

RETENTION AND INTERNAL MARKETING: AN ANALYSIS ON THE BANKING SECTOR

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ABSTRACT

Modern, flexible, and efficient organizations must pay more attention to the concept of internal marketing. Through the dimensions of this tool, managers can understand what makes their own employees motivated, happy to work in that environment, to provide quality services to external customers and to increase employee retention. In most cases it is expected that a satisfied employee will deliver better services and will be more aware of his role in the organizational ecosystem. In this sense, this paper aims to investigate the relationship between retention and internal marketing in the banking sector in Romania. As banking organizations operate in a dynamic and competitive business environment, they need to develop strategies to attract and retain a talented workforce. The novelty of the study is highlighted by the fact that, currently, there is no such quantitative research in Romania, with the target group being employees of the banking sector. Therefore, such a topic is important not only for this field, but also for other industries and for the future research.

KEYWORDS: *retention, internal marketing, banking sector.*

1. INTRODUCTION

From the beginning of time, employees represented the most valuable resource that organizations had at their disposal to satisfy the needs of their customers. Today, the circumstances in which a company operates are constantly changing, as customers want a deeper experience when interacting with staff. Whether it is about values, behaviors, or different attitudes, all these contribute significantly to the consciousness of individuals. Thus, the extent to which an organization is able to produce such an extended product depends on the expertise, enthusiasm, retention, and dedication of employees in their daily tasks.

In a global context, employee retention is considered essential for the overall performance of companies, being a reality that generates competitive advantage. Thus, internal marketing has become extremely important for employee retention in an organization, especially in a volatile environment, such as the banking sector.

2. THE RELATIONSHIP BETWEEN RETENTION AND INTERNAL MARKETING

Over the last decades, although a significant growth of specialized literature in this field can be observed, there is still no agreement on a universally accepted common framework regarding the concept of internal marketing. Authors like Varey (1995) and Rafiq & Ahmed (2000) feel that the term's definition is ambiguous because it's unclear exactly what internal marketing entails, what it should do, how to accomplish it, and by whom.

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Internal marketing was first described under this name by the author Berry (1981) as a process in which the employee functions as an ‘internal customer’, performing a job that he characterizes as an ‘internal product’. However, the idea of internal marketing first appeared in the specialized literature in the second half of the 1970s, as a desire for those companies that aimed to offer a more competitive service to their users (Berry et al., 1976.). From here, external customers who benefit from high-quality service will be more satisfied and, consequently, will repeat their purchase. Therefore, George (1977, p. 91) sustains it is essential for the organization to ensure that its personnel feel satisfied in order to maintain happy clients. Simultaneously, Philip Kotler, a renowned marketing author, highlights that internal marketing is a strategy that involves the recruitment, training, and motivation of staff to enhance the quality of services provided to clients. (Kotler, 1991, p. 20).

It should be noted that all these different interpretations have led to difficulties in the implementation and adoption of the concept on a large scale, generating contradictions in terms of defining the precise domain. In fact, some definitions of internal marketing consider it either a concept, a philosophy, or related to human resource management and marketing and service management. However, it can be emphasized that internal marketing is an interdisciplinary topic that has been investigated by marketing experts as well as human resources and management experts. In addition, a careful examination of the specialized literature indicates the existence of three distinct directions of development of the concept of internal marketing. The evolution of these phases is detailed below:

Stage I: Employee motivation and satisfaction

The first phase represents an early stage of development, where the literature has focused mainly on employee motivation and satisfaction. The argument behind this is that the roots of the concept of internal marketing lie in efforts to improve service quality. The overall effect of this reality was to focus organizational efforts and bring to the fore the issue of employee motivation and satisfaction. Thus, the hypothesis of the importance of employee well-being, which has a subsequent impact on customer satisfaction, was capitalized. Therefore, an employee who is fulfilled and satisfied with the organization where he works, will most likely provide quality services to external customers, fulfilling the organization's objectives.

The importance given to employee satisfaction in this first approach can be attributed to the fact that, in services marketing, much of what customers buy is labor. Consequently, attracting the best staff, retaining, and motivating employees becomes critically important.

However, Sasser and Arbeit's (1976) belief that personnel is the most important market of a service company prioritizes employees and relegates the external customer to a secondary level. This reality seems to reverse one of the most important premises of marketing: the priority and superiority of the consumer, of the external customer. This brings us to the second phase of the concept.

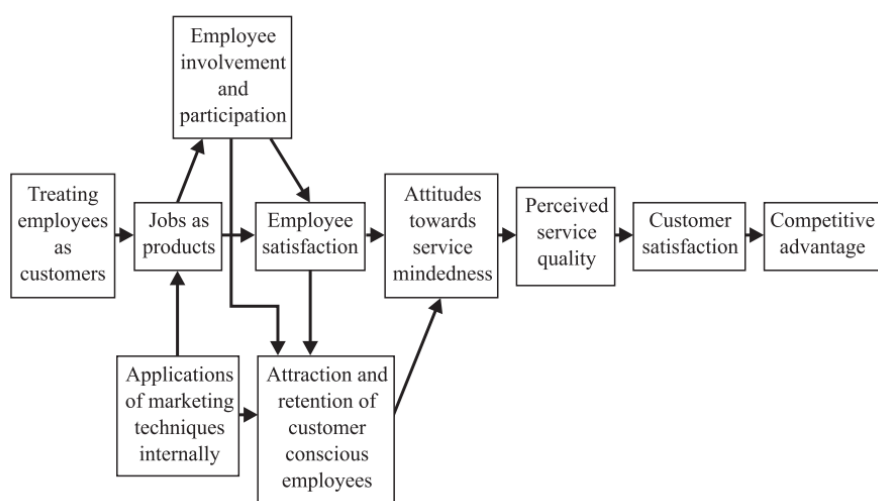


Figure 1.1. Berry's (1981) first-stage model of internal marketing

Source: Ahmed and Rafiq, 2002, p. 14

Stage II: Customer Orientation

The second stage in the development of the internal marketing concept captures the view of Grönroos (1981), who emphasized that buyer-seller interactions not only influence purchase and repeat decisions, but also provide a marketing opportunity for the organization. Exploiting these opportunities requires trained, customer- and sales-oriented personnel. Grönroos (1981) defined internal marketing as a management philosophy and a strategic marketing tool, being described as a 'selling process', that is, the promotion of an organization's goals to its employees. As a result, the purpose of internal marketing is to recruit staff members who are enthusiastic and responsive to the needs of customers (Grönroos, 1981, p. 237). However, from this perspective, it is not enough for employees to be motivated to perform better, as it was pointed out in the first phase, they must also be attentive to sales. Thus, every employee who interacts with the customer must be trained as a marketer and enable the shaping of relationships with all consumers in order to promote the organization.

In addition, George (1990) argues that an active marketing strategy in which particular actions are carried out internally is the most effective way to encourage staff involved in internal marketing to give attention to providing excellent service and customer-oriented behaviour.

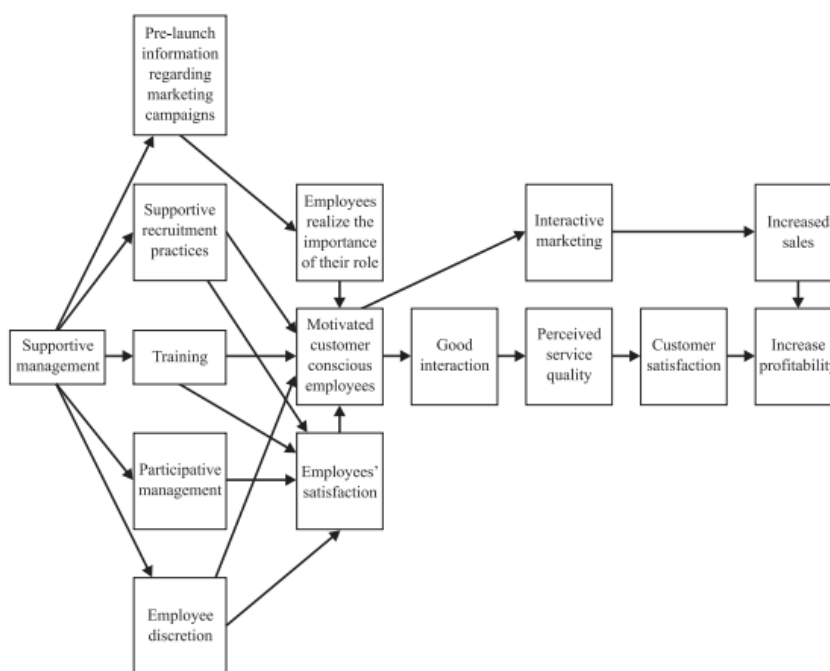


Figure 1.2. Grönroos' (1985) second-stage internal marketing model

Source: Ahmed and Rafiq, 2002, p. 16

The addition of internal marketing techniques therefore brings Grönroos's definition closer to Berry's in that both sets of approaches emphasize the need to motivate employees and advocate the use of marketing-like techniques to achieve this. However, the essential difference between Grönroos's approach and Berry's is that employees are not treated as customers, as is the case in the first phase conceptualization. Additionally, Grönroos focuses on creating employee customer orientation through a process of influencing rather than employee satisfaction and motivation.

Stage III: Strategy implementation and change management

The third stage focuses on the role of internal marketing in implementing strategy in an organization. Winter (1985) highlighted the ability of internal marketing as a management technique to settle organizational objectives. He highlights that the purpose of internal marketing is to establish a hierarchy, educate, and motivate staff towards achieving institutional objectives...the process through

which staff comprehend and acknowledge both the significance of the project/ organization and their position within it. (Winter, 1985, p. 69).

In this phase, internal marketing came to be seen as a mechanism for reducing departmental isolation and overcoming resistance to change. This has led to an extension of the application of the concept of internal marketing to any type of organization, not just services.

From the detailed examination of the specialized literature, we can observe three major diverse phases in the evolution of the internal marketing concept: an employee motivation and satisfaction phase, a customer orientation phase, and a strategy implementation phase. We note that employee motivation and satisfaction were the crucial concern in the first stage, and customer orientation and the use of marketing techniques were subsequently given a significant role. Finally, in the third phase, the focus was on strategy coordination and implementation, interoperability and change management.

However, the objectives of marketing depend, first of all, on the reason for which it is implemented. Internal marketing can be concerned with improving employee routines through internal motivation. Internal marketing can aim to ensure that the entire organization understands the function of each department within the organization. Moreover, internal marketing can aim to improve the overall business process within an organization to ensure that resources for the company's progress are made available to the internal customer. In this regard, all these things can lead to: stronger individual performance, better teamwork and more effective communication and improved employee retention. In recent years, crucial developments such as globalization, rapid technology change and the COVID-19 pandemic have put a lot of pressure on organizations to maintain their competitive edge. In this regard, the leaders of organizations face a vital challenge: that of retaining employees at work. Employee retention is a long-studied phenomenon, but today it is more essential than ever, given the multitude of changes in the contemporary world.

According to Johnson (2000, p. 34) the capacity to retain more of the employees you wish to retain than your rivals is known as retention.

To build an effective retention plan for today's job market, it is essential to understand the different needs and perspectives of employees in various industries. When it comes to the specific relationship between internal marketing practices and employee retention, there are various studies that describe its relationship based on organizational success. For example, according to the study by Kim, Song and Lee (2016), the relationship between internal marketing and employee retention is very significant because both are interconnected with each other. Based on the study conducted by Tanwar and Prasad (2016), employee retention is the vital challenge faced by various organizations in the business environment. The main reason behind the increase in employee turnover is based on the poor practices or the neglectful attitude of the management of the respective organization in adopting effective internal marketing practices.

Employee retention based on internal marketing practices highlights the existence of such dimensions that should be considered. According to the study conducted by Alhakimi and Alhariryb (2014), practices such as training and development, innovation in leadership style, fair performance evaluation, effective reward and incentive management systems and also building proper communication by clarifying goals and mission organization, could have a positive impact on the organization. These practices could help the organization to retain its employees and satisfy them for a long period of time.

In this regard, there are several crucial factors that greatly influence the relationship between internal marketing and employee retention: internal communication, training and development, reward system, and empowerment increase the influence of internal marketing practices on employee retention. Therefore, by promoting these four factors, organizations can realize the importance of internal marketing and the impact of employee retention to achieve their goals effectively.

3. INVESTIGATION IN THE BANKING FIELD

This research focuses on employees working in banking sector in Romania. This sector has undergone radical changes in recent years, and a closer look at the outlook shows that these changes will continue to reshape the industry in the period to come. The impact of digitization on work and employees in the banking sector is similar to that in other areas: the automation and elimination of a number of jobs but compensated to some extent by the emergence of new activities, the shift of lower-skilled jobs and average with high-skilled ones, the redeployment of many employees, a growing need for retraining, but also wage differences.

The COVID-19 pandemic made this restructuring of the banking system even more pronounced in the last two years, so that the banks operating on the Romanian market ended up having at the end of the first nine months of 2021 a number of 51,713 employees, in while the number of bank branches dropped to 3,695 (Medrega, 2021).

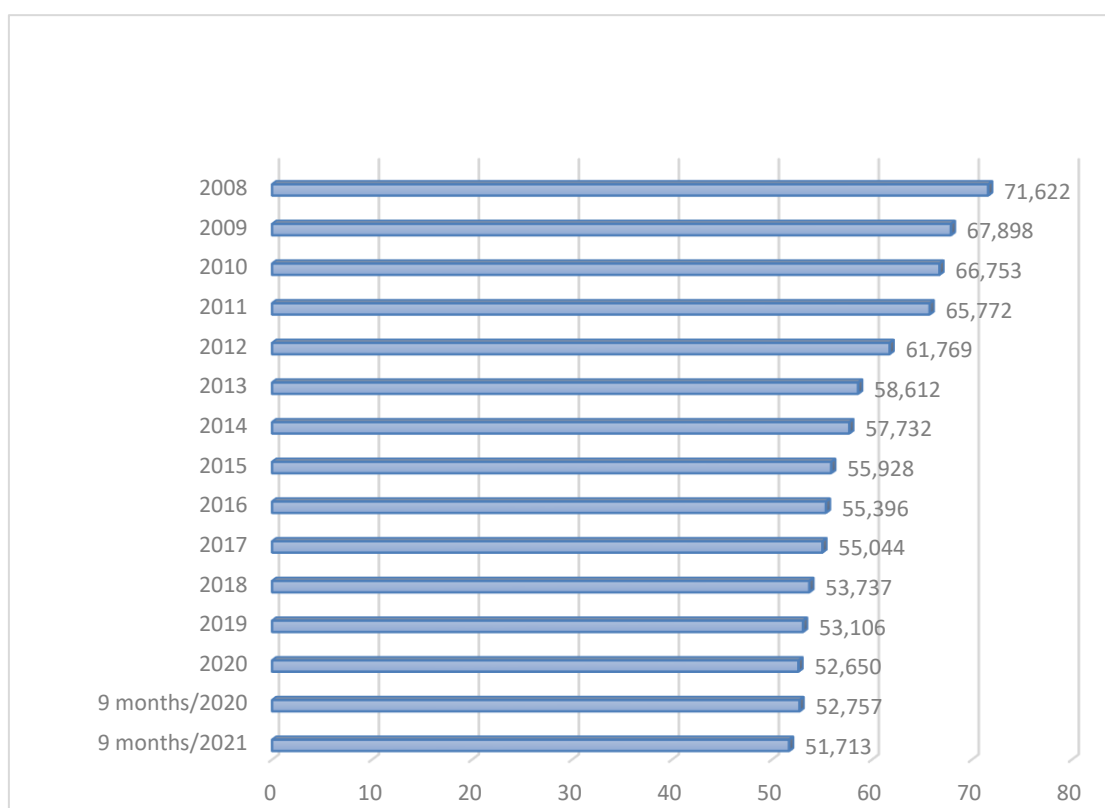


Figure 3.1. Total employees in the banking system in the period 2008-2021

Source: Own processing based on data from Medrega (2021)

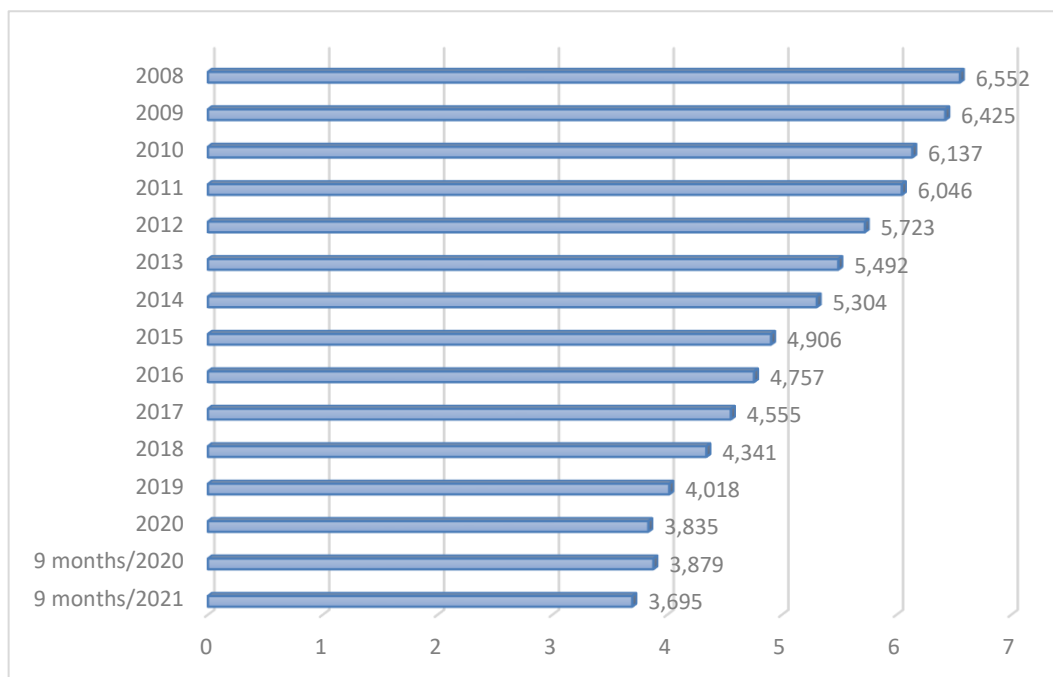


Figure 3.2. Total branches and agencies in the banking system in the period 2008-2021

Source: Own processing based on data from Medrega (2021)

The data in the two figures show that between the first 9 months of 2020 and the first 9 months of 2021, a number of 1,044 employees left the Romanian banking system, and 184 branches and bank agencies were closed. At the same time, it can be observed that the infrastructure of the banking sector reached its peak during the economic peak, more precisely in 2008, when the territorial networks reached a number of 6,552 branches and agencies, in which a number of 71,622 employees worked. Compared to 2008, more than a quarter of employees left the field and over 43% of bank branches were closed in the entire Romanian banking system in the period 2008-2021. Thus, 19,909 employees left the system compared to the peak in 2008, the decrease being 27.8%. Also, 2,857 banking units were closed during this period, the adjustment being 43.6%. In addition to the impact of the COVID-19 pandemic, which caused that in 2020 and 2021, a large part of the banking activity moved to the online environment, in recent years, the adjustment of the territorial network was caused, above all, by cutting costs and and the consolidation of the Romanian banking system. Furthermore, if before the financial crisis of 2008, the banking profession valued the profile of some of the best-paid employees in the local environment, in recent years, this profession has reduced its attractiveness, being replaced by professions in the IT field, where there are currently the highest salaries in Romania (Medrega, 2021). Therefore, the Romanian banking sector is in a constant state of change, and employees have a crucial role in this new paradigm. At the same time, the issue of internal marketing in terms of ensuring the adaptability of the workforce to new technologies is an imperative for organizations that want to perform in an increasingly competitive market.

4. RESEARCH METHODOLOGY

4.1. The Purpose of the Research

The purpose of the research is to analyse the effect that internal marketing has on employee retention in the Romanian banking sector. The concept of internal marketing will be measured by the four big dimensions discovered based on the specialized literature: internal communication, training and development, reward system and employee empowerment. This research is a work in progress and is part of a more comprehensive study.

4.2. Quantitative Method and Research Tool

To test the relationship between internal marketing variables and employee retention, a quantitative research method was used. In this sense, the data collection tool chosen was the questionnaire. This research technique was deemed necessary to generate a large sample of data within a limited period of time. The questionnaire was divided into two sections. The first section was designed to obtain information on both internal marketing dimensions and employee retention. Each item was measured using a five-point Likert scale to observe the degree to which respondents agree with the respective statements: 1 = the statement is false - strongly disagree; 2 = the statement is mostly false - disagree; 3 = the statement is about equally true or false, you cannot decide, or you are neutral; 4 = the statement is mostly true - agree; and 5 = the statement is definitely true - agree. At the same time, answer option 6 (I don't know / I don't answer) was also introduced, in order to preserve the right of the respondent not to answer. The second section of the questionnaire was intended to obtain socio-demographic information regarding the respondents' gender, age range, background, last form of education completed, respondents' income, seniority in the current position and positions in the organization. In this questionnaire, both closed questions with predetermined answer options and mixed questions were used. Most of the closed questions could be ticked with only one answer option, but there were also some questions with more than one answer option. The questionnaire is semi-structured, consisting of 21 questions and managed through the survey platform - iSondaje.ro. All the questionnaires were distributed to the employees of different banks in Romania via the Gmail, LinkedIn, Facebook Messenger and WhatsApp platforms. Data collection was carried out in electronic format, between May and June 2022.

4.3. Sampling and Defining the Population

The target population of this study was represented by employees who work in the Romanian banking sector and who occupy both executive and managerial positions. Respondents were selected randomly and voluntarily based on non-probability sampling, and the technique used was convenience sampling. The convenience sampling model, often based on volunteering, represents the model most valued in research practice. (Maxwell and Delaney, 2004)

The questionnaire was completed by 163 employees from the Romanian banking sector, who work in both state and private banks, and all participants were kept anonymous.

5. ANALYSIS OF RESULTS

The employees to whom this research was addressed are between the ages of 18 – 55 and come from various departments of the organizations they work in, most of them occupying executive positions. Some examples of departments in which the target population works are: Human Resources, Credit Repair, Customer Relations, Internal Audit, Financial and Operations, Risk Inspection, Compliance, Back-Office, Front-Office, Risk Management, Treasury, Reporting, Operations and Accounting. Regarding the gender of the respondents, 128 of the total respondents were female, representing a percentage of 78.5%, while 35 of the total respondents were male, representing a percentage of 21.5%. Thus, it can be seen that in this research there is a gender gap between the respondents, since most of them are women. Therefore, the results of this research are relevant, in particular, for Romanian banking organizations in which there is a similar gender distribution.

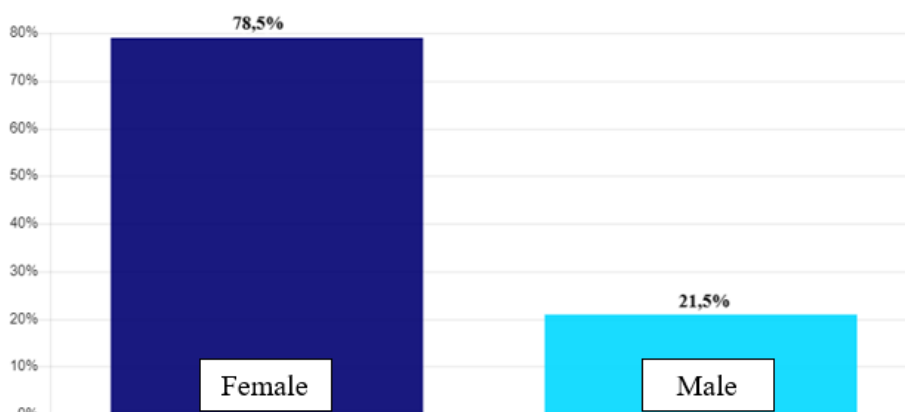


Figure 5.1. Distribution of respondents by gender

Source: Own processing based on collected data

Regarding the age range of the respondents, it was divided into five groups. Thus, in Figure 5.2, it can be seen that 60.1% of all respondents are between 18-25 years old, while 25.2% are between 26-34 years old. In addition, 9.8% of the total number are between the ages of 35-45, and a percentage of 4.9% of people between the ages of 46-55 complete the picture. In this research, the last existing group had no respondents. Therefore, a significant number of respondents are young people, in the first years of their career.

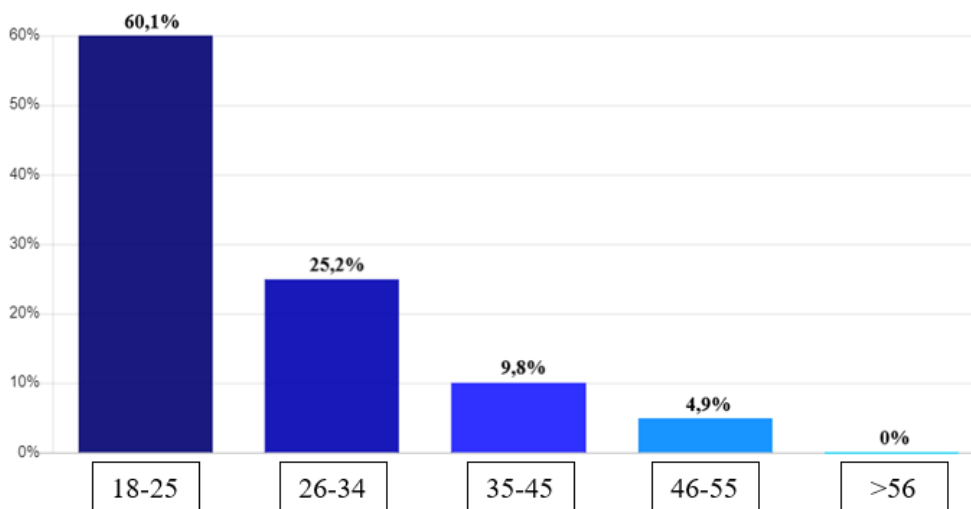


Figure 5.2. Distribution of respondents by age

Source: Own processing based on collected data

Regarding the number of years of experience in the current position, Figure 5.3. shows that more than half of the total number of respondents, more precisely a percentage of 57.1%, have between 1-5 years, and in second place are those who have less than 1 year of experience in the organization, with a percentage of 23.9%. At the same time, 12.9% of all respondents are between 5-10 years old, 3.7% between 10-15 years old, and the lowest percentage, exactly 2.5%, is occupied by respondents who are over 15 years old.

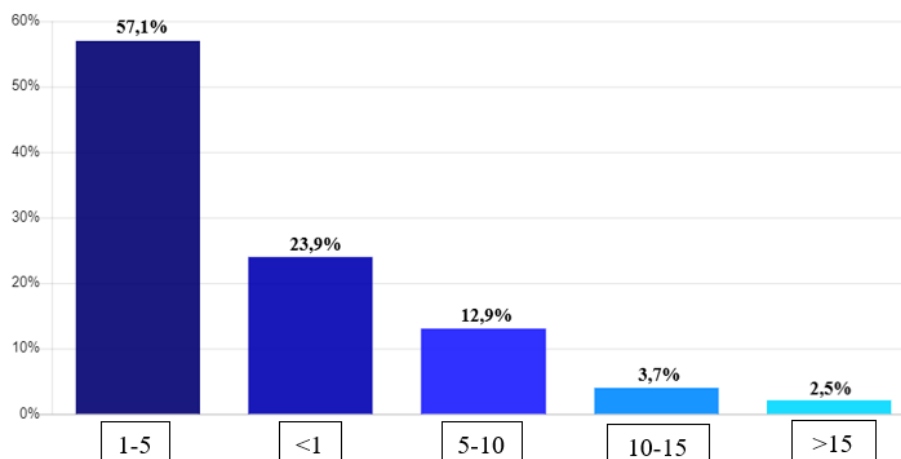


Figure 5.3. Distribution of respondents according to seniority in the current position
 Source: Own processing based on collected data

In Figure 5.4, you can see the percentages related to the first analyzed dimension - internal communication. Feedback is a crucial link between employees and the company and is a must for all organizations that want well-being and performance. Asking for feedback from their superiors, as well as putting it into practice, can motivate and encourage employees, making them more enthusiastic about their jobs and having a positive attitude towards their professional responsibilities. Such a healthy environment in which employees perceive their contribution as valued and taken seriously by colleagues and management can also build solid interpersonal relationships. In this sense, about half of the respondents, precisely a percentage of 48.5% stated that they agree a little with this statement, while 25.2% said that they strongly agree. 17.2% of all respondents choose the third option, followed by 4.9% ('disagree a little'), 3.7% ('disagree strongly'). Thus, the process of providing feedback should still be improved in some organizations, as approximately a quarter of all respondents were not so satisfied with this reality.

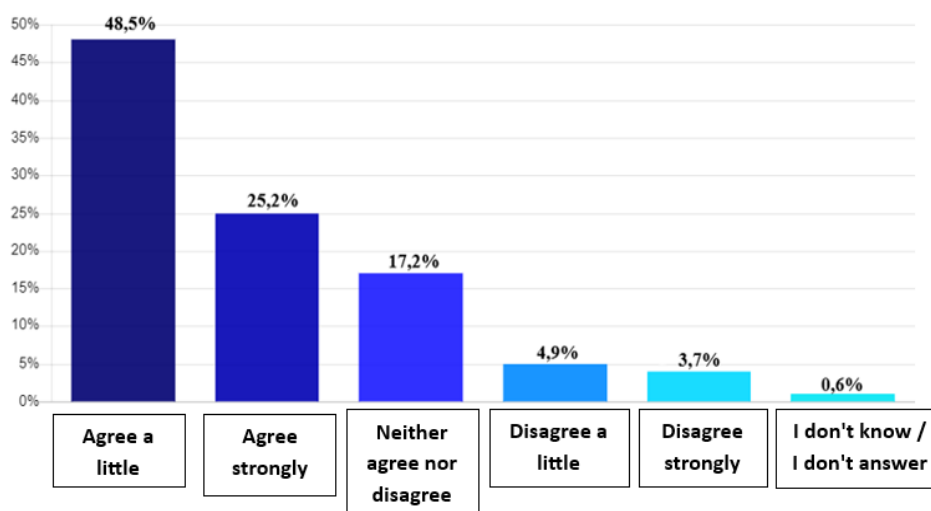


Figure 5.4. Distribution of respondents according to feedback request
 Source: Own processing based on collected data

As for the dimension of training and development, it is essential for organizations that want to perform in an increasingly competitive field. Employees are the most important resource for any organization, and they need constant and personalized training to perform their tasks effectively. At the same time,

this allows the updating of current knowledge, but also the development of new ones, being a competitive advantage in front of other companies where such programs are missing or less prominent. Thus, in Figure 5.5, it can be seen that 51.5% of all respondents agreed a little with this statement, while 21.5% strongly agreed, which shows that approximately three quarters of respondents are relatively satisfied by the training and development programs followed in their companies. A percentage of 15.3% of respondents are ‘neither agree nor disagree’, followed by 6.1% who are ‘strongly disagree’. The table is completed by 4.3% of all respondents, who declared that they ‘somewhat agree’ with this statement. It can be found that the banking organizations from which the employees come from could adjust their training and development policy so that more people are satisfied with the training services they receive.

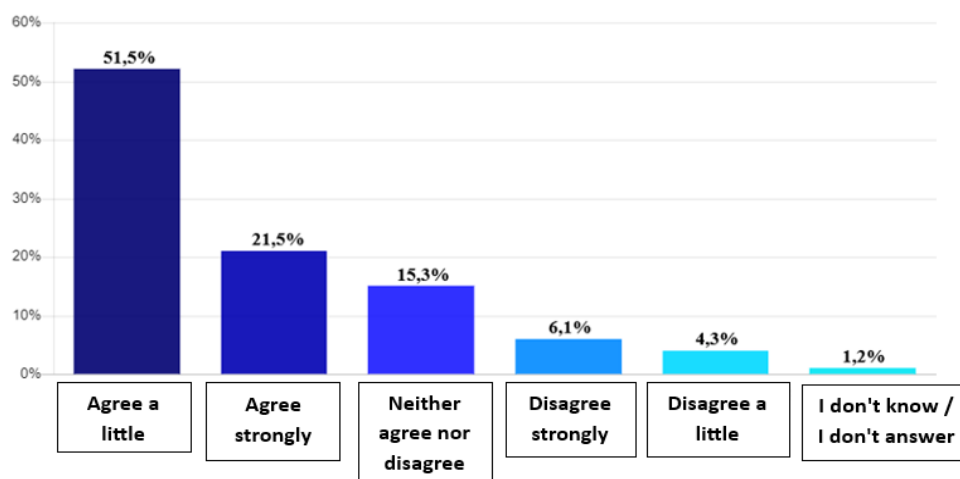


Figure 5.5. Distribution of respondents by delivery of a training and development programme
 Source: Own processing based on collected data

Regarding the satisfaction of the employees regarding the promptness of receiving the salary, it can be seen from Figure 5.6 that this desire is successfully fulfilled, since the majority of respondents, more precisely a percentage of 95.1%, declared that they receive the remuneration in the interval established in the contract. At the same time, 3.9% said they ‘agree a little’, followed by 0.7%, who chose the option ‘neither agree nor agree’. This shows that in very few cases, employees may have had small salary delays, but overall, there were no such problems.

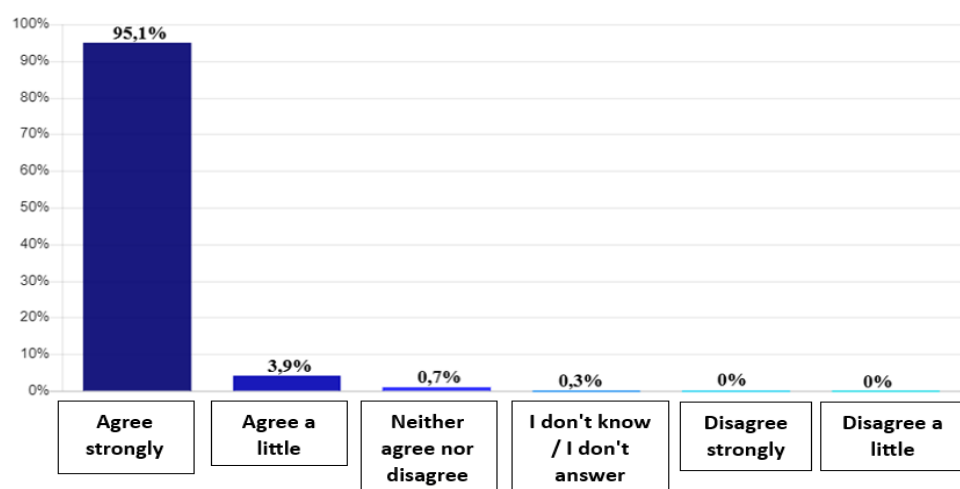


Figure 5.6. Distribution of respondents by delivery of a training and development program
 Source: Own processing based on collected data

From the point of view of task autonomy, opinions are divided. We can see that 41.1% of the total respondents 'agree a little', while 37.4% 'strongly agree' with this statement. In third place is the variant 'neither agree nor disagree', with a percentage of 12.9%, then 3.7% mentioned that they 'disagree a little', being followed by 2.5%, who confessed that they 'strongly disagree'. Another 2.5% of all respondents chose not to answer.

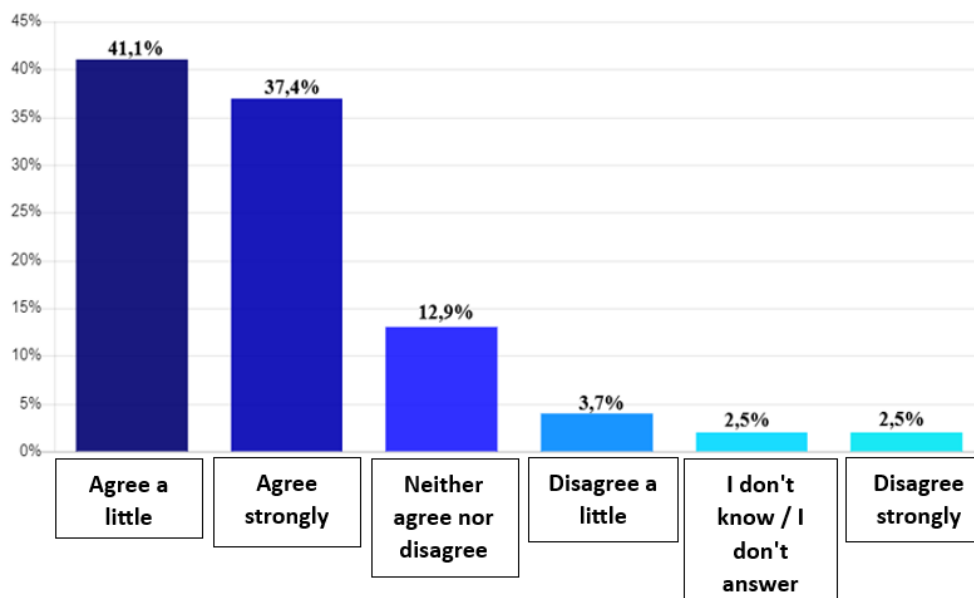


Figure 5.7. Distribution of respondents by customer problem authority

Source: Own processing based on collected data

6. CONCLUSIONS AND FUTURE DIRECTIONS FOR RESEARCH DEVELOPMENT

In this research, the main goal was to investigate the relationship between internal marketing dimensions (internal communication, training and development, reward system, empowerment) and employee retention in the Romanian banking environment. The results of the study confirmed that there is a positive relationship between the two variables, having a positive impact on employee retention. All these things value and promote the idea that the superiors in charge of the banks from which the employees in the target group come should develop modern internal marketing strategies that motivate the staff and make the employees stay as long as possible in the organizations. Therefore, it can be stated that internal marketing has a significant effect on employee retention in the case of the Romanian banking sector. Also, internal communication, training and development, reward system and empowerment have significantly affected internal marketing practices.

In the supporting paper, four dimensions of internal marketing, which influence employee retention, were addressed. Future research could investigate other dimensions as well. For the following studies, the sample could include other organizations from different geographical areas, given that the respondents are part of a single culture and multiculturalism is increasingly pronounced.

Last but not least, the current research opens new horizons for authors who aim to explore the context and method and strengthen the case for internal marketing. However, more qualitative, or mixed methods studies are needed to understand how organizations implement internal marketing and to identify the role of programs in employee retention. Longitudinal studies could also contribute to a deeper understanding of the approach.

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