INTERNAL MARKETING: HOW TO INCREASE A DEPARTMENT’S REPUTATION WITHIN ITS COMPANY

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ABSTRACT

This research paper has to do with internal marketing, an innovative strategy employed to improve information flow between departments and increase employee satisfaction and, consequently, customer satisfaction. The research question examines different strategic approaches and measures used to develop a process through which departments can position themselves in a more attractive way within their companies. The methodology used is a detailed secondary data analysis with the use of all of the different managerial approaches that have been developed to date. Furthermore, a method that describes how unpopular departments can improve their position within the firm, is developed. To derive this catalogue of possible measures, expert interviews were conducted with procurement experts. The qualitative results show that there are only a few approaches available for internal marketing, although there are also a number of measures from marketing itself that can be applied to the specific requirements of internal marketing. An explicit example has been developed that shows how a procurement department can improve its standing.

Keywords: Marketing, Internal Marketing, Procurement, Internal Procurement Marketing.

INTRODUCTION

In today’s complex business environment, ongoing communication and cooperative work are crucial for achieving a sustainable competitive advantage. Internal marketing is an innovative strategy employed to improve information flow between departments and increase employee satisfaction and, consequently, customer satisfaction. Therefore, an internal marketing strategy includes the treatment of employees as internal customers who have to be convinced of the company’s value proposition to the same extent as an actual external customer. This in turn raises employee satisfaction. Internal marketing can therefore be linked to job satisfaction, work motivation, and service quality, as well as to cooperative behaviour and customer service, which lead ultimately to customer satisfaction and loyalty. The research question in this paper examines

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different strategic approaches and measures used to develop a process through which departments can position themselves in a more attractive way within their companies.

The methodology used herein is a detailed secondary data analysis that collects all of the different managerial approaches that have been developed to date. Furthermore, a method is developed that describes how unpopular departments can improve their position within the firm. To derive this catalogue of possible measures, expert interviews were conducted with procurement experts. This research paper is based on the results of a bachelor thesis written at the Cologne Business School at the Seminar for Strategic Procurement Marketing.

The qualitative results show that there are only a few approaches available for internal marketing, although there are also a number of measures from marketing itself that can be applied to the specific requirements of internal marketing. An explicit example has been developed that shows how a procurement department can improve its standing.

**Theoretical Framework**

Internal marketing is the systematic optimisation of internal company processes through the use of marketing and human resource management instruments. Market-oriented company objectives are achieved efficiently by having a consequential and simultaneous customer and employee orientation that establishes marketing as an internal way of thinking. Correlations and interdependencies are depicted in a triangle in which the relationships between customers, companies, and employees are depicted as a “relationship triangle.” The company-customer relationship demands a customer orientation that has to be guaranteed by external marketing, mostly through interpersonal measures, while the company-employee relationship demands an internal customer and employee orientation, which is the task of internal marketing. The employee-customer relationship needs an individual customer orientation in order to ensure the company’s performance (Cannon, McCarthy, & Perreault, 2008).

The concept of internal communication integrates three different steps: analytical, strategic, and operational.

1. The analytical step: tasks have to be assigned following which research has to be conducted and facts have to be collected in order to arrive at an as-is state of internal communication, which has to be conducted by the status quo analysis (Hehn, Scharf, & Schubert, 2012).

2. The strategic step: on the basis of the analytical step, a strategic concept has to integrate targets, reference groups, positioning, messages, and topic, while an overall strategic approach also has to be established. This builds the basis for the implementation phase (Führmann & Schmidbauer, 2011).

3. The operational step: in the last phase, one has to determine which instruments will enable the realisation of the strategic concept. Additionally, time, budget, and the measurement of results have to be managed (Führmann & Schmidbauer, 2011).
Consequently, the optimisation of internal and external communication processes is necessary for the systematic planning of internal marketing. The following steps define an ideal planning process that focuses on internal company departments and will be applied later on to improve the negative perception of procurement marketing in German companies (Hollensen, 2010, p. 546-549).

1. Internal and external situational analysis: in order to meet the objectives of simultaneous customer and employee orientation, one has to identify and evaluate the internal and external frameworks available for internal marketing.
2. Determination of key internal marketing programmes: this includes optimising internal company trade-offs as well as the parallel advancement of customer and employee satisfaction, internal communication and the implementation of marketing concepts.
3. Target definition: one has to define targets for the aforementioned key programmes. This requires coordination between single programme departments in order to, for example, avoid conflicts.
4. Segmentation of employees: employees have to be segmented, in order to align different employee groups to different topics. This can be done according to hierarchical level, department, region, personal identification, etc.
5. Budgeting: budget positions have to be defined for each key programme.
6. Measurement planning: as far as operational planning is concerned, one has to determine what instruments to use and how to optimise the interfaces between marketing and HR.
7. Implementation: in addition to the implementation of marketing concepts, one also has to look at the implementation of internal marketing itself.
8. Monitoring: internal marketing has to be evaluated. The judgement of the target achievement is the central tenet of this step (Bruhn, 1999, p. 22-24).

**Methodology**
Quantitative research methods focus on a concrete characteristic of a feature, whereas qualitative research methods are designed to gather initially basic insights into new fields of research with all included opportunities and decision problems (Kiefl & Lamnek, 1984). Qualitative methods analyse mainly verbal data, the meanings of which can be captured mostly through interpretation. The research question posited in this article, i.e. how to improve the reputation of a department, in this case procurement, is not yet of any importance in research. Against this background, it seems to be legitimate
to show solutions derived from practice, in order to pursue a qualitative research approach.

Within qualitative research there is also a distinction between primary and secondary investigation techniques. The questioning technique, which is allocated to primary research, the data acquisition for which takes place in the form of interviews, is applied in this article. The survey focuses on verbal behaviour, in order to generate verbal reactions through verbal stimuli via communication between two or more participants (Atteslander, 2006).

Different interview types are applied: less structured, structured, partly structured, and clearly structured (Atteslander, 2006). In the context of this research the focus lies on a partly structured design. The interview process is aligned to pre-formulated questions which can be arranged flexibly, thereby allowing the interviewer to acquire detailed information by asking sub-questions.

Expert interviews nowadays represent the most popular methods in empirical research (Meuser & Nagel, 2009). It is important to ensure that one distinguishes between exploratory, systemising, and theory-generating expert interviews. The applied investigation technique in this paper is the systemising expert interview, as the systematic gaining of data from a practical point of view is the focus of the research. By employing a relatively elaborate questionnaire, the expert is depicted as an advisor and the owner of specific operational and expert know-how (Bogner & Menz, 2009).

The results convey a positive first impression, highlighting whether the reputation of procurement in a company is seen as either negative or positive and how to improve it respectively. Furthermore, the question was raised if a certain defined purchaser stereotype exists. Based on these findings, first assumptions will be made on how a purchasing position should look like, in order to meet the challenges of the future.

**Internal Procurement Marketing: How Much Marketing Does Procurement Need?**

Marketing experts still doubt the expertise of purchasers—when the one is talking about emotions, the other one responds with numerical figures (Reidel, 2012). This understanding represents the mostly poor reputation of the procurement function within a company. While the demand carrier (consumer) defines purchasing as a supportive task only, to simply carrying out predefined demands in the most cost-efficient and reliable way, the procurement function wants to be perceived as a partner on the same level. Procurement contributes directly to profit maximisation, and every penny saved in this department directly increases the profit of a company. Due to the poor reputation from which procurement still suffers, it is not seen as a function with particularly favourable career opportunities, and so to exploit this potential, qualified employees are needed. Therefore, the achieved added value of the procurement department requires visualisation and perceptibility. This can be achieved by through efficient procurement controls; however, without successful relationship management, the generated results may have little, if any, impact (Fröhlich, 2014b).

**Internal Procurement Marketing Targets**

The procurement function increasingly takes over the role of an interface manager. This job description includes the management of different departments and tasks. For interface managers it is very important to communicate with all involved functions (Hehn, Scharf, & Schubert, 2012). In order to get involved in product development
processes at an early stage, and to use the innovative potential of suppliers to strengthen market position, procurement managers have to gather appropriate information, but they also have to make sure that this relevant information is passed on to cooperating functional areas. The crucial question is how can purchasing managers make sure that functions such as research and development, construction, production, marketing, and HR want to collaborate with them? Procurement employees need to be persuasive and think from the consumer’s perspective (demand carrier) (Fröhlich, 2014b).

In this context, one often refers to the concept of adopting other perspectives. To enable purchasing managers to steer a relationship with demand carriers in a trustful way they have to put themselves in the demand carrier’s position. This, for example, helps purchasers to sell necessary cost reduction measures (Lippe, 2014).

The task itself, however, needs relationship commitment from both sides. In this context the focus lies on allocating incentives. The procurement department needs to make clear what kind of added value an improvement in the reputation of the purchasing function will create, if this comes along with harmonious collaboration among all the relevant function owners.

Companies nowadays are constantly forced to reinvent themselves over and over again; change management is one of the central organisational themes in this regard (Lippe, 2014). This trend can be used to create a new purchasing image in order to meet upcoming challenges successfully, such as volatile price developments, continuously increasing cost pressures, delivering constant quality, and fulfilling consumers’ demands (Fröhlich, 2014b).

![Figure 2. Internal Procurement Marketing Targets](Image)

<table>
<thead>
<tr>
<th><strong>Objectives of Internal Procurement Marketing</strong></th>
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<tr>
<td>Optimising reputation</td>
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<tr>
<td>Build mutual trust with other functional areas</td>
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<tr>
<td>Avoiding maverick buying</td>
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<tr>
<td>Defining purchasing’s role in the company</td>
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<tr>
<td>Identification of employees with their new role</td>
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<tr>
<td>Establishing attractive workplaces</td>
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<tr>
<td>Creating awareness for the most important procurement targets</td>
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Source: Own illustration, based on Lippe, 2014.

Internal procurement marketing can thus be defined as a partner- and service-oriented behaviour of procurement employees with a view to providing better performance and therefore contributing added value to the company’s success. Hence, procurement employees have to understand “the market”—in the context of this article
the market is the company itself and, respectively, the demand carriers of the cooperating functions (Bruhn, 1999).

Internal procurement marketing promotes the loyalty and confidence of demand carriers and therefore increases the previously required relationship commitment. In order to explain why it is difficult for internal customers to terminate relationships with a well-tried supplier, one can refer to the well-known theory of cognitive dissonance, because demand carriers tend to legitimise purchase decisions by suppressing negative supplier experiences and only express any positive characteristics to procurement managers. Maverick buying, and with it possible negative consequences such as further costs or complaints or the definitive diminishing influence of procurement, can be prevented (Moosmann & Fröhlich, 2014). The better reputation of a purchasing department builds mutual trust with cooperating functional areas and thus avoids maverick buying, which is still a serious issue in German companies.

Internal procurement marketing also influences HR management in that the purchaser needs to fulfil multifaceted tasks, which complicates a clear role definition. Nonetheless, internal procurement marketing helps to accept the given new role and to identify with it, in which case the attractiveness of workplace “procurement” is raised. This improved understanding of procurement as an interesting job opportunity with good career prospects might also solve the problem of numerous vacant positions in this discipline, because often procurement is perceived by high potentials as a dead-end job offering very little in the way of real development or career opportunities (Fröhlich, 2005). This new understanding of procurement, and the stronger identification of procurement employees with this new role, highlight attractive workplaces and enable purchasers to create awareness of the most important procurement targets.

To conclude, purchasing should definitely not be perceived merely as a “service centre” simply supporting other functional areas in terms of fulfilling orders; the much-quoted term “service mentality in procurement” is a thing of the past. With the help of internal procurement marketing, purchasers should confidently position themselves as equitable partners within the company.

**An Internal Procurement Marketing Model**

In the following paragraph some references are illustrated on how an internal procurement marketing concept can be implemented successfully. At first, it is necessary to detect weak points in the procurement function through a situational analysis. A high maverick buying quota, for instance, can be seen as an indicator of missing confidence in procurement performance. The shortcomings identified in the situation analysis determine the next steps in the internal procurement marketing model, namely the strategic and operational planning of internal procurement marketing. By improving the internal customer's (demand carrier) orientation, one can, for instance, counter the previously mentioned problem of a high maverick buying quota.
The strategic planning phase covers the formulation of a vision and a number of targets, as described in the previous chapter. This clear statement is necessary to motivate all procurement employees to support the implementation of adequate measures and to improve the reputation of the function. Budgeting concludes the strategic planning process of the internal procurement marketing concept, since without the allocation of financial resources to undertake training and development measures in the context of soft skills and leadership skills, any successful implementation is at risk.

In the next step, operative planning, marketing management instruments (e.g. internal communication measures employed to clarify goals and visions for employees as well as internal customers successfully) and human resource management-related instruments (e.g. the right employee selection in procurement) play a vital role. The successful implementation of internal procurement marketing is only possible if top management as well as chief procurement officers support the application of adequate internal procurement marketing instruments. Furthermore, procurement employees have to be competent and qualified; relevant competencies and experience are required. Standardised employee surveys and internal market research help to measure target achievement of internal procurement marketing (Fröhlich, 2014b; Lippe, 2014).
Figure 4. Marketing- and HR-related instruments of internal procurement marketing

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<tr>
<th>Marketing Management Related Instruments</th>
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<tr>
<td>Workplace design</td>
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<tr>
<td>Internal ‘top-down-communication’ to manage employees</td>
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<tr>
<td>Internalisation of purchasing’s philosophy, strategies and targets</td>
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<tr>
<td>Guiding employees by communication ideas, not manipulating them</td>
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<tr>
<th>Human Resource Management Related Instruments</th>
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<tr>
<td>Hiring the right people</td>
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<tr>
<td>Required skills: communicative, proactive, willing to share information and take decisions</td>
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<tr>
<td>HR has to be informed which competencies are necessary to support the strategic shift in purchasing</td>
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Source: Own illustration.

In summary, workplace design and internal “top-down communication” promote target achievement in internal marketing by making it easier for purchasers to define and accept their new role and thereby increase the reputation and standing of their departments. It is very important to understand that this approach only realises the desired output if employees are guided by communicating visions and ideas instead of manipulating them. These marketing management-related instruments require the execution of human resource-related instruments. Without hiring the right people and developing an understanding of the necessary competencies in the HR department, internal marketing is intrinsically doomed. Possible required skills for internal marketing are mentioned in Figure 4.

In the next step of implementing internal procurement marketing, management has to clearly define what is possible. This requires a sound analysis of necessary potentials such as financial resources or assets in comparison to what is available in purchasing. Furthermore, the implementation of internal procurement marketing determines acceptance within the company. All cooperating demand carriers (internal customers) support purchasing efforts in terms of creating added value, and a so-called “integrated supply chain” is established, the major purpose of which is to direct all activities taken by stakeholders involved in this supply chain to fulfil the requirements of the end customer. Monitoring achieved results drives the internal procurement marketing process.

Conclusions

Internal marketing will gain even more importance in the future as it fosters company competitiveness. Therefore, employees have to be trained in how to improve the positive internal perception of their department. In this respect a process model was developed to analyse possible measures to achieve these targets. The measures, collected and clearly depicted herein, are a first step for advanced research in regard to expert interviews in order to find out which ones should be developed further.

Future research regarding sustainable interface management will be conducted within the dissertation of one of the authors. Internal branding is one important part of sustainable interface management and the method that can be applied to improve internal communication and collaboration.

In summary, successful purchasing is achieved through teamwork! The intention of this chapter was to turn procurement employees into valuable members of, for example, product development teams and thereby increase sustainably the added value of procurement.
REFERENCES


