Internal vs External Customers: How Are They Different?

Sometimes it’s necessary to step back and clarify a seemingly obvious concept. In this case, let’s explore the differences between internal and external customers.

From an IT perspective, there are reasons to separate the types of customers you serve: you may have a help desk and a service desk, or maybe a service desk that serves both internal employees and public customers. For customer service, too, knowing the needs of your customers will clarify workflows and help you decide whether your company should distinguish between internal and external customers.
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Defining external and internal customers may clarify your workplace and help you decide which is best for your company.
What is an external customer?

External customers are the people that pay for and use the products or services your company offers. When brainstorming problems and designing solutions, these customers are who you’re designing for.

To be clear, an external customer is a person who is not directly connected to your organization other than by purchasing your product or service. This customer could be a one-time purchaser or a person your work with long-term, providing add-ons or customization options. External customers are also known as “clients” or “accounts”.

The goals for your external customer can depend on your product, but they can include repeat purchasing, giving referrals and positive reviews, and otherwise supporting your company. You may check in with them after-purchase or during use to conduct formal or quick-pulse surveys. You might follow business adages such as “the customer is always right” when serving this group. These are the lifeblood of the company because of their revenue stream—if they’re not here, the
company fails.

What is an internal customer?

An internal customer is someone who has a relationship with your company, though the person may or may not purchase the product. It is often a person who works within the company, such as general employees and managers.

Internal customers need not be directly internal to the company. For instance, you may partner with other companies in order to deliver your product to the end user, the external customer. Such internal customers all have a hand in delivering the product to your end client. Less obvious but certainly significant, stakeholders and shareholders are additional internal customers.

Comparing internal and external customers

External customers have been inherent in business since people started making and selling products—a long time! The idea of an internal customer, however, is a more modern one. For instance, Six Sigma encourages identifying internal customers as a way of creating a more positive work environment.

One belief is that the work environment should satisfy the people who work in it, beyond the paycheck. The thinking goes: the higher employee morale, the more those employees work with integrity and productivity. Perhaps it’s the idea that they are contributing to something larger, which ripples out positively to improve how they work with direct and indirect teammates, and whether they put extra effort in to producing better work. One school of thought connects satisfied internal customers with happy external customers.

Beyond the feel-good psychology, though, using the term
“internal customers” may have some tangible benefits. For teams who handle work with both internal and external customers, the terms can help delineate organization, from prioritizing problems and timelines to improving cross-department communication. Treating everyone as a customer may also encourage employees to take each other just as seriously as they would take a referral or complaint from an external employee.

Do negative internal customers affect external customers?

So, if we turn this feel-good thinking on its head, do unhappy internal customers make for unhappy external customers? Not necessarily.

Studies indicate that employees, which comprise the vast majority of internal customers, may be unhappy, perhaps due to frustrations, perceived conflicts, or general discontent about the job. But these unhappy employees are unlikely to intentionally harm their own work or the experience of external customers. Management experts believe that it’s a matter of practicality: few people are willing to perform so badly that they’ll be fired, especially without securing another job offer first.

Unhappy internal customers may pick up on the positivity of external customers. For instance, if a frustrated employee feels ignored or unrecognized by his manager, he may find positive feelings from his customer interactions. Plus, most people have a greater respect for a sense of professionalism than the pro-“internal customers” camp gives them credit for. Indeed, for some people, a paycheck may be plenty to perform their jobs dutifully enough.
Drawbacks of making each person a customer

Business experts and sociologists are aware of the inherent confusion in delineating internal and external customers. How do you apply “the customer is always right” to a coworker or colleague who isn’t on board with the new company philosophy or method?

The truth is you may not be able to, which is why some believe the term “internal customers” can dilute the urgency around customers. This paradigm shift may actually promote more mediocre performance. If everyone is a customer, who is the most important? The answer should be the external customer.

CEOs find more success when they connect employees to external customers. It is more impactful to talk about how their product (medical devices, time management software, bicycle helmets, whatever) is valuable to the customers by saving their lives or improving their work than it is to compare how much money shareholders will get as a result of this.

Many employees are on board with a singular external client, too. Across IT, customer service, and other customer-facing teams, many employees believe only external customers should be considered customers. It leads to better alignment across the organization, since you’re all trying to serve the singular group of external customers, instead of the many various internal clients that are spread across your company’s departments and related partners.

After all, Steph Curry doesn’t pass the ball to a teammate because it is a good internal experience for his team; he does it because he wants to win. Of course, many business folks say there is only one customer — those who spend the money. And if your external customers are spending money on your product, you’re winning.
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