

CHAPTER 1

INTRODUCTION

1.1 Introduction to the Background of the Research

In today's world of competition, marketers crave for aggressive marketing for their company (American Marketing Association, 1995; King & Grace, 2008). Its implementation helps marketers in establishing as well as maintaining brand identity of their organization in the marketplace. Marketers utilize various methods of promotion for their brand by using all the elements of the marketing mix known as: product, price, place, and promotion (Kotler & Armstrong, 2004).

Integrated marketing communication (IMC), which consists of marketing tools, approaches, and resources, is used by marketers to maximize impact on consumer's mind and bring maximum profit (Belch, G. E. & Belch, M. A, 2007; O'guinn & Semenik, 2006). IMC wraps communications around consumer and helps them to move through the various stages of the buying process (Shimp, 2007).

IMC activities include advertising, sales promotion, personal selling activities, internet marketing, sponsorship marketing, direct marketing, database marketing and public relations. It aims to ensure consistency of message on all media that includes (Belch, G. E. & Belch, M. A, 2007; O'guinn & Semenik, 2006; Shimp, 2007):

- traditional marketing channels, that consist of printed media (newspaper, magazine, and tabloid), direct mail, billboard, radio, and television.
- non-traditional marketing channels, that consist of online media, online communities, and online retailing.

Frankly said, most of us interpret marketing activities as practices that focused to reach the external markets and customers. But few organizations are more aware that good reputations is more valuable than money, and take internal action inside

the organization. Some researchers refer employees as companies' first customers. (Ahmed & Rafiq, 2003). Those companies no longer see employees as resource whose primary function is to provide goods and services. Instead, employees are considered crucial to the capability of the companies, especially those in the service industry.

To do so, company have to clearly communicate their corporate culture and goals, mission and vision statements, as well as personnel policies and procedures through all employees on every level (Ferrell et al, 2002). In reality, however, not all organizations are aware about internal marketing implementation. Most of the time organization's values are only seen as words and not as a goal. Only when these values are clearly understood, will employee be able to internalize it. This then will ensure the company to apply customer-focused value to all employees. This is where internal marketing act more as a marketing strategy, an extension of marketing function (Ferrell et al, 2002). Here, the company is "selling to the employee", and employees are seen as the customer in order to increase employee's satisfaction that is pictured as the best way to get customer-oriented performance.

The term internal marketing itself, appeared to be subsequently developing since the concept introduced by Berry, Hensel, and Burke (1973) about thirty years ago. Internal marketing is treating both employees and customers with equal importance through proactive programs in order to achieve organizational objectives and goals (Ahmed & Rafiq, 2003, p. 1177)

To picture these phenomena in a more visible way, researcher would like to use an example that comes from a well known international company, Singapore Airline (SIA). An airline known for their signature world-class service, also named as winner of the prestigious "Airline of the Year" title from World Airline Awards for three times in the past ten years and stands on number ten as the only airline mentioned on the top 10 of Forbes's 100 World's Most Reputable Company published on July 2009.

Here is an experience from an interview with SIA's passenger (Wibisono, personal communication, 2009). According to informant who flight on September

2009, she bought her ticket via online as usual, the route starts from Jakarta–Singapore – Hong Kong with the final destination is San Francisco, United State. On the day of departure, the Jakarta SIA’s ground crew confronts the passenger with an issue about the absent of her middle name on the ticket. To overcome this issue, the crew gave the passenger two options, either to sign statement paper stating that passenger are responsible and well informed if she ever get deported by US Immigration or she can paid an extra 50 USD so the crew would issued a new ticket with corrected name and new booking number for the next flight from Singapore – Hong Kong – San Francisco.

The passenger agreed to pay and were allowed to wait at the boarding room as the crew promised her to get back to her and gave her the new booking number to be used on the next flight. The passenger waits quite a while, but until the flight departed, but the crew never came. Once the passenger arrived at the boarding counter of Changi Airport to continue her flight to Hong Kong, the crew notified her that her name were not on the list, then the crew asked her to check her email about the new booking number. The Jakarta’s crew did assign a new number but no changes are made referring to the middle name issue. With the help of the Singapore crew, the passenger used the previous ticket’s booking number and she had to wait over night for the next flight.

The customer were having a bad trip to suffer lost of money, time and the worse is the lost of trust for the airline. Here through example above, researcher would like to highlight that a company as “excellent” as SIA even do mistakes in delivering the promise to the customer. Failure of service delivery in providing customer satisfaction is not the responsibilities of front-line employees and their supervisor only. Organization’s responsibilities take role in this service delivery, and actions need to be done to closing the gap between the brand promises and the delivery of those promises. The delivery does not live up to the brand offer (Samms, 1999; King and Grace, 2008).

In Indonesia, the internal marketing concept is not an area in which marketers concern of. Many ignore this and concern more of the external marketing (Suhernin, 2009; Ismujiarto, 2009). While others are putting this concept aside.

Those companies are not alert to the implicit purpose of internal marketing concept. Those companies may not be aware that through internal marketing, they can build and deliver customer satisfaction inside out.

Internal marketing is becoming increasingly important as the pace of changes accelerates. As Indonesia's business markets are growing and being pushed by the invasion of multinational company also government steps in restructuring and privatization of state owned enterprises (SOE). These government move are stated on Article 1 (12) of Law Number 19 Year 2003 About the SOE (Restrukturisasi, n.d.). These external forces has pushed marketer to react in order to sustain in the market. Most of multinational companies synergistically work internally with their employees to bring their brand promise to their external markets and customers. There are some clear forces of change driving this momentum (Samms, 1999):

- Many enterprises are continually in some form of transformation-mergers, alliances, downsizing and rightsizing generating the need for constant communication.
- Some enterprises may change their brand, their name, or their values as a result and this rebranding requires communication to all stakeholders including employees.
- More companies are empowering staff to take on increased focus in the customer relationship. This needs full involvement, immersion and training in brand values.
- There is more contract and less full-time employment. Project staff also needs to understand the brand vision as they are working. This force of change is accentuated with the increasing trend to outsourcing.
- There is less reciprocal loyalty between employer and employee; the employee's time becomes transactional. The "internal" brand can be a way to bind the two parties together with shared goals and values.
- New ways of working require organizations and staff to constantly learn new skills and sometimes these are acquired through alliances.

Building a learning company will be an important future consideration. Internal brand values can be an umbrella for this effort.

- Constant organizational change can loosen the ties between employer and employee. Internal marketing can bring the parties together with shared goals and values. Internal marketing helps the process of knowledge development by building understanding and commitment to personal development.

According to tempointeraktif.com, the rising of oil prices in international market and the occurrence of subprime mortgage in the US that at one time has pressed the Rupiah, the Indonesian economy in general showed an improving performance in 2009. Indonesia Stock Exchange is one of the market's biggest gains in 2009. Return level to this point reached 82% (Putri, 2009). This is reflected by macro economic stability that was maintained until end of the year, declining interest rate, controllable inflation rate and an increasing amount of foreign exchange. This could be seen as one of the momentum for capital market sector to grab the opportunity of this market condition.

As one of the financial service company in particular financial capital market, Danareksa needs to keep on track of the dynamic capital market. This has forced market participants to always **be** prepared to react to changes in market condition. For decades, Danareksa has proven its reputation by always preserving customer's trust, even in dire condition. Danareksa has been able to maintain its reputation by implementing its corporate values, which include integrity, excellence, transparency, accountability and fairness.

It is also stated on the Annual Report of Danareksa (2007) that the competitive advantage lies in human assets, capital and reputation. Danareksa has achieved the prominent position in the industry due to talented, dedicated professionals at every level and in every discipline of organization. Therefore, human resources development will continue to be a priority. This can be seen as the main idea to capture the market by implementing internal marketing, doing it inside to capture the opportunity outside.

1.2 Problem Identification

Many firms ignore internal marketing within their company, or leave it to the human resources department only. Some companies did not even have a human resources or marketing budget for internal promotions (King and Grace, 2008; Wieseke et al, 2009). They are not truly dedicated because of expenses in time, money, and effort. To make this happen in organization, researcher trying to get in-depth information from organization leader and middle management about the implementation of internal marketing.

Internal Marketing also requires company to share information openly with employees at all levels (King and Grace, 2008). If they understand the company's direction, vision, mission, policies, values, brands, and products, they can be the winner in the market competition. To achieve this, CEO's role is mandatory to link this internal marketing concept from senior management to employees (top-down); from all levels of employees going back up to top senior management (bottom-up); and laterally across all levels of the organization (Wieseke et al, 2009).

1.3 Research Question

From the problem identification above, the following research question is posed:

RQ1: How does leader's role in organization's implementation of internal marketing?

RQ2: How does employee's perspective of organization's implementation of internal marketing?

1.4 Research Purpose

Internal marketing includes the communication of corporate culture and goals, mission and vision statements, as well as personnel policies and procedures (American Marketing Association, 1995). It can also involve initiatives such as informing staff about new product introductions or new acquisitions (Samms, 1999). When employees understand and commit to the value proposition of the

company and its brands, external marketing becomes more effective, because the employees become product champions. Identifying the gaps between what the staff believes the essence of the business is, what management wants it to be in the organization. This is where the role of leader in an organization is explored through the implementation of internal marketing. When all these are in harmony, the company becomes a customer-focused organization. Therefore, researcher would like to outline the purpose of this research:

- Explore the leader's role in the organization's implementation of internal marketing.
- Measure the implementation of internal marketing from the employee's perspective.
- Examine the gap of factors considered by leaders and subordinates in organization's implementation of internal marketing.

1.5 Research Objective

This study involves pre-research on the literature of internal marketing from international to national, also to the university library. There are only small amount of journal and literature compared to other subjects in marketing scope. Also in FEUI library, researcher managed to find only two theses concerning internal marketing with different research areas. Therefore, researcher would like to propose a new area of research, which measures the implementation of internal marketing in an organization.

Objective of the research:

- Academic. This research would give a different point of view and new perspective for the development and implementation of internal marketing, especially in organizations in Indonesia since there are only few researches that discuss this area.
- Practical. This research can be used as an alternative for marketer and leader of company to consider in the company's strategic and decision-

making process. It can also be an alternative in aligning department cross-functional in the company involving human resource department, operations and marketing department.

- For researcher, this study is a media to apply the knowledge and skill given while studying at Magister Manajemen Universitas Indonesia.

1.6 Research Delimitation and Limitation

1.6.1 Research Delimitation

Initially, this study will confine itself to interviewing leader and measure the factor concerning internal marketing implementation from employee's perspective in an organization. Here, researcher is using a case study of PT. Danareksa Persero headquarter office located in Jakarta. Specifically, this study involves leaders, and also internal customers, employees of Danareksa, with the insight from other CEO from different industry. The discussion scope is only in the field of marketing function.

1.6.2 Research Limitation

This study only involves in the internal market and excludes the effect of the implementation to the external market of Danareksa Persero. From the empirical study, the sample size is small to represent Danareksa as a whole company. The mixed method used in this study has several limitations because it requires great effort and expertise to adequately study a phenomenon with two separate methods.

1.7 Research Disposition

CHAPTER 1. INTRODUCTION

Describe the introduction of research background, problem identification, research question, research objective, research purpose, delimitation and limitation of the research, and research framework.

CHAPTER 2. LITERATURE REVIEW

To come to in-depth understanding of leader's role in internal marketing, and measurement of internal marketing from employee perspective, researcher will utilize various literatures focusing on marketing: marketing strategy and service marketing.

CHAPTER 3. COMPANY PROFILE

This chapter consists of history of Danareksa, its company profile, vision, mission, and organizational structure.

CHAPTER 4. RESEARCH METHOD

Describe the research design, data collection, population, sample, participants and measurement used in the research.

CHAPTER 5. ANALYSIS AND FINDINGS

General review of research object, data analysis, findings and discussion about internal marketing implementation in Danareksa.

CHAPTER 6. CONCLUSION AND IMPLICATION

Conclusion of the research question made from the research as the result of the analysis problem identification. Managerial implication for leader, middle management, insight for the capital market industry and direction for further research.