation of internal main organisations. Gounaris (2006; 2008) argues that the reason for that is the need of understanding of the underpinning philosophy of the concept. Gounaris (2008) argues that organisational culture could affect the internal marketing implementation through its effect on the implementation of internal market orientation as base of any internal marketing programme. This is due to his conceptualization of internal market orientation concept as an integral concept of the marketing philosophy complementing the market orientation concept, it is reasonable to expect that the company's cultural archetype will be a significant antecedent to the adoption or not of the internal market orientation concept, along the same lines that the company's culture influences the adoption of the market orientation concept.

A key reason for the apparent ambiguity of internal marketing could lie in the contextual nature of the concept (Snell and White, 2009). According to Ahmed and Rafiq (2003), the internal marketing concept is socially constructed and is context-specific. Ahmed and Rafiq (2003 p. 1186) rationalise this claim by suggesting that internal marketing "cannot be understood without relating the concept to the company, organisation or person who gives meaning to it". This contextual conceptualisation immediately presents a number of challenges related to the

particular perspective one assumes. Internal marketing can be seen to operate at a strategic organisational level or a tactical, functional perspective. The current debate on internal marketing suggests it should work at an integrated level (Varey and Lewis, 1999; Ahmed and Rafiq, 2003; Ahmed et al, 2003; Ballantyne, 2003). In other words, internal marketing should be operationalized or implemented by a number of functional areas, including marketing and human resources. Although several recent studies attempt to explain how this is achieved, the findings suggest there is still a gap between current internal marketing conceptualisations and application (Papasolomou-Doukakis and Kitchen, 2004).

1.3 Research objectives

The aim of this study is to explore the domain of the internal marketing concept (its' antecedents and consequences) and how it affects the external marketing activities of a travel company as a service organisation. The objectives are to:

- Explore the way internal marketing practices are working in reality from the employment point of view in a successful organisation.
- Identify the organisational factors that underpin such practices.
- Explore how internal marketing practices cross the boundaries between marketing and human resource management functions.
- Address the internal and external consequences of internal marketing practices especially the development of a customer oriented culture within front-line staff and how this affects the external marketing activities of the organisation.

1.4 Research significance and scope

As mentioned beforehand, there are a diversity of meanings attributed in the literature to the precise meaning of internal marketing and what it is intended to achieve within organisations. In addition, there is no agreement on a valid measures (Varey, 1995; Rafiq and Ahmed, 1993; Ahmed and Rafiq, 1995; Rafiq and Ahmed, 2000a/b; Lings and Greenley, 2005). Simultaneously; there is little agreement as to how it is to be implemented (Ahmed and Rafiq, 2003). Hogg et al (1998) also state that there is limited consensus about how internal marketing activities are undertaken. In addition, internal marketing is needed to be approached on a more comprehensive and broader viewpoint because it reflects the "totality" of internal and external functions and relationships necessary to get things done (Panigyrakis and Theodoridis, 2009). Therefore, with appreciation to the socially –constructed nature of the concept as reported by Ahmed and Rafiq (2003), this research explores the antecedents and consequences of the internal marketing concept through a case study of a successful travel organisation to fill the gap in the literature and the practice of the reality. This study provides evidence as to how an organisation interprets internal marketing practices and applies this understanding in practice. The organisation case has been chosen to be within the travel sector as one of the very high- contact services which depends heavily on people (Baum, 2006). Firstly, the study seeks to understand how internal marketing practices are implemented in reality. This could be achieved by considering the antecedents of these practices such as the organisational culture which could explain how internal marketing practices are implemented in specific way through the organisation and how the culture affects and been affected by the internal marketing practices. Another implementation issue is whether internal marketing is practiced through marketing or human resource function. Concerning the impact of internal marketing on the organisation, within the literature, it is certain that internal marketing focuses on the important issue of trying to satisfy employees by providing a value to the organisation-employee relationship. However, it is expected that internal marketing could have wider range of targets such as developing customer- awareness between front-line staff, enhance the work environment as well as the external marketing activities. Generally, internal marketing studies focused on measuring the relation between internal marketing and

job satisfaction as consequence of it (Ahmed et al, 2003; Gounaris, 2006; 2008) Previous research ignored the relation between internal marketing and the job satisfaction different parameters (for example career development). In addition, Gounaris (2008) suggests that further research needs to address the consequences of internal marketing beyond employee satisfaction. This study focuses on exploring more deeply the impact of internal marketing practices on job satisfaction as well as on wider consequences of internal marketing as developing a customer orientation culture (i.e. the service consciousness of the employees) and enhancing the work environment which in turn translates to greater levels of customer satisfaction. Therefore the study investigates a more holistic framework of internal marketing concept.

Therefore, the following research questions are addressed

1.5 Research questions

Q1: How does organisational culture affect the implementation of internal marketing?

Q2: How do internal marketing practices affect organisational culture?

Q3: How do internal marketing practices affect internal aspects of the organisation?

Q4: How do internal marketing practices affect external practices of the organisation?

Q5: In what ways does internal marketing bridge the boundaries between marketing and human resource management?

1.6 The study's conceptual framework

Based on the research aims, objectives and questions, a conceptual framework for the research is shown in Figure 1.1

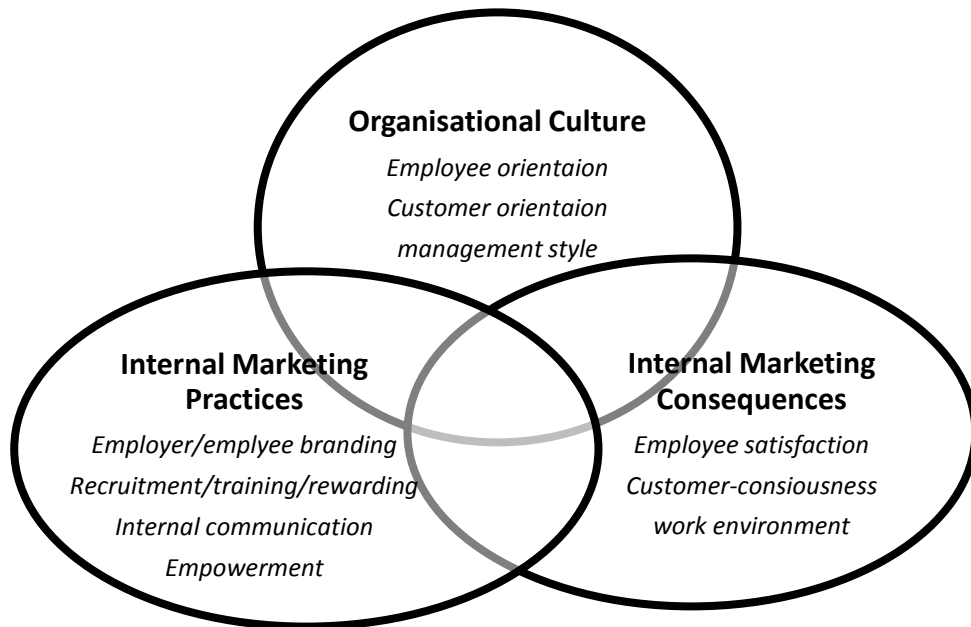


Figure 1.1 Conceptual framework of this study

Within the conceptual model, the area of particular focus for this research is the intersection of the three areas identified above.

1.7 Research outline

The thesis consists of ten chapters and is structured as follows;

- Chapter One presents the background of this study, research aims and questions, significance and scope of this research. The research conceptual framework is illustrated and structure of the thesis is also addressed at the end of the chapter.
- Chapter Two addresses the literature relating to internal marketing. This includes the different perspectives of the concept, the internal marketing mix as well as some of the internal marketing practices that are employed in the research. Then the chapter addresses the concept of internal marketing between marketing and human resource management. The chapter ends up with the expected impacts of implementing internal marketing within organisations.
- Chapter Three discusses the concept of organisational culture in the form of employee orientation and market orientation as well as the relation between internal marketing and organisational culture.
- Chapter Four highlights the important role of customer-contact employees as well as their managers in delivering the service. In addition, the chapter discusses the effect of the customer-contact employees' satisfaction and their customer-orientation attitudes towards the customers. The extent to which the three literature chapters contribute to meeting the research aims of the study are also considered.
- Chapter Five discusses decisions relating to methodological choice based on the philosophical fundamentals. The chapter presents the qualitative case study approach employed in the study as well as the methods and procedures used in collecting, analysing, interpreting and reporting the data in the study.
- Chapter Six presents the findings of the front-line employee interviews.
- Chapter Seven presents the findings of the operational manager interviews.
- Chapter Eight presents the findings of the senior manager interviews.

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| Chapter Nine | merges the data sets analysed in the previous chapters and brings these findings together with the information culled from company documentation in the discussion phase. The chapter also links these findings with the relevant literature. |
| Chapter Ten | brings the study to a conclusion by assessing the extent to which the research questions have been answered, presenting the contribution of the study to existing knowledge, the research implications of the study, the limitations and recommendations for further research. At the end of the chapter, some personal remarks relating to the PhD journey are addressed. |