

CHAPTER 2 LITERATURE REVIEW

2.1 Marketing

According to the release of American Marketing Association early 2008, the new definition of marketing includes the role marketing plays within society at large, and defines marketing as a science, educational process and a philosophy – not just a management system.

The new definition reads (AMA, 2008): “Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large.” As a comparison here is the previous definition released in 2004: “Marketing is an organizational function and a set of processes for creating, communicating, and delivering value to customers and for managing customer relationships in ways that benefit the organization and its stakeholders.”

According to AMA (2008), the committee used qualitative insight generated through an evaluation of the 1985 and 2004 definitions of marketing to craft a new definition that better serves the constituents of the American Marketing Association. As part of this process, Association members were asked to provide input on what they liked best about the previous definition, and what they would change, more than 70 percent of their membership viewed the new definition as an improvement (AMA, 2008).

2.1.1 History of the Definition of Marketing

As early as 1935, the National Association of Marketing Teachers, a predecessor of the American Marketing Association, conceived the original definition for marketing (AMA, 2008). The American Marketing Association revisits the definition for marketing every five years in a disciplined effort to reflect on the state of the marketing field. The next review of will take place in 2012.

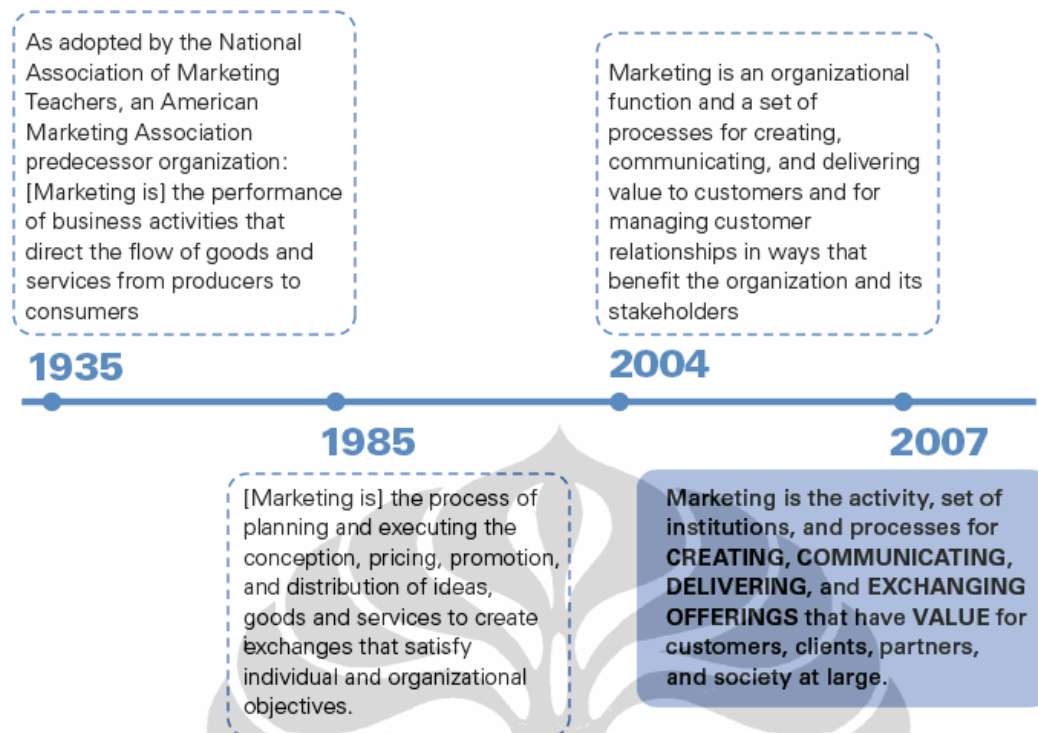


Figure 2.1 History of Definition of Marketing Timeline

Source: Adapted from The American Marketing Association Releases New Definition for Marketing, 2008

2.1.2 Marketing Mix

The marketing mix is probably the most famous marketing term. Its elements are the basic, tactical components of a marketing plan (Kotler & Amstrong, 2004). The firm attempts to generate a positive response in the target market by blending these four marketing mix variables in an optimal manner (Figure 2.2):

- **Product:** the physical product or service offered to the consumer. In the case of physical products, it also refers to any services or conveniences that are part of the offering. Product decisions include aspects such as function, appearance, packaging, service, warranty, etc.
- **Price:** decisions should take into account profit margins and the probable pricing response of competitors. Pricing includes the list price, but also discounts, financing, and other options such as leasing.
- **Place:** (or placement) decisions are those associated with channels of distribution that serve as the means for getting the product to the target customers. The distribution system performs transactional, logistical,

and facilitating functions. Distribution decisions include market coverage, channel member selection, logistics, and levels of service.

- **Promotion:** related to communicating and selling to potential consumers. It is useful to know the value of a customer in order to determine whether additional customers are worth the cost of acquiring them. Promotion decisions involve advertising, public relations, media types, etc.

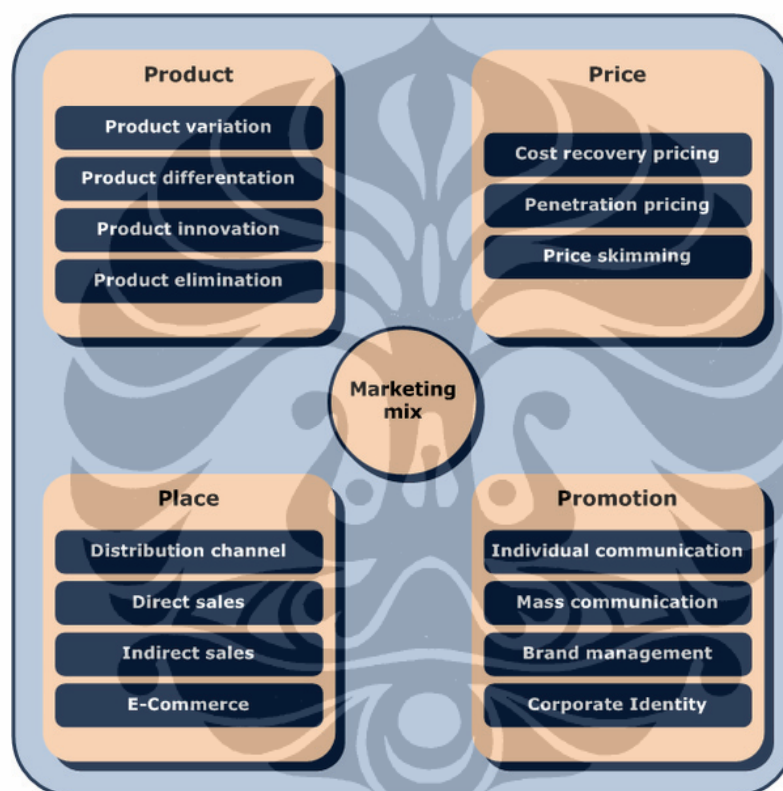


Figure 2.2 Marketing Mix

Source: <http://commons.wikimedia.org/wiki/User:Grochim>

On the sub chapter 2.4, these four marketing mixes are define according to the internal marketing concept.

2.1.3 The Holistic Marketing Concept

According to Kotler and Keller (2006), the holistic marketing concept is based on the development, design, and implementation of marketing programs, processes, and activities that recognizes their breadth and interdependencies. Four

components of holistic marketing are relationship marketing, integrated marketing, internal marketing, and social responsibility marketing (Figure 2.3).

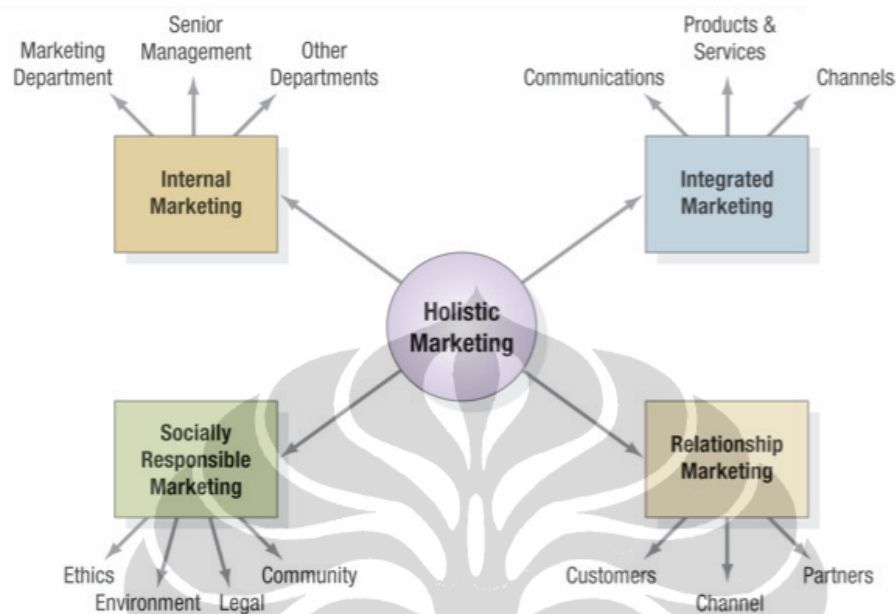


Figure 2.3 Holistic Marketing Dimension

Source: Kotler, P. & Keller, K. (12th ed.) (2006). *Marketing management*. New Jersey: Prentice Hall. Page 18.

Holistic marketing incorporates internal marketing, to ensuring that everyone in the organization embraces appropriate marketing principles (Kotler and Keller, 2006). According to Kotler and Keller (2006), internal marketing must take place on two levels. At one level, the various marketing functions must work together and coordinated from the customer's point of view. At another level, marketing must be embraced by the other departments, must also "think customer."

Internal marketing requires that everyone in the organization buy into the concepts and goals of marketing and engage in choosing, providing, and communicating customer value (Kotler and Keller, 2006). Figure 2.4a shows a pyramid with the president at the top, management in the middle, and front-line people and customers at the bottom. Here managers believe the customer is the company's only true "profit center" consider the traditional organization chart. On the other hand, at the top are customers; next in importance are front-line people

who meet, serve, and satisfy customers; under them are the middle managers, whose job is to support the front-line people so they can serve customers well; and at the base is top management, whose job is to hire and support (Figure 2.4b). This is the invert pyramid that would bring successful marketing company (Kotler and Keller, 2006).

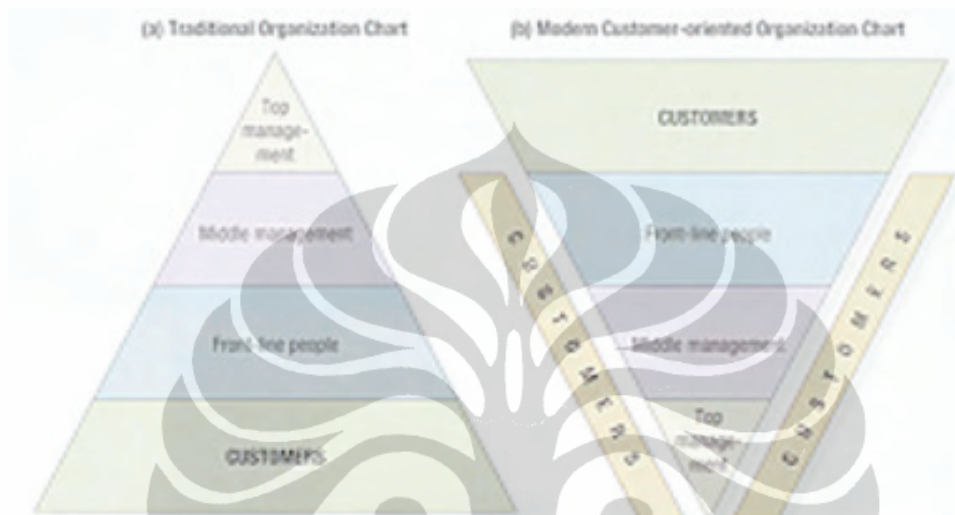


Figure 2.4 Traditional Organization Versus Modern Customer-Oriented Company Organization

Source: Kotler, P. & Keller, K. (12th ed.) (2006). *Marketing management*. New Jersey: Prentice Hall. Page 140.

2.2 Service Marketing

Services marketing can be define as a marketing activities based on relationship and value that may used to market service and product (Zeithaml, et al., 2009; Lovelock & Wirtz, 2007). In services marketing, the purchases made by buyers are intangible and the service might depend on the reputation of a single person. However it is more difficult to compare the quality of the same services and the services are not refundable or returned back to the organization.

Services can be identified by the characteristics below (Zeithaml, et al., 2009; Lovelock & Wirtz, 2007):

- Inseparable – Services cannot be separated from the provider from the point it was consumed. In the other mean, the service is being produced at the same time that the client is receiving it.

- Intangible – Services are not able to have a real, physical presence as a regular product, which the services cannot be touched or viewed.
- Perishable – Once the services is given, it cannot be repeated in the same way like before because unused capacity cannot be stored for future use.
- Variability – The services given should not be completely the same with the other. It is important to minimize the differences in performance of the services.
- Right of ownership – Consumers who get the services cannot have the ownership of it, instead of the experience they get.

Here resercher are using service marketing as the basic teory in defining internal marketing, though in the pactice of business internal marketing can be applied across various industry (Lovelock & Wirtz, 2007). In this study there are several industry examined by researcher; capital market, printing, media, property, and service industry.

2.2.1 Service Marketing Mix

In 1981, Booms and Bitner summaries the shifts occurring in marketing thinking at that time (Zeithaml, et al., 2009). They rephrase the merger of services production and service marketing, found in the literature into a 7Ps framework, to accommodate trends towards a service or knowledge based economy:

- **People:** directly or indirectly influence the perceived value of the product or service, including knowledge workers, employees, management and consumers.
- **Process:** procedures, mechanisms and flow of activities, which lead to an exchange of value.
- **Physical evidence:** the direct sensory experience of a product or service that allows a customer to measure whether he or she has received value. Examples might include the way a customer is treated by a staff member, or the length of time a customer has to wait, or a cover letter from an insurance company, or the environment in which a product or service is delivered.

On the sub chapter 2.4, these three additional mixes were add into the four traditional marketing mixes mention on sub chapter 2.1.2 and define according to the internal marketing concept.

2.2.2 Service Marketing Communication

This model shows the three marketing functions important for service firms and how they are divided between the different actors. These three marketing functions are internal marketing, interactive marketing and external marketing (Zeithaml, et al., 2009). All three sides are essential to complete the whole and are critical for the success. Without one of the sides in place, the triangle, or the total marketing efforts, cannot be optimally supported (Figure 2.5).

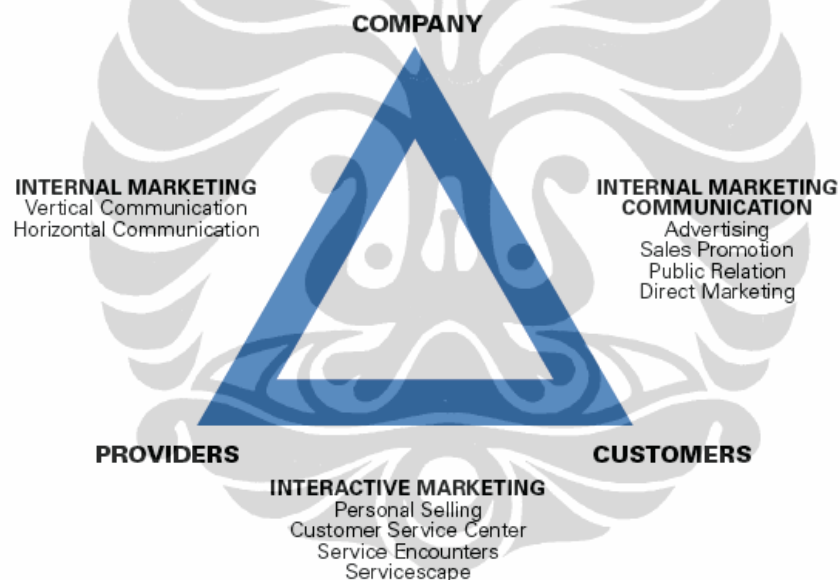


Figure 2.5. Communications and the Service Marketing Triangle

Source: Zeithaml, V., Bitner, M. J. (5th ed.) (2008). *Service marketing: Integrating customer focus across the firm*. New York: McGraw–Hill., page 480.

For services, all three types of marketing activities are essential for building and maintaining relationships with customers (Zeithaml, et al., 2009):

- **External Marketing:** A company makes promises to its customers regarding what they can expect and how it will be delivered. Traditional marketing activities: advertising, sales, special promotions etc. For

services, some other factors like the service employees, the design of the facility, the service process etc. also helps to set customer expectations.

- **Interactive Marketing:** Keeping Promises

Promises made must be kept The most critical from customer point of view Also delivered through technology Interactive marketing occurs in the moment of truth when the customer interacts with the organization and the service is produced and consumed. Reliability of services is tested every time the customer interacts with the organization.

- **Internal Marketing:** Enabling Promises

In order to deliver the promises made, the providers or service systems must have the skills, abilities, tools, and motivation to deliver. It also indicates that employee satisfaction and customer satisfaction are closely interlinked.

Here in this study, the three types of marketing activities discussed is only in the area of internal marketing. The subject explore more about the marketing function of company in this area.

2.3 Introduction to Internal Marketing

The term internal marketing was proposed in the 1970's (Berry et al) to ensure the objective of the organization in delivering consistently high quality of service. This is a marketing techniques and philosophy within an organisation (Berry & Parasuraman, 1991). The adoption of internal marketing happens because of the increasing recognition of the importance of the employees' role in the service industry (Kelemen & Pappasolomou, 2007). According to Lehtinen & Lehtinen (1982) and Riddle (1988) transactions and exchanges take place between employees and the organization, the employees can be viewed as the internal customers of the organization (Kelemen & Pappasolomou, 2007,).

The internal customer concept is well established in the marketing and organizational behavior literature. The early perceptions of the internal marketing initiative were based on its potential contribution to improving the HR function. However, more recent definitions view IM as an initiative aimed at motivating

employees toward service-mindedness and customer-oriented performance through an active marketing-like approach (Grönroos 1990). According to Fisk et al. (1993) the two main building blocks of internal marketing are: (a) the idea of the employee as the internal customer and (b) the organizational need to satisfy the internal customer so that s/he is best prepared to serve the external customer.

2.3.1 Development of Internal Marketing Concept

Over three decades researcher are trying to define and propose different view and definition of internal marketing. Despite these repeated discussions and a sense of general approval over internal marketing, the exact scope and definition of internal marketing are still unclear (Gournaris, 2006; Rafiq & Ahmed, 2000). Here are few definition proposed by few researchers and according to Rafiq et al. (1995) three phase of concept development are an employee satisfaction phase, a customer orientation phase, and a strategy implementation (Farzad, 2007, p.24):

2.3.1.1 Phase 1: Employee motivation and satisfaction

In the early developmental phase, the majority of the literature on internal marketing focused on the issue of employee motivation and satisfaction. The major reason behind this was the fact that the roots of the internal marketing concept lie in efforts to improve service quality.

- **Employee as internal customer**

Viewing employees as internal customers, as Berry's (1991) defined internal marketing is viewing employees as internal customers, viewing jobs as internal products that satisfy the needs and wants of these internal customers while addressing the objectives of the organization.

"Internal marketing is attracting, developing, motivating and retaining qualified employees through job-products that satisfy their needs. Internal marketing is the philosophy of treating employees as customers ... and it is the strategy of shaping job-products to fit human needs"

Viewing the job offerings as products and their employees as customer forces managers have to have the same care to their jobs as they devote to the purchasers of their services (Sasser and Arbeit, 1976).

- **Focus on employee satisfaction**

The focus on employee satisfaction within these new approaches to employee management is because the fact that in the services marketing has a strong linkage that it involves human acts of performance. Therefore, attraction of the best personnel, their retention and motivation becomes of critical importance (Sasser and Arbeit, 1976). Attraction, retention and motivation of high quality staff is especially critical in situations where the quality of the service is the only real differentiating factor between competitors. “Internal marketing as an approach to service management whereby efforts were focused on the recruitment, training, motivation, communication, and retention of suitable service-oriented employees.”

The logic of this approach is the challenge of creating satisfied employees hence customer satisfaction will follow. The fundamental tool for achieving employee satisfaction is the by treating employees as customers.

2.3.1.2 Phase 2: Customer orientation

The second step in the development of the internal marketing concept was mentioned by Grönroos (1981) whose starting point was the concern that because contact employees in services become involved in “interactive marketing” it is essential that they are responsive to customers’ needs. To take advantage of these opportunities requires customer-oriented personnel. Grönroos define the meaning: “Internal marketing is to motivate employees toward service-mindedness and customer-oriented performance by an active marketing-like approach, where a variety of activities are used internally in an active and coordinated way.” (Farzad, 2007, p.26)

Furthermore, effective service also requires effective co-ordination between contact staff and backroom support staff. Grönroos also views the internal marketing concept as a means of integrating the different functions that are vital to the customer relations of service companies (Farzad, 2007, p.26). Additionally, Grönroos focuses attention on creating customer orientation in employees through process of influencing, rather than satisfying and motivating employees.

2.3.1.3 Phase 3: Strategy implementation and change management

Strategic planning without effective implementation can produce unintended consequences that result in customer dissatisfaction and feeling of frustration within the firm (Ferrell, et al, 2002). In addition Ferrell, et al (2002) stated that ineffective implementation would most likely result in the firm failure to reach its organizational or marketing objective.

Ferrell, et al. defines the meaning: “Internal marketing approach can be used to motivate employees to implement the marketing strategy.” Marketing implementation is critical to overall success of any organization, as the responsibility to put the marketing strategy into action (Ferrell, et al, 2002). This can be seen as an action to ensure the accomplishment of the marketing objective.

This has led to a widening of internal marketing applications to any type of organization, not merely to services. Apply the concept to manufacturing firms, and Ahmed and Rafiq (1995) propose it as a change management implementation methodology suitable for a wide range of contexts. The discussion of the third phase suggests that the scope of internal marketing activity is much wider than motivation of employees towards customer consciousness (Farzad, 2007). For instance, it can also be used to motivate non-contact employees towards behaving in a manner that enhances the service for end-customers.

Generally speaking, under the term of internal marketing there is to customers: internal and external that needs to be seen by the company. Successful marketing implementation comes from accumulation of individual action where all

employees are held responsible for implementing marketing strategy. According to Ferrell, et al (2002), internal marketing is seen as an output of and input to both marketing implementation and external marketing program. (Figure 2.6)

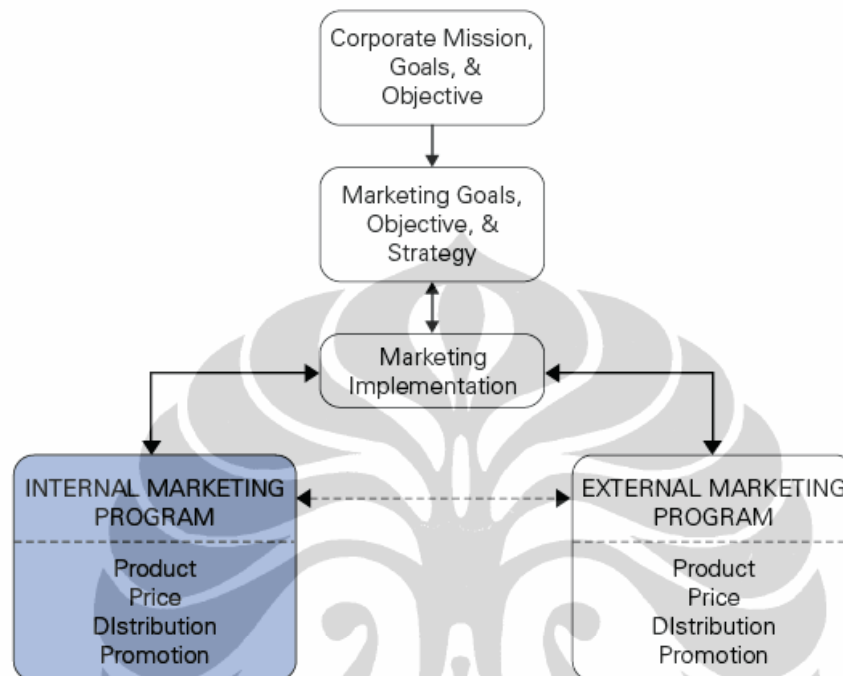


Figure 2.6 Internal Marketing Process

Source: Ferrell, et al., (2002). *Marketing Strategy*, Mason: Thomson South Western Educational Publishing, p. 191

2.3.2 Definition of Internal Marketing

Ahmed and Rafiq (2003) also suggested that internal is essentially a philosophy that focuses and coordinates all activities, including internal and external relationships, networks interactions and collaborations, by examining all activities involved in satisfying customers throughout the internal supply chain.

Internal marketing need participative approach to management, and strategic approach to human resources management (Rafiq et all, 1995). The coordination of all management activity to achieve customer or market orientation or customer focused management. No organization will be successful without the support of its most valuable internal source, its employees.

This generalization from service companies to manufacturing companies is well justified, as it is now mainstream knowledge that services are significant in all types of business activities (Gummerson 2000). The company has become an internal marketplace and employees have become internal customers. The internal customer concept issues from the management quality. More than ever before, marketing planners must pay attention to the design of an internal marketing program. A shifting emphasis is required in most industries in order to remain competitive to the advancing competition and new technologies. In this case is necessary change the view on employees and perceive them as internal customers.

Internal marketing is more management strategy than a marketing function. (AMA Encyclopedia, 1995) According to Christian Grönroos the meaning of internal marketing is that the management in a hierarchical *organization* has to develop, from the top, motivated and customer-conscious employees. Grönroos sees internal marketing into two basic management components:

- Attitude Management: The process of motivating employees to buy into corporate goal.
- Communication Management: Managing the information that employees need to perform effectively.

In this context, internal marketing can be viewed as an umbrella concept for a range of internal activities used in the management of attitudes and communication including (but not limited) training, recognition, empowerment, management support, sharing of information, and team building.

According to discussion mention above about the development and the definition proposed, here in this study the definition used to describe internal marketing is the definition concluded from several scholars by Jou, et al (2008) as it shown in the Figure 2.7. This concept of internal marketing will be used to describe the study conducted in internal marketing strategy steps.

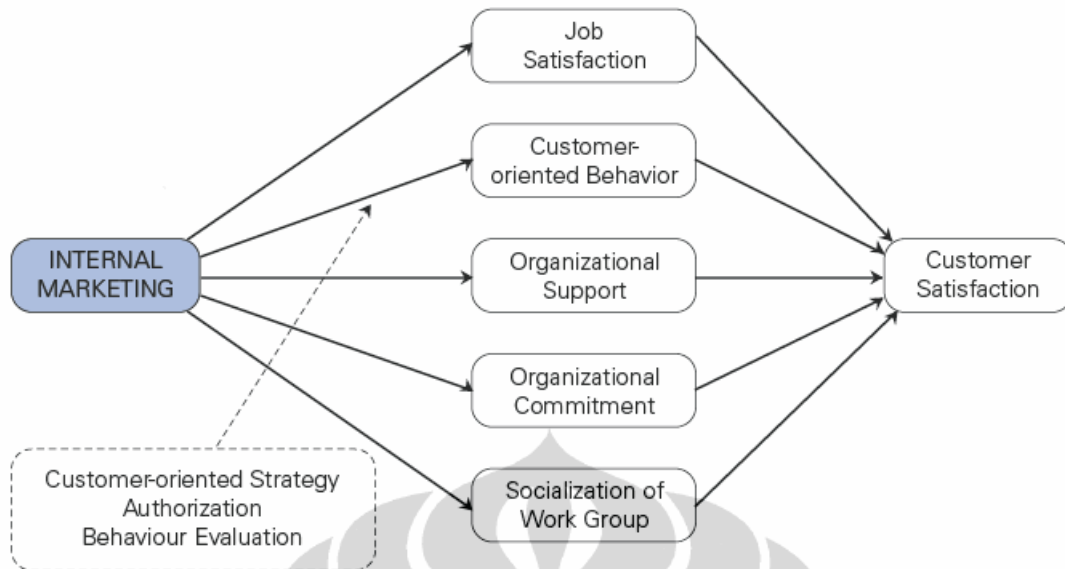


Figure 2.7 Internal Marketing and Projected Dependent Variable

Source: Jou, J. Y. H., Chou, C. K., & Fu, F. L., (2008) Development of an Instrument to Measure Internal Marketing Concept. *Journal of Applied Management and Entrepreneurship*, 13 (3), p 69.

Rafiq, et al in 2003 identified a positive relationship between internal marketing and organizational effectiveness. Thought question remain over whiter a direct relationship exist between internal marketing and customer satisfaction (Jou, et al, 2008). Others scholar Lin in 2002 and Hsiao in 2002 declare that internal marketing impact customer satisfaction through mediating factor such as job satisfaction mention by Wu in 2001 and Nuade et al. in 2002, organizational support mention by Wu in 2001 and Chang in 2003, organizational commitment discussed by Carruna and Calleya in 1998, Liu in 2002 and Lin in 2004 or according to Nuade et al in 2002 and Lin in 2004 socialization of work groups (Jou, et al., 2008, p.68). The concept above is used to described the steps of internal marketing strategy in an organization discussed on chapter 4.

2.4 Internal Marketing Mix and Marketing-Like Approach

As it is, a marketer would used marketing mix in implementing the marketing strategy to get to the customers, then in internal marketing there are few differences in the concept of the marketing mix. In the following discussion we examine the extent to which it is possible to use marketing techniques to motivate employees and expansion of the mix in the marketing service area.

This expansion of the marketing mix represents the evolution of marketing management to subjects traditionally considered to be in the remit of other departments in particular process and people (Rafiq & Ahmed, 1993). An integrated effort is, after all, one of the major aims of internal marketing program. Then moving on to segmentation and market research techniques to give a view of the differences in the traditional marketing mix mention above on previous sub chapter and internal marketing mix. Also techniques such as segmentation, market research, and marketing mix to develop customer-oriented behavior and motivate employees.

- **Product:** At the strategic level the product can refer to marketing strategies, which reflect in those values, behavior and attitudes needed to make a plan work. At the tactical level the product could include new performance measures, new ways of handling customers. According to Collins and Payne (1991), product can also be used to refer to services and training courses provided by HRM (Rafiq & Ahmed, 1993, p. 5). At a more fundamental level the product is the job (Berry & Parasuraman, 1991).
- **Price:** can be describe as opportunity cost refer to the psychological cost of adopting to new methods of working, projects that have to be foregone in order to carry out new policies, or to transfer pricing and expense allocation between departments (Rafiq & Ahmed, 1993). Cultural change can also be perceived as an opportunity rather than threat in favor of implementing strategy. (Morgan, 2004)
- **Promotion/Communications:** refers to the use of advertising, publicity, personal selling on presentations and promotions in order to inform and to influence potential customers' attitudes to a firm's products. Motivating employees and influencing their attitudes is obviously an important aspect of internal marketing ranging from oral briefings and company newspapers to corporate videos. For effective communication it is necessary is a co-ordinated use of these various media.

- **Place / Distribution:** concern in delivery of the plan refers to the place and the channels (or third parties) that are used to get products to customers (Rafiq & Ahmed, 1993; Morgan, 2004). In this context place could be taken to mean meetings, conferences etc. where policies are announced and channels could be used to refer to third parties (for example consultants and training agencies) used to deliver training programmes.
- **Participants:** refers both to people involved in producing and delivering the product and those receiving the product who may influence the customer's perceptions. To market any service, customer contact personnel role is crucial and central to the organization, assume a multi-functional role (Rafiq & Ahmed, 1993; Morgan, 2004).
- **Physical Evidence**
The physical evidence refers to the environment in which a product is delivered and where interaction takes place between contact staff and customers as well as any tangible goods, which facilitate delivery or communication of the product (Rafiq & Ahmed, 1993; Morgan, 2004). Physical evidence can be categorized as either Essential or Peripheral evidence. Peripheral evidence refers to tangible cues that a product has been delivered. Essential evidence, on the other hand refers to the environment in which the product is delivered.
- **Process**
Process refers to how a "customer" actually receives a product. In the internal marketing context, customer consciousness may be inculcated into employees by training staff. Process can also refer to whether new policies are introduced through negotiations with unions or imposed unilaterally. In the communications area process can refer to the delivery method.

The other marketing techniques used in the conceptualization of internal marketing are:

- **Market Segmentation**

Segmentation in the internal context is the process of grouping employees with similar characteristics, needs and wants, or tasks. In services, for

instance, employees may be grouped on the basis of whether they are contact employees or not. Other bases for segmentation might include type of benefits that employees want, roles and functions that they perform. The existence of complex grading systems, departmental, functional and other organizational structures suggest that the use of segmentation is already widespread in the HRM area.

- **Market Research**

This involves identifying the needs and wants of employees and monitoring the impact of HRM policies on employees. This type of research has a long history in the HRM area in the form of employee attitude surveys. In the UK, employee attitude surveys date back to the 1930s when the National Institute of Industrial Psychology started using them to study labor turnover but nowadays are used for a wide range of issues including attitudes held on supervision, remuneration, working conditions, specific personnel practices, incentive schemes and so forth. It has now computerized the process to make it even more effective.

2.5. Cross-functional of Marketing and Internal Marketing

According to Kotler (1980), marketing management has long ascribed to itself the role of an integrative function, which is responsible for coordinating other company functions so that the performance of the company is customer oriented (Rafiq & Ahmed, 1993, p.229). The basis for this claim rests on the marketing function's direct contact with external customers. Three management functions play central and interrelated roles in meeting the need of service customer: marketing, operations and human resources. There is interdependency of these three functions as illustrated in the model below (Figure 2.8).

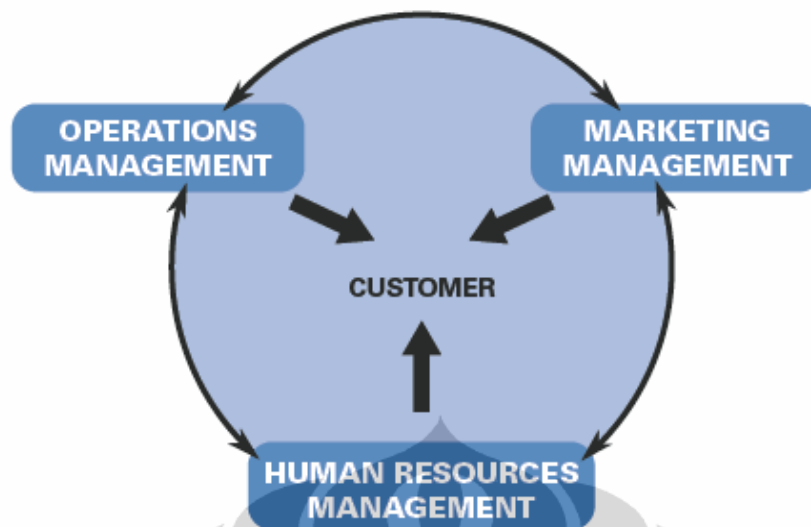


Figure 2.8 Marketing, Operations, and Human Resources Function Must Collaborate to Serve Customer

Source: Lovelock, C. H. & Wirtz, J. (6th ed) (2007). *Services marketing: People, technology, strategy*. New Jersey: Pearson Prentice Hall. Page 26.

In service business, operations play the primary line, responsible in managing service delivery through equipment, facilities, system and many tasks performed by customer contact employee (Lovelock & Wirtz, 2007). According to Lovelock and Wirtz (2007), HR often central on the people element, seen as staff function, responsible for job definition, recruitment, training, reward systems and quality of work life.

Nevertheless, in a well managed service business, HR managers view these activities from a strategic perspective, engaging in design and monitoring of all service delivery processes that involve employee, in working with marketers to ensure the skills and training to deliver promotional messages and educate customers, and in designing those aspects of physical environment that directly feature employees (Lovelock & Wirtz, 2007).

In fact George (1977) goes much further and suggests that. " (Rafiq & Ahmed, 1993, p.229): "It is time to replace the personnel department in service firms with product managers who can implement a marketing approach to service employment management." Similar ideas are present in Berry and Parasuraman's

(1991) work as is evident from their wide definition of internal marketing (Rafiq & Ahmed, 1993, p.229).

However, if this policy were to be adopted then it is bound to lead to conflict between marketing and HRM and operations management and other directly affected departments. Rafiq and Ahmed (1993) argue that Internal Marketing is merely an attempt to subordinate to marketing various functions that traditionally have belonged to the HRM function. Based on Rafiq and Ahmed's view that marketing is adopted in HRM practices, it could be argued that there is logic for market-oriented HRM in the labor market; internal relationships and structures can be examined within the same exchange framework that guides the external market.

Organizations also need to look at ways of increasing cross-functional coordination. For instance, in service marketing where it is necessary to have friendly, customer-oriented personnel the marketing department could have involvement in job specification, training and remuneration of contact employees (Rafiq & Ahmed, 1993). These mechanisms can obviously only be put in place by higher-level management such as strategic management and hence the need for internal marketing programmes to be led by the same.

According to Rafiq and Ahmed (2003), businesses have realized that work cannot be arranged as separate function. Instead, business have to driven from end-customer point of view, in this way business must structure operations around core business processes (Rafiq & Ahmed, 2003). These cross-functional activities and the people who perform the delivery have a major influence upon the final outcome. This inter-functional co-ordination has been highlighted as a key enabling both internal marketing and marketing orientation, and how this area is still under-researched (Rafiq & Ahmed, 2003). Without energy and commitment, the organization itself will not achieve the goal of internal marketing. In a 2003 article in BtoB magazine, Schultz writes:

"Internal marketing is more vital than external marketing. Customer-touching and customer-facing employees, not external marketing, drive acquisition and retention. Solution: Invest in internal marketing, branding and promotion. Work with HR, IT and operations to get employees involved in the demand chain."

It is also stated by Rafiq and Ahmed (1993) that internal marketing requires the involvement of a number of departments working in unison. The importance of careful recruitment and selection for the motivation and effectiveness of staff. Rafiq and Ahmed (1993) pointed out that, the need of training and adequate staffing level in the company also technique to improve performance and motivation techniques such as job rotation, self-managing groups, career planning.

Furthermore, Ahmed and Rafiq (1993) also note the limit of what can be achieved by internal marketing. In which the solution of some case was not internal marketing-led but from external recruitment (Rafiq & Ahmed, 1993). Rafiq and Ahmed (1993) concluded that the major concern of internal marketing is the use of marketing techniques to motivate employee. Both scholars also presented evidence that marketing can make HRM areas is in the ideas of generating employee orientation, using a coordinated set of promoting or communications techniques and internally directed application of marketing research techniques.

2.6 Implementation of Internal Marketing Strategy

According to Ferrell, et al. (2003), the ineffective implementation of marketing strategy is often a self-generated problem stemming from the planning process itself. Although top managers carry out strategic planning, implementation of these planning falls to the responsibilities of lower-level managers and frontline employees (to Ferrell, et al., 2002).

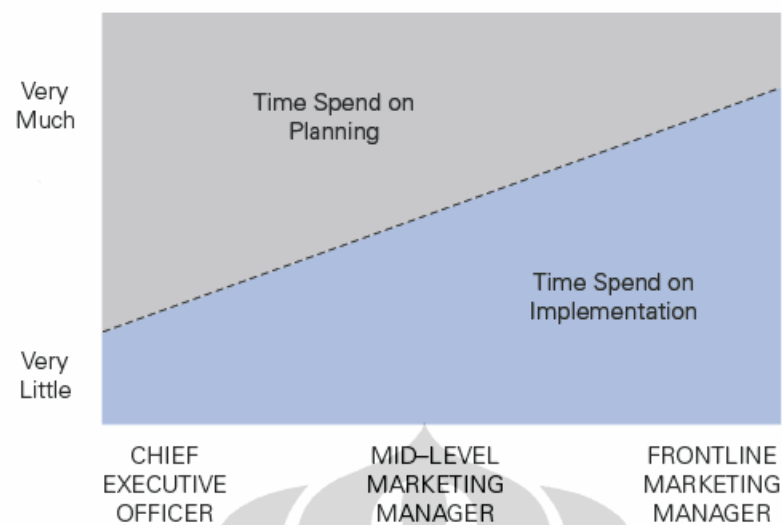


Figure 2.9 Planning and Implementation of Marketing Strategy

Source: Ferrell, O. C., Hartline, Michael D., Lucas, George. (2nd ed.) (2002) *Marketing Strategy*. Mason: Thomson South Western Educational Publishing. Page 181.

Figure 2.9 shows the illustration of planning and implementation separation, where in the planning process leader or CEO and mid-level managers take much more time while at the implementation part can be seen as a separate part that take more time spend in the side of lower-level managers and front liner. It is important to see this part of planning and implementation of marketing strategy as separated part because these processes require different level of involvement to each individual on the hierarchy level of organization.

According to Ferrell, et al. (2002), top managers fall into traps of believing that a good marketing strategy will implement itself, on contrary the lower management and front liner of the organization are separated part, that they often do not understand the unique problems associated with implementing marketing strategies. Those employees who do understand the problem of marketing implementation usually have no voice in developing the strategy.

Another trap that top managers often fall into is believing that lower-level managers and frontline employees will be excited about the marketing strategy and motivated to implement it (Ferrell, et al., 2002). These managers and employees often fail to identify the marketing strategy or to align it with

organization goals and objective (Ferrell, et al., 2002). According to Ferrell, et al. (2002), it is unrealistic for top managers to expect lower-level managers and employee to be enthused about or committed to a strategy they had no voice in developing or to a strategy they do not understand or feel appropriate.

This concept allows for the improvement of communication, departmental interaction, and if accomplished provide profitability for the organization and fulfill the needs of employees. The internal marketing plan must be implemented by top management, human resources, and marketing and supported by all areas. Crosby and Johnson (2003) described the importance of leadership and the need for these individuals to “walk the talk”, understand the reality of the workplace through hands on assistance, and understand the affects on profitability for a successful internal marketing campaign (Davis, 2006, p.32).

An examination of these lists demonstrates the first need is to compete for talent and hire the proper staff, once hired the individuals must be properly trained and provided a purpose for the organization. This training will allow for the creation of relationships between employees and customers.

All employees must be treated as customers; this means the creation of specifications, the creation of awareness, and the identification of expectations through market research. The results of this research will allow the organization to segment the population and tailor specific strategies to each segment; the procedures implemented may be examined through staff climate monitors (Ahmed et al., 2002).

In order for proper implementation to occur the focus must evolve around front-line employees and the process must start with senior leadership and a proper physical environment. The best method to influence employees involves strategic awards, other incentives, and individual empowerment to make decisions without the assistance of upper management (Ahmed et al., 2002). Ballantyne (2003)

stated a successful internal marketing campaign satisfies the interests of the individual member and organization (Davis, 2006, p.33).

Therefore, mutual value must exist; it must be transparent, perceived as fair, co-created through interaction, and continually increasing. The difference between this and external marketing is the fact it is continually co-created over time. If these ideas are properly implemented, positive consequences will result.

2.7 Gap Analysis in Service Design and Delivery

The idea of creating this service gap analysis is to measure and improve the service quality of a company. According to Zeithaml, Berry and Parasuraman in 1985, there are four major gaps in the service quality concept that may lead to the fifth and most serious gap (Lovelock & Wirtz, 2007, p. 244). Here in this research the 7-gap model is used to analyze the gap between the leader and employees perspective. According to Lovelock & Wirtz (2007), this model is an extended from the 5-gap Model introduced by Zeithaml, Berry and Parasuraman (1985).

Lovelock and Wirtz (2007) extend and refine their framework to identify a total of seven types of gaps that occur at different points during the design and delivery of the service performance (Figure 2.8):

- GAP 1 The knowledge gap is the difference between what service providers believe customer expect and customer' actual needs and expectations.
- GAP 2 The standards gap is the difference between management's perceptions of customer's expectation and the quality standards established for service delivery.
- GAP 3 The delivery gap is the difference between specified delivery standards and the service provider's actual performance on these standards.
- GAP 4 The internal communication gap is the difference between what the company' advertising and sales personnel think are the product' feature, performance, and service quality level and what the company is actually able to deliver.
- GAP 5 The perceptions gap is the difference between what is, in fact, delivered

and what customers perceive they received (because they are unable to evaluate service quality accurately).

- GAP 6 The interpretation gap is the difference between what the service provider's communication efforts (in advance of service delivery) actually promise and what customer thinks was promised by the communications.
- GAP 7 The service gap is the difference between what customers expect to receive and their perceptions of the service that actually delivered.

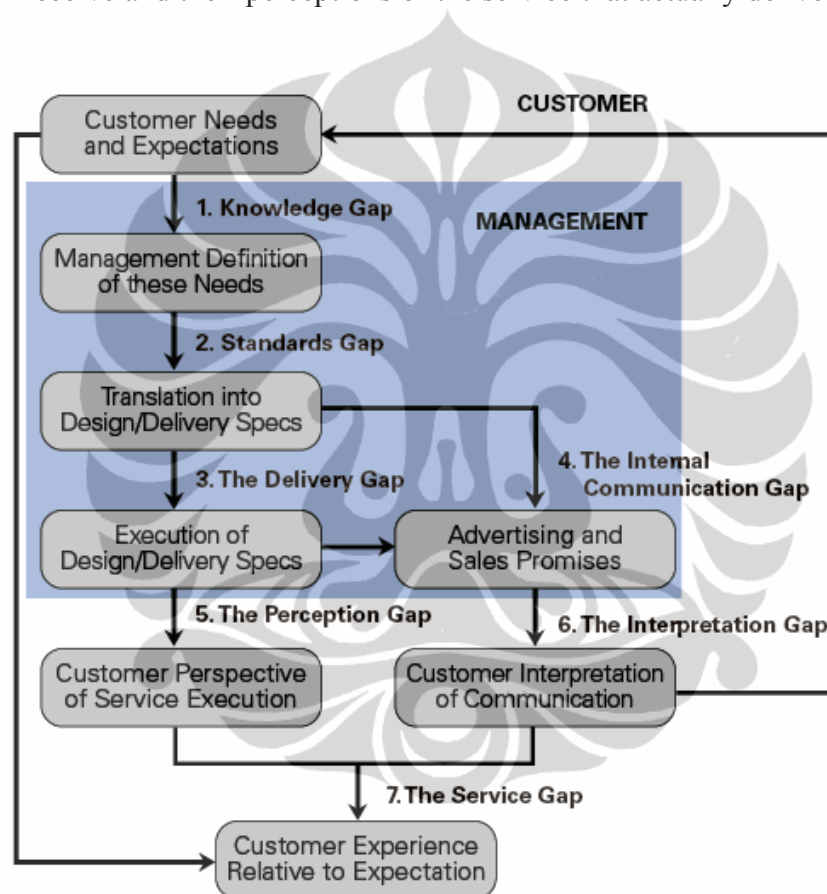


Figure 2.8 The 7-gaps Model

Source: Lovelock, C. H. & Wirtz, J. (6th ed) (2007). *Services marketing: People, technology, strategy*. New Jersey: Pearson Prentice Hall. Page 425.

The gap 1, 5, 6, and 7 represent external gaps between the customer and the organization. The gap that this study explore, stand in gap 2, 3 and 4, which represent the internal gaps that occur between various function and department within the organization, as mention on the sub chapter 2.5. Cross-functional of

Marketing and Internal Marketing. According to (Lovelock & Wirtz, 2007), the gap model presented offers generic insights and solutions that can be applied across industries.

Lovelock and Wirtz (2007) also summarize a series of generic prescriptions for closing the seven quality gaps (Table 2.1). Each firm must develop its own customized approach to ensure the best-fit implementation. Here researcher, would like to present the prescription align with the internal marketing area; Gap 2, Gap 3, and Gap 4. Each firm must develop its own customized approach to ensure that service quality becomes and remains a key objective (Lovelock & Wirtz, 2007).

Table 2.1 Prescription for Closing the Service Quality Gaps 2, 3 and 4

<p>GAP 2 Standards gap <i>Prescription: Establish the Right Service Processed and Specify Standards</i></p> <ul style="list-style-type: none"> • Get the customers service processes right: <ul style="list-style-type: none"> - Use rigorous, systematic and customer-centric process for designing and redesigning customer service processes. - Standardized repetitive work tasks to ensure consistency and reliability by substituting hard technology for human contact and improving work methods • Set, communicate, and reinforce customer-oriented service standards for all work units <ul style="list-style-type: none"> - Establish for each step in service delivery a set of clear service quality goals that are challenging, realistic, and explicitly designed to meet customer's expectation. - Ensure that employee understand and accept the goals, standards and priorities. <p>GAP 3 Delivery gap <i>Prescription: Ensure Service Performance Meets Standards</i></p> <ul style="list-style-type: none"> • Ensure that customer service teams are motivated and able to meet service standards: <ul style="list-style-type: none"> - Improve recruitment; select employees for the abilities and skill to perform the job. - Train employee on technical and soft skills. - Clarify employee roles and ensure they understand how the job contributes to customer satisfaction, teach them about customer expectations, perceptions, and problems. - Build cross-functional service teams that offer customer-centric service delivery and problem resolution. - Empower managers and employees in the field by pushing decision-making power down the organization.
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Table 2.1 Prescription for Closing the Service Quality Gaps 2, 3 and 4 (continued)

<ul style="list-style-type: none"> - Measure performance, feedback, and reward for team performance as well as individual employee attaining quality goal. • Installing the right technology, equipment, support processes and capacity: <ul style="list-style-type: none"> - Select the most appropriate technology and equipment to enhance performance - Ensure employee working on internal support jobs provide good service to their own internal customer. - Balance demand against productive capacity • Manage customer for service quality: <ul style="list-style-type: none"> - Educate customers to perform their roles and responsibilities in service delivery effectively. - Educate, control, and terminate jaycustomers who negatively affect other customers, employees, service processes, or facilities. <p>GAP 4 Internal communications gap <i>Prescription: Ensure That Communications Promises Are Realistic</i></p> <ul style="list-style-type: none"> • Educate managers responsible for sales and marketing communication about operational capabilities: <ul style="list-style-type: none"> - Seek input from front-line employees and operations personnel when new communications programs are being developed. - Let service providers preview advertisements and other communications before customers are exposed to them - Get sales staff to involve operations staff in face-to-face meetings with customers - Develop internal educational and motivational advertising campaigns to strengthen understanding and integration among marketing, operations, and human resource functions and to standardized service delivery across different locations. • Ensure that communications sets realistic customer expectations
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Source: Lovelock, C. H. & Wirtz, J. (6th ed) (2007). *Services marketing: People, technology, strategy*. New Jersey: Pearson Prentice Hall. Page 426 – 427.