Internal Marketing in Hotel Chains
A Case Study of Elite Stadshotell Luleå

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Abstract

When different external factors affect organizations internally, it is important to have a good internal marketing, especially in service companies, where the employee turnover usually is higher than in other businesses, and where companies are dependent on the encounters and relations between customer and employee. In our case, where we focused on a hotel chain, managers must ensure that all employees are aware of what the company stands for, are motivated and that everyone has all the information they need to fulfill their tasks. The purpose of this thesis is to increase the understanding of how hotel chains carry out their internal marketing; how internal marketing in hotel chains can be described and how internal marketing is used to motivate employees. A qualitative case study of Elite Stadshotell Luleå was carried out.

The results show that internal marketing is used, mainly in order, to create a united front towards the customer, and as a motivator through different activities. Nevertheless, conclusions can be drawn that the communication process is not as effective as they would like it to be, and that the focus lies more on external than internal issues.
Abstrakt

När olika externa faktorer påverkar organisationer internt, så är det viktigt att ha en väl fungerande intern marknadsföring, speciellt inom service företag där personalomsättningen ofta är högre än i andra företag, och var företagen är beroende av möten och relationer mellan kunder och anställda. I vårt fall, där vi haft fokus på en hotellkedja, måste ledningen försäkra sig om att de anställda är medvetna om vad företaget står för, är motiverade och att alla har all information de behöver för att utföra sina arbetsuppgifter. Syftet med detta arbete är att öka förståelsen hur hotellkedjor använder sig av intern marknadsföring; hur intern marknadsföring i hotellkedjor kan beskrivas samt hur intern marknadsföring används för att motivera de anställda. En kvalitativ undersökning utfördes på Elite Stadshotellet Luleå.

Resultaten visar att intern marknadsföring används, till största del, till att skapa en enad front gentemot kunden, och som motivations höjande genom olika aktiviteter. Hur som helst, slutsatser som kan dras är att kommunikationsprocessen inte är så effektiv som de önskar att den vore, och att fokus ligger mer på externa än interna frågor.
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1 INTRODUCTION

This first chapter is intended to give background information to the area of research, why internal communication is important to organisations, especially to those that undergo change of rapid growth internally or those who do business in a changing external environment. First a background and then an introduction to internal marketing, this is not an exhaustive discussion, but we elaborate on what we consider as relevant features. Then the problem discussion, purpose, and finally the research questions and delimitations will be presented.

1.1 Background

In general, marketing can be defined as the sum of all the parts of what the company communicates, whom they communicate with, and how they do it. Communication is the basis for a company’s existence. When it comes to marketing efforts, companies must understand the desires and needs of people and organisations they wish to serve and the value they believe they provide. Marketing has many different disciplines, and public relations are one of them (Vessenes, 2003). In today’s business, change must be recognized as an important factor for a company and their future (Church and McMahan, 1996). Political, economic, social, technological, and demographic changes affect the processes as well as the products and services produced by companies (ibid). What can be seen is that the external environment is very dynamic and companies must adapt to those forces since they cannot influence them. External environmental changes can create a need for dramatic internal adjustments within companies, and that shows the importance of internal marketing (ibid).

According to Hillmer, Hillmer and McRoberts (2004) fast changing work environments, combined with how service operations are managed, often lead to high stress which can result in increasing employee turnover. According to Normann (2000) service companies are more labour intensive than producing companies. Since the employees are such a critical success factor in a service company it is important that they are taken care of and that can result in lower employee turnover, economic growth and satisfied customers.

1.1.1 Internal marketing as a part of marketing communication

Marketing is often thought to be directed towards customers, but it should also be towards employees of the company, because it is they who are in contact with the customers (Mitchell, 2002). Marketing is about creating value between external and internal parts of an organization, and it is made through communication (Shimp, 1997).

Kotler, Armstrong, Saunders and Wong (1999) state there are three types of marketing in service companies (Figure 1.1). The external marketing includes everything from surveys to the four P’s (price, place, product and promotion). The interactive marketing has to do with the environment, systems and routines the employees use and provide to the customers. The third one is internal marketing, and that is what the organization does to
develop, educate and motivate its employees. It is this aspect of marketing, which we will focus on in this study.

According to Mohammed and Pervaiz (2003), internal marketing is used in theories about employees being the customers of the company. Internal customers, that are the employees, are just like external customers, they want to have their needs satisfied. By satisfying the needs of internal customers, an organization can more efficiently deliver the desired quality to external customers. By fulfilling employee needs, it enhances motivation and decreases turnover, and that leads to higher degree of employee satisfaction, which in return results in higher satisfaction and loyalty from customers.

There is little agreement over the correct usage of the term internal marketing and a plethora of different definitions exist. It has been variously described as:

“Viewing employees as internal customers, viewing jobs as internal products that satisfy the wants of these internal customers while addressing the objectives of the organisation” (Berry and Parasuraman, 1992).

“A philosophy for managing the organisation's human resources based on a marketing perspective” (Grönroos, 1989).

“The spreading of the responsibility for all marketing activity across all functions of the organisation and the proactive application of marketing principles to "selling the staff" on their role in providing customer satisfaction within a supportive organisational environment” (Carson and Gilmore, 1995).

“(Describing) the work done by the company to train and motivate its internal customers, namely its customer contact employees and supporting service personnel to work as a team to provide customer satisfaction” (Kotler et al., 1999).
What can be stated from all the different definitions stated above is that internal marketing is used to spread and share information and the mission and vision of the company to the whole organisation. Internal marketing can also encourage every employee to take, and be part of the company, this to be as efficient as they can be in taking care of the company’s customers and satisfying their needs.

1.2 Problem Discussion

According to Crosby and Johnson (2003) much has been written about internal marketing. A common problem is that companies do not know what they are looking for. The main goal for marketing is to influence behaviour, both externally and internally. With external marketing, companies want the customers to buy their products and services, and they must have equal goals for internal marketing, that is, for employees, companies must enhance their attitudes and behaviours (ibid). This will result in that the employees will identify more with the company and therefore put more effort to the service provided to customers. A manager is supposed to be dynamic at all times, both externally and internally. Managers must take care of the employees as they do with the customers. In other words, they must provide products and services that the customers need, provide value in those products and services, and deliver more than the customer expects (Dust 1996).

According to Rosen (2005), company culture and environment provides employees with a sense of identity and commitment to the company. People learn about culture from co-workers. When a new employee arrives, he or she gain knowledge of how things are done and handled around and within the organization. This will lead to employees finding themselves as ambassadors for the company’s products and services. Mitchell (2002) states that internal marketing is the best way to help employees make a powerful emotional connection to the products and services provided. Without that connection, employees do not fully understand what is offered to the customer and that can result in disbelief and misunderstanding from the employee’s point of view. Because of this, the relation toward the customer and the quality of the service can be damaged.

Neeru and Avinandan (2003) state that over the years, research in the area of quality management has been extended from goods to services. As service sectors grow, service quality becomes more important and managers are devoting more attention to the interaction between customer and the employee (Mattson 1994). According to Simms (2003) companies devote less than 1% of their marketing and branding spends to internal communication, which is a problem itself, since the employees have all the knowledge and they increase the company’s value and efforts towards the customer. The employees should be recognized and valued more than they are in most of today’s businesses. According to Berry and Parasuraman (1992), internal marketing is essential to service marketing success, how it attracts, develops, motivates, and retains the qualified employees’ excellent services. Because most companies value their employees, they try to create a competitive working environment and culture, knowing that the service they perform satisfies their external and internal customers. For most services, the server cannot be separated from the service, customers buy the people when they buy a service.
Service is a performance and the performance is often labour-intensive. Some service industries are known to have higher employee turnover than others, the reason might be that they have different internal marketing strategies.

Tosti and Stotz (2001) state that chief executives often believe that once they have implemented a strategy, when they have briefed management, held employee meetings, and communicated its importance to the organization, that they satisfying internal marketing. However, internal marketing is more complex than just a series of communication events. To put the implementation into action requires coordinated planning at all organizational levels.

This area of research, internal marketing within service companies, deserves further to look into, since these days the focus seems to lie on external marketing when it comes to public relations and communications in all types of corporations. This includes small and medium sized companies as well as multinational enterprises. The importance of internal marketing, internal public relations is being neglected and does not get the attention that it should, especially in service companies where the employee turnover is high. The employees are of value, since they are the force implementing and producing the services within the corporation. Given the complexity of internal marketing and the diversity of views expressed on the subject and shortage of research on internal marketing in connection with service firms, we decided to make it the focus of our study. However, as services encompass a wide range of industries we claim it of necessary to focus on a specific industry, namely the hospitality industry. The fact that internal marketing in hotels have not been the subject of extensive research, – in spite of the role, one would assume, internal marketing plays in the success of hotel services – , we shall devote our research to investigating the hotel industry.

A hotel chain consists of a number of hotels and a customer will remember the service he or she received from one of those hotels, therefore is it extremely important that all employees are capable to offer a pleasant visit and take care of the customer appropriately in every part of the chain. This since they all act under the same brand and the customer expects the same treatment and service wherever he or she goes. One crucial factor to get the employees ready for customer encounters is internal marketing, both between the hotels in the chain as well as within the hotel units.

A hotel chain that has satisfying internal marketing will provide the customers with sense of high-quality service and reception. Internal marketing also affects the working situation for the employees at the hotel, everything from knowing what the company stands for, job performance, commitment and job satisfaction. Since hotels are labour intensive it can often lead to stress, which in return can result in increasing employee turnover. Because the employees are such a critical success factor in hotels, it is important that they are taken care of appropriately through internal marketing. This can also result in benefits for the hotel.
1.3 Purpose

In light of the problem discussion presented above, the purpose of this study is to increase our understanding of how hotel chains carry out internal marketing.

1.4 Research Questions

In order to reach this purpose, the following research questions shall be addressed:

➢ How can internal marketing in hotel chains be described?

On a lower level we shall address a more specific issue, namely internal marketing as connected to employees. Thus our second research question reads as following:

➢ How do hotel chains use internal marketing in motivating their employees?

1.5 Delimitations

We are aware that internal marketing is a vast research area, and there are many different aspects to look further into, especially when connected to a specific industry, but we have chosen and we shall limit ourselves to two research questions, regarding hotel chains for focus in our study: one on a general level and one on a more specific level, namely employees. Furthermore, internal marketing in hotels shall be studied primarily from the corporate perspective of a single branch in a hotel chain.
2 LITERATURE REVIEW

The previous chapter provided the background and the problem discussion of the area of this study, leading down to the specific research questions. In this chapter, literature related to those questions will be reviewed. We will present available theories that are relevant to the two research questions that were introduced in chapter one. The theories will also be presented in the same sequential order.

There are extant literature and publications on internal marketing since it is a vast area of research. We have selected theories that will respond to our research questions, and our focus is on scientific articles that are relevant and include internal marketing within service companies. For research question one, we gathered information that show how internal marketing in hotel chains can be described, and for research question two, we looked at how hotel chains can use internal marketing to motivate their employees.

2.1 Internal Marketing in Service Companies with Focus on Hotel Chains

2.1.1 The linkage between internal and external marketing

According to Tansuhaj (1988), in service marketing, the employee plays a central role in attracting, building and maintaining relationships with customers (as shown in Figure 2.1). The model shows the linkage between internal marketing (recruitment, training, motivation, communication, and retention) and the more traditional external marketing activities (pricing, advertising, and personal selling). It also puts forward how the integrated marketing elements, like employee attitudes and behaviour, and customer attitudes and behaviour enhance customer loyalty, satisfaction and perception of quality. The goal is to meet customer needs, since the value of the service is in satisfying those needs. Greater attention to employee-customer interactions can result in an increase in perceived service quality, customer satisfaction, and repeat purchase behaviour of service customers. According to the model, an internal marketing program influences employee attitudes and behaviour, which in turn influence the impact of external marketing towards the customer (ibid).
Below, a brief sum up of the most important characteristics for each element regarding internal marketing, employee attitudes and employee behaviour, as seen above, will be provided. The results, what external elements internal marketing affects, also shown above, will not be further discussed since our focus lies on internal marketing:

**Recruitment and training**
Specific job descriptions and effective recruitment programs attract qualified people. Once hired, training programs starts where the employees see their importance to the organization. A great benefit is decreasing employee turnover (ibid).

**Motivation**
Motivation drives the employee to perform on a higher level. Managers must communicate their enthusiasm and conviction to their employees in order to increase performance. Team-building programs, staff meetings, seminars and workshops do this.
Communication
An open informative climate must be at use. Managers must conduct in-house surveys to identify employee needs and desires. Feedback on this is then provided. Also tools like newsletters, take-home information about the company, and written material enhances the open climate.

Retention
To retain employees, salaries must be competitive and bonus systems attractive. Even benefits like flex time and effective career planning helps to keep the employees within the company.

Organizational commitment
This is to the extent which a person has a strong desire to remain a member of the organization, and this leads to five different benefits that can be identified; improved job performance, increased tenure, lower absenteeism, lower tardiness and less turnover.

Job involvement
This concerns the degree of absorption in the work activity, how work performance affects self-esteem. If a person does not have a strong job involvement, managers can try to find a more suited job for the employee. Benefits are lower absenteeism and less employee turnover.

Work motivation
It is what energizes, directs, channels, maintains and sustains an employee’s actions and behaviours. Higher performance is gained through rewards or the feeling of a possible reward. Individual motivation determines work effort.

Job satisfaction
The feeling a worker has about the job has five dimension; satisfaction with the work itself, satisfaction with pay, satisfaction with promotion prospects, satisfaction with supervision, and satisfaction with co-workers. The level of satisfaction can be increased through higher salaries, wages, fringe benefits and promotions which all lead to higher capabilities for satisfying the needs of the customer.

Work effort and job performance
The employee personifies the service to the customer. The behaviour of the employee determines customer satisfaction with the service. Employees with higher positive attitudes toward the organization will reflect higher levels of work effort and job performance in the conduct with external activities (ibid).

We will not go further in detail to the last elements of the figure, which is external marketing and customer attitudes, since we focus on internal marketing. We can, from the information above, already show how internal marketing will affect external marketing and why companies use internal marketing.
2.1.2 Employees as a competitive advantage

Today’s increasing use of the internet results in that consumers can very easily compare providers, products, and prices, which make it difficult for companies to differentiate themselves, so instead of competing with prices, companies can compete with employees (Stershic, 2001). In other words, marketers must proactively educate and motivate not just the marketing staff, but also all employees. This is because customers judge the manager, the organization, and brand by how well they are treated by everyone they come in contact with at the organization. Nearly 70% of the reason customers switch companies is because they feel the attention they get from the company is poor or that they hardly get any attention at all and customers simply will not stay long if employees do not take care of them. In addition, customer perceptions, attitudes, and intentions are affected by what employees experience in their organizations, if they do not feel valued, neither will your customers. This basic, often overlooked, type of marketing targets employees who provide your true competitive advantage. While products and services can be readily copied, the relationships your employees have with your customers cannot (ibid).

According to Sargeant and Asif (2000), to develop a sustainable competitive advantage the company must become customer driven. An organization that can focus on providing a high quality service to customers is viewed as most likely to achieve success. Satisfied employees, will generate satisfied customers, greatly aid customer retention and potentially form the basis of a truly sustainable competitive advantage. The potentially conflicting needs for continued staff satisfaction and rapid organizational change have made the role of internal communications a crucial one. Good communication can act to keep levels of satisfaction high and make employees less resistant to change.

The major thrust of the internal marketing concept is to ensure that employees feel that management cares about them and their needs. Internal marketing will give positive employee attitudes towards their work including organizational commitment, job involvement, work motivation and job satisfaction. There is also a relationship between internal marketing, consumer satisfaction and service quality. As a result, employees are providing maximum effort, thereby satisfying the needs and wants of the external customer (Ewing, 1999).

2.1.3 Internal marketing and customer-employee relations

According to Stershic (2001) internal marketing includes communication, educational, and motivational effort that underscores the employees’ value within an organization, strengthens customer and employee relationships, and reinforces customer-focused values. Competitors can copy products and services, but not the relationship between employees and customers. The greatest threat to this relationship comes from the employees themselves, if they don’t feel valued, neither will the customers. To preserve and enhance this critical relationship, marketing efforts need to be applied internally. A proactive internal marketing approach can help ensure marketing success by strengthening employee-customer relations, satisfaction, and loyalty.
CHAPTER 2 LITERATURE REVIEW

Although nearly every corporation says its goal is to provide excellent service, evidence shows that the service quality of many organizations is below customer expectations (Czaplewski, Ferguson and Milliman, 2001). One of the fundamental reasons for service quality problems is the lack of commitment and skills of the frontline employees who are interacting with customers. What is missing is internal marketing, which involves treating frontline, contact employees as internal customers in the effort to encourage these employees to provide excellent service for the end customer and therefore enhance the company’s benefits. In today's tight labour market, internal marketing is viewed as an even more important way to obtain, develop, motivate, and retain skilled and energized employees who in turn provide high quality service. An internal marketing strategy appears to be a requirement for building employee capabilities and motivation, which leads to higher levels of service quality. In turn, a higher level of service quality leads to greater customer satisfaction and retention, higher sales revenue, and ultimately greater profitability. Internal marketing can positively affect three important levels of organizational outcomes: employees, customers, and profits (ibid).

According to Hales and Mecrate-Butcher (1994), internal marketing refers to two different kinds of activities, which can be termed customer-focused and employee-focused. Customer-focused has to do with the front-line employees, those who come in direct contact with the customers and who therefore are marketers of the company. These contacts are crucial since it is here the customer’s perception of quality is made or broken. These service encounters can generate new businesses and opportunities. The employees can at this moment, sell more or additional products or services, either at the same time or later as repeated purchase. Also, these encounters can generate positive referral business, which is the result of word of mouth of a satisfied customer. In both cases, it is crucial that the employees have good knowledge of the products and services and have the commitment to act on it.

Employee-focused internal marketing is concerned with marketing or promoting the organisation to the workforce, so that everyone acts as a part of the company and takes their role seriously before they can successfully market the company’s products and services to others. Activities are used to reinforce the organization’s mission, core business, quality and the value of the employees within the company. Activities used to communicate with, to promote and to reinforce the employees are, for example everything from job descriptions, training courses, employee conferences and company newsletters. The employee’s needs are fulfilled through fringe benefits, flexitime and monetary/non monetary rewards. Recruitment and selection can become occasions for promoting the company to prospective employees, as well as for choosing those most likely to buy in to the company’s culture. Selection and recruitment emphasise attitudes, as well as skills. This emphasis can be repeated in training courses in an attempt to shape employee attitudes. Both rewards and incentives can be focused on behaviours which the company seeks to encourage (ibid).

Internal marketing tries to manage employees in a way that they feel trusted and valued, by creating an open and a free flow of information, a participative decision making and broader job responsibilities. The main goal for the company is to create a stable
workforce with reduced absenteeism and employee turnover and a commitment to customer service.

Empowerment entails giving employees the knowledge, skill, resources and the responsibility for providing a quality, customer sensitive service. The expectation is that this will generate greater employee commitment and enhanced employee performance. This implies also that some organizational and managerial changes must be made, like a reduced hierarchy and devolved responsibilities, creation of flexible work teams, a reduction in direct supervision, better control through selection and training and more open communication (ibid).

2.1.4 Internal service encounters

According to Paraskevas (2001), the hospitality industry is concentrating on the concept of internal marketing and internal service constructs and focused on the external customer while neglecting the importance of the quality of internal service encounters, where one department in the hotel serves another. This theory shows an internal service provider behaviour framework that distinguishes a successful internal service encounter from a non-successful one. Factors influencing the internal service encounters are the professionalism, the dependability, the conscientiousness of the internal suppliers, their communication skills and the consideration they show to their internal customers.

**Professionalism**
In this article professionalism is referred to as competence and there are different kinds of competences in internal service behaviour:

- Have the knowledge and/or experience to perform the required tasks
- Provide the level of service required by the external customers (guests) - which means that tasks directly related to external customer satisfaction should be prioritised
- Use the existing resources effectively - resources that are usually scarce due to cutbacks in, for example labour costs

**Dependability**
Dependability relates to getting the job done promptly and correctly from the first time. This category includes:

- Provision of the promised service, for example the rooms in the second floor will be ready for new arrivals by 12.30
- Provision of the right information on time

**Conscientiousness**
Conscientiousness is reflected by:

- the provision of prompt/immediate service
- flexibility and response to the "special needs" of the internal customer, and good performance under adverse circumstances.
Communication
Communication is one of the most important elements in interdepartmental relationships. Everyone must have access to information that is relevant to them and there must be an open communication between the different departments within the company.

Consideration
Consideration represents the way that the internal partners want to be treated by one another.
- Show respect/friendliness/courtesy
- Give advice/guidance when needed

2.2 Motivating Hotel Employees

2.2.1 Communication and management

According to Schade (2004) there are several things a manager can do to conduct communication audits and working with clients to increase the effectiveness of their employee communications.

- Keep in mind that the most powerful source for delivering information is an employee’s supervisor. An employee’s supervisor is particularly reliable and the preferred way to deliver news, especially about restructuring or updates on an employee’s business or department
- Ensure employees have access to communications
- Educate employees about how to use various methods of communications
- Remember the human impact of communications. Employees want their managers to be more personal when they contact them through protocols, especially if they never have had the chance to meet the manager in person
- Be careful with the tone used in e-mail. It can sound terse and abrupt because the receiver cannot hear the sender’s tone of voice
- Walk the talk with communication protocols
- Ask for employee input for the development of communication protocols or plans
- Communicate the protocol after it has been developed so that employees understand the new guidelines

2.2.2 Two types of relationships

Stershic (2001) states that internal marketing affects two types of relationships, one is between customers and employees, and the other one is among employees. The following are examples of how internal marketing activities strengthen both relationships.

Share customer information to help employees’ better serve customers. Proprietary information should be protected, but current and targeted customer profiles, product/service usage, customer satisfaction results, and complaint tracking should be shared with all employees. Too often this type of information sits on the shelf, and
managers wonder why employees do not do a better job of understanding or relating to customers.

Engage employees in improving customer satisfaction. Ask what barriers prevent employees from satisfying or delighting customers, how to get around such roadblocks, and what changes could be made to better serve customers. To strengthen relationships among employees, switching roles can help build empathy for the frontline staff and reinforce teamwork with a sense of common purpose.

2.2.3 Critical areas for success

According to Czaplewski, Ferguson and Milliman (2001), there are different tactics for implementing internal marketing to offering a vision that provides purpose and meaning to the workplace. Companies can aggressively compete for the most talented people, they can prepare employees with the skills and knowledge they need to perform while at the same time emphasizing team play. Also motivating individuals through measurement and rewards, providing freedom to excel, and ensuring that organizational management understands the internal customer, are different tactics organizations can use. Each of these areas is critical and provides synergy for successful internal marketing. Neglecting even one of these tactical components can severely limit the effectiveness of a comprehensive internal marketing program. Below, the different areas are explained more into details:

Offer a vision
A central requirement for successful internal marketing is providing employees with a clear vision to pursue. People want to know how their work fits into the broader system of business operations, and to understand and believe in the goal that they're working toward. People want to work for a cause, not just for a living. When there is alignment between the cause of the firm and the cause of its people, there will be extraordinary performance. A core vision is the better its people are treated, the better they perform (ibid).

Compete for talent
A corporation should make extensive efforts to attract the best people, and talent can be defined differently. A service organization would prefer to hire for attitude and then train people for specific skills, inherent attitudes cannot be changed in people. To test for behaviours such as a sense of humour, ability to work with others, and friendliness, an interview process might include group interviews where applicants tell jokes and role-play a variety of situations to demonstrate teamwork and the capacity to act spontaneously. Over time, the internal marketing efforts will create a culture that gives the company an advantage over competitors in hiring the best people, and can therefore be very selective.
**Stress team play**
A company should place special emphasis on preparing employees for higher performance and on teamwork. Employee training is a continuous process rather than a single event. Throughout their careers, cross-train the employees on multiple jobs to enrich every employee's work experience and prepare them to perform flexibly in different positions as needed. In addition, assign the employees to work with a senior employee who serves as a mentor to provide a clear demonstration of the corporation’s service quality and to be available to answer questions. Also have extensive ongoing training to continuously improve work skills and reinforce the company's work ethic. Service providers can become stressed by the server role and become less caring, less sensitive, and less eager to please. To overcome this problem, emphasize teamwork among the employees, encourage them to be responsive to fellow employee needs first and then to customer needs. This spirit of assistance involves everyone in the organization. All of these practices help employees support each other to continually provide high quality service.

**Measure and reward**
Measurement and reward for superior employee performance is a critical part of successful internal marketing. Rewards include financial compensation, but also advancement, recognition, and other non-financial rewards. The employees must be regularly educated on the company’s products and services.

**Leverage the freedom factor**
Many companies practice rulebook management or have thick policy and procedure manuals to facilitate control. However, this style of management can stifle initiative and prevent employees from delivering personalized and unrestricted service quality. Good internal marketing involves giving service workers the opportunity to create value for their customers and achieve recognition for themselves. Empower employees to make their own judgments and decisions about service, continually seek to de-emphasize hierarchy so employees can make decisions and act to serve its customers.

**Know the internal customer**
Companies must have the right people serving customers and must ensure these employees are as satisfied as they want their external customers to be. Thus, for service firms, marketing research on internal customers is at least as important as marketing research on external customers. Use focus groups with employees to measure response to service and generate new ideas. The company should also use formal employee surveys on an ongoing basis as well as an active informal suggestion system to get feedback (ibid).

**2.2.4 The need of different focus**

Simms (2003) states internal marketing requires the same discipline as external marketing, but it needs a different focus. Guidelines for a manager how to get it right:
• Insiders want to be on the “inside track”, so trying to communicate with them using external campaigns merely distances them. Equally, running employee surveys will not engage employees either.

• Employees need to be targeted as a distinct audience, and most organisations would benefit from some kind of internal communications specialist to distil the best of marketing and human resources into a tailored employee-focused campaign.

• Internal communications should sit within corporate communications or marketing. If it sits within human resources, it often becomes a vehicle to communicate human resources issues and misses out on broader areas.

• Do not forget that, unlike customers, employees are part of your brand, not just recipients. You have to educate them, motivate them and measure them as well as simply communicate with them. But engaging and involving them in the brand is crucial.

• Ensure that the employees know everything about your brand before the customers do. There is nothing worse for an employee than being in a shop with a customer who knows more than you do. It is such an obvious point, but often overlooked.

• Try to achieve interaction between marketing and human resources. Sharing each other’s viewpoints will bring better result.

2.2.5 The importance of the employees

According to Bak, Vogt, George and Greentree (1994), internal marketing uses a marketing perspective for managing an organization’s human resources. It operates as a holistic management process to integrate the multiple functions of the company. The premise of internal marketing is that internal exchanges between the organization and its employee groups must be operating effectively before the organization can be successful in achieving its goals regarding external markets. A company should convince workers that their jobs are as vital as the chief executive’s and that all levels of employees are represented on teams, and, within the team setting, members act as peers without regard to their position within the organization. Directors and board members can help set goals and plot strategies. Teams can use other teams or members as resources and through discussions creation of new ideas and innovation will emerge. They will create a sense of mission. The managers should provide a vision of higher purpose so every decision flows from the organization’s mission and be sure that each of the employees can describe the mission of the organization. Rewards for employees must be used when reaching goals and objective (ibid).

2.2.6 Investors in people

According to Hogg, Carter and Dunne (1998), internal marketing is based on Investors In People, IIP. The aim of IIP is to alter the beliefs, attitudes and behaviours of the workforce with the subsequent effect on the culture of the organization. It is a learning process which depends on four key elements: communication via regular briefings with staff about the organization’s aims, goals and achievements; staff training in company
values, policies, etc; staff appraisal and feedback systems; and finally, customer consciousness through customer visits to ensure that the employees have some awareness of the end users perceptions of the organization and the quality of the product they produce. Successful internal marketing programme is two-way communication, the management communicates to the workforce and then they get feed back. In order to address these issues in a changing corporation, the company need to pay attention to three things. At first, they must establish employee attitudes towards the organization at both in the beginning and in the end of the process. Secondly, they must establish employee awareness of the business goals and targets at the same two points, and thirdly, they need to monitor changes in employee perceptions of the organization in which they have worked.

2.3 A Conceptual Framework

The previous section reviewed literature and presented theories relevant to the research purpose and the research questions stated in chapter one. Based on that theoretical review this section will develop a conceptual framework, which can be used for our data collection and later for our data analysis. According to Miles and Huberman (1994) a conceptual framework explains, either graphically or in narrative form, the main things to be studied. The following theories are used because they correspond well with our research questions, are well known and have shown positive results in earlier studies. A graphical presentation of our conceptual framework is shown in Figure 2.2.

2.3.1 How can internal marketing in hotel chains be described

The following theories are used to build a framework for research question one, since they explain internal marketing very well and are formed in a way that is very simple to understand.

- The essence of internal marketing in hotels is put forward by Hales and Mecrate-Butcher (1994)
- Paraskevas (2001) discusses what is needed in hospitality industries to have a great quality in the internal service encounters
- Tansuhaj (1988) shows the linkage between internal and external marketing and the benefits from internal marketing

2.3.2 How hotel chains use internal marketing in motivating their employees

When investigating how companies can use internal marketing to motivate employees, we will use two of the presented theories. Focus will be on:

- Czaplewski, Ferguson and Milliman’s (2001) theory about vision, talent, team play, reward, freedom and knowledge. This since we found this theory well formed, detailed and is easy to put into practice
- Schade (2004) because it explains the importance of communication
How can internal marketing in hotel chains be described? (RQ1)

Internal marketing
- Customer-focused internal marketing
- Employee-focused internal marketing
- Internal service encounters
- Benefits from internal marketing

How do hotel chains use internal marketing in motivating their employees? (RQ2)

Offer a vision
- Compete for talent
- Stress team play
- Measure and reward
- Leverage the freedom factor
- Know the internal customer
- The importance of communication

*Figure 2.2 Graphical conceptual framework*
3 METHODOLOGY

In this chapter we will discuss and justify methodological issues connected to our research. Throughout the chapter different methodology issues are presented and which choices we have made. Finally the chapter ends up with validity and reliability of our thesis.

3.1 Research Purpose

The purpose of a study can be classified into three different purposes, exploratory, descriptive and explanatory.

An exploratory study is applied when the research problem is broad and not specifically defined and when the study is a study of a new phenomenon (Yin, 1994). Exploratory research has the goal of formulating problems more precisely, clarifying concepts, gathering explanations, gaining insight, eliminating impractical ideas, and forming hypotheses. It can be formed using a literature search, surveying certain people about their experiences, focus groups, and case studies. Case studies can include contrasting situations or benchmarking against an organization known for its excellence. Exploratory research may develop hypotheses, but it does not seek to test them (Huczynski and Buchanan, 1991).

A descriptive research is more rigid than exploratory research and it defines questions, people surveyed, and the method of analysis prior to beginning data collection. Descriptive research is often used when a problem is well structured and there is no intention to investigate cause/effect relations (Eriksson, Wiedersheim-Paul, 1997).

An explanatory research’s purpose is to identify cause-and-effect relationships between variables, explaining what causes produced what effects. Experiment is the most common method in explanatory researches (ibid).

Based on our research purpose and research questions this study will be primarily descriptive, but also exploratory and explanatory. The descriptive stage is all we bring up with each of our research questions. Exploratory because of our aim to contribute to current theories and the explanatory stage is our conclusions at the end of our thesis.

3.2 Research Approach

In a quantitative research approach, the researcher collects and studies statistical data. When the goal of the research is to gain a broad understanding in a problem, it is more practical to use a quantitative approach. One must be able to draw conclusions on a more general base on the collected information and the conclusions must be presented in numbers (Yin, 1994).
In a qualitative research approach, the researcher collects and studies data that has to do with feelings, attitudes and ideas. This type of study is used when the researcher wants to gain more detailed data. This results in deeper understanding of a single case study or a limited number of companies. Data collected from qualitative approach is harder to present in numbers, not like in quantitative approaches, but it can better be described in words (ibid).

We have chosen to use a qualitative research approach, because it is more suitable for our purpose and research questions. We will present data from the study that has to do with how internal marketing in hotel chains can be described and how hotel chains use internal marketing to motivate employees and the study will result in data that has to do with attitudes and feelings. Also since data on feelings and attitudes can not be presented in numbers, but in words, we chose in favour of the qualitative approach.

3.3 Research Strategy

A researcher can use many different ways to conduct data. Depending on the type of research questions, how much control the researcher has over behavioural events, and how much the study focuses on contemporary events, the researcher can choose a strategy that includes experiment, survey, archival analysis, history or case study.

<table>
<thead>
<tr>
<th>Research strategy</th>
<th>Form of Research question</th>
<th>Requires control over behavioural events</th>
<th>Focuses on contemporary events</th>
</tr>
</thead>
<tbody>
<tr>
<td>Experiment</td>
<td>how, why</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Survey</td>
<td>who, what, where, how many, how much</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Archival analysis</td>
<td>who, what, where, how many, how much</td>
<td>No</td>
<td>Yes/No</td>
</tr>
<tr>
<td>History</td>
<td>how, why</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Case Study</td>
<td>how, why</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

Source: Yin (1994)

According to Yin (1994), the best way to know what strategy to use is to identify the type of research questions. Research questions built on how and why are of an explanatory kind that often results in a use of a case study. A case study is also often used when control over behavioural events is not needed and when focus on contemporary events is needed.

The reason why we did not choose any other kind of research strategy is because they are not as suitable as a case study. Experiment did not suit our research since it requires control over behavioural events, and survey because it is built upon questions starting
with who, what, where, how many and how much. Archival analysis does not fit the requirements since the research is built on wrong type of questions. The option to use history as a strategy does not work efficiently, since it is based on historical happenings and not current ones, which is the thing with a case study.

The strong suitability of case study, in comparison with the other alternatives, made us sure that this is the strategy we will use in our research. Since we do not have time to conduct surveys on larger samples, we will rely on case study as our overall research strategy. Our research questions are of how character, which help us further in our choice. We want to increase the knowledge in how service companies’ use internal marketing, which requires detailed collected information from our area of interest.

3.4 Data Collection

Yin (1994) states case studies can be based on six different sources of evidence: documentation, archival records, interviews, direct observation, participant observation, and physical artefacts. A case study data collection gives the opportunity to use a number of different sources of evidence. This use of multiple sources of evidence means that the researcher has the opportunity to obtain many different sources of evidence of the same phenomenon. This is named triangulation, it adds the validity of one investigation.

The information in our case study is primarily obtained through documentation and interviews. Yin (2003) lists some strengths and weaknesses of these as shown in Figure 3.2. Documentation is relevant for all studies, it can take many forms like letters, agendas, administrative documents, newspapers and so on. We will use scientific articles and a few books. The other source of evidence we will use is interviews, which is one of the most important source of case study information. There are three different types of interviews, open-ended, focused and survey. A focused interview is short, about an hour, and includes a certain set of questions. It compares the answers with already established facts but it may still remain open-ended. This is the interview type we will use and we will have an interview guide as a foundation.

We will not use archival records because the information we needed could not be found there and it is more suitable for a quantitative research. Neither was direct observation an alternative for us since one use it when one want to provide additional information about the studied topic. Participant observations and physical artefacts are more suited for anthropological studies.
Table 3.2 Sources of evidence

<table>
<thead>
<tr>
<th>Source of Evidence</th>
<th>Strengths</th>
<th>Weaknesses</th>
</tr>
</thead>
</table>
| **Documentation**  | *Stable: can be reviewed* repeatedly  
*Retrievability: can be low* repeatedly | *Biased selectivity: if collection* repeatedly  
*Reporting bias: reflects bias* repeatedly |
|                    | *Unobtrusive: not created* is incomplete | as a result of the case |
|                    | *Exact: contains exact* details of an event  
*names, references, and* | *Access: may be deliberately* blocked |
|                    | *Broad coverage: long* span of time, many events,  
and many settings | |
| **Interviews**     | *Targeted: focuses,* directly on case study topic  
*Insightful: provides* perceived causel inferences | *Bias due to poorly constructed* questionnaires  
*Response bias* |
|                    | |

*Source: Yin (2003)*

3.5 Sample Selection

Before starting to write this thesis, we discussed what kind of industries we thought would be best for our area of research, which is internal marketing. We found service industry the most interesting, because companies in that specific industry are commonly known to have high employee turnover, and that would suit us very well since we had earlier decided that our research questions would include how companies use internal marketing and how do companies use internal marketing to motivate employees. Within the service industry we will limit our research to the hotel industry. After all, hotel companies have to do with people, and to, for example, decrease employee turnover, the internal marketing must be enhanced. After that, we looked around on the internet to find a company we could study. We wanted it to have many employees, because that would give us better data, and we wanted it to be a well-known company. We selected The Elite Hotel chain, which has won several awards for being Sweden’s best hotel chain and the best business hotel. Since we are writing our thesis in Luleå, we thought that it would be appropriate to study the city hotel here in town, because it belongs in the Elite hotel chain and is called Elite Stadshotellet Luleå. We thought they would be a good representative for the rest of the chain, since the employee policy is the same all over.

We contacted the hotel to ask if they would be interested in us conducting a study, and we found out that we were welcome and the right person to talk to was their sales manager, Cecilia Adolfsson, who had an insight in the internal marketing operations. One
thing to keep in mind is that she has only worked at the hotel for two months. She was also the only person suited, and with enough knowledge, for an interview since the hotel manager was not available. We also got a contact person at headquarters in Stockholm, if we needed further answers, but her focus was on the hotels external marketing.

3.6 Data Analysis

According to Yin (2003), every case study should begin with an overall analytical strategy. The general analytical strategies will provide the researcher with regards to case studies, a system by which the researcher can set priorities for what they need to analyze and why. Moreover, the strategy will help the researcher deal with the evidence fairly, produce compelling analytic conclusions and also rule out any alternative interpretation. Yin (2003) provides three strategies: relying on theoretical propositions, thinking about rival explanations and developing a case description. The first one, also the most used one is to follow the theoretical propositions that led to the case study. The second one tries to define and test rival explanations and is also related to the first strategy in that the original theoretical propositions might have included rival hypothesis. The last one suggested by Yin (2003) states that one should develop a descriptive framework for organizing the framework. This strategy is also less preferable than the other two, however, it serves as an option when the researchers have difficulties making either one of the other two strategies work.

The most appropriate strategy in our case and the one we will use is when researchers relies on theoretical propositions, which will let us as researchers compare the collection of data based on previous studies to our research and findings.

Miles and Huberman (1994) define data analysis as consisting of three current flows of activities including data reduction, data display, and conclusion drawing/verification. The researcher uses data reduction in order to make the data sharp, focused and arranged so that it is available for making conclusions. Miles and Huberman (1994) describe the second activity which a researcher should go through as taking the reduced data and display it in an organized way, which is done to prepare the data more for conclusion drawing. Moreover, as the name of the last stage indicates, the activity involves the researcher to start sorting out what everything means, which are done by noting regularities, patterns, explanations and casual flows, which we also are going to do.

3.7 Validity and Reliability

According to Yin (1994), validity is about measuring exactly what you are supposed to measure and nothing else, and reliability has to do with how reliable the research methods are when conducting a study, if the same results can be found when conducting the same study all over again. In other words, validity and reliability show how high the degree of trustworthiness and creditability the study has.

In order to increase validity, we sent the interview guide to the most suitable respondent, at that time, in advance. This to give our respondent time to prepare and that the level of
misunderstanding would decrease. Also, a decrease in validity might occur since our respondent has only worked at the hotel for a couple of months. Multiple sources of evidence were used, in our case both documentation and an interview. This is called triangulation. To increase validity, we also showed our interview guide to other people, in order to see that it was understandable.

To increase reliability, we used a tape recorder and took notes during the interview, this to be able to listen to, and read, the answers again in order to lower the risk of us forgetting or misunderstanding the answers. We also sent the pre-tested interview guide in advance to our most suitable respondent at that time. One thing that might decrease reliability is the fact that our interview guide will be translated from English to Swedish and our respondents answers will be translated from Swedish to English.
CHAPTER 4 EMPIRICAL DATA

4 CASE STUDY: ELITE STADSHOTELL LULEÅ

In this chapter we will present the empirical data, which is based on an interview with the sales manager in Elite Stadshotell Luleå, Cecilia Adolfsson.

4.1 Company Background

The Elite Hotels of Sweden, which started in the beginning of 1980’s, is the largest hotel chain in Sweden; they have also won awards for being Sweden’s best hotel chain and the best business hotel. Their focus lies in creating and maintaining the condition that allows them to work with their key success factors: tradition, quality and taste. “Our classic hotels are all situated in the centre of major Swedish towns and cities. Most of our hotels are in vintage buildings full of tradition and atmosphere built up over the whole of the last century. Even in our newer hotels, we try to give our guests that special feeling of classical hostelry tradition. A stay with us is more than just a stay at a hotel.” says Cecilia Adolfsson.

The Elite Stadshotell Luleå is a part of the chain and though it established 1903 it is a modern hotel of high class, where style and 100-year old craftsmanship have been tastefully combined with today’s demands for comfort and service. The hotel puts effort in creating strong, competitive products under the brand name Elite Hotels. The hotel focuses on the demands from the customers, employees and environment to develop the hotel chain. In 2003, the Elite hotel chain’s turnover was 725 million Swedish kronor. The hotel in Luleå has 42 fulltime employees and up to 170 extras.

4.2 Internal Marketing at Elite Hotel

According to Adolfsson, internal marketing is the most important factor in all service companies, not only for the hotel industry, but also for all businesses. Before a company can succeed externally, the company must do well internally; the employees must be motivated, committed and right for the job. Therefore it is important to get the employees to understand that their behaviour and their service is an essential factor. The employees are the premier target group for a service company. Elite hotel finds it important that the working environment is satisfying so that the employees can do a good work. Elite’s goals are both short and long term, the long-term goals are set once a year but with a constant follow up. Elite Hotel depends on the market, why it is important for them to always respond to the customer’s needs and demands and observe how the competitors do. Adolfsson state that it is important to recruit the right people, but as important is retaining the current employees. The employee turnover is relative high in Elite Hotel, but there are employees that have worked there for a long time as well. A lot can be said about internal marketing, but the biggest up side is that the employees feel motivated, have all the information they need to fulfil their tasks. Because when an employee knows what the company stands for, and can relate to it, they will provide better service, says Adolfsson.
CHAPTER 4 EMPIRICAL DATA

Customer-focused internal marketing
Elite Hotel finds it vital that all employees have correct knowledge since the customers expects that all employees can answer their questions. The communication process of the company’s success is continuous so the employees feel they are a part of it, but also so they are informed on what they can do better, the stream of words goes through all departments. The quality the personnel deliver has an affect on how the customer experiences the product. The employees keeps in mind that their behaviour and service mindedness is of importance of how the company, and the whole chain, is understood because of the catastrophically effects one dissatisfied customer can have on the hotels. Adolfsson state that the most effective external marketing is a flexible employee that understands what service is.

According to Adolfsson, a strength within the company is meetings on regular basis where important subjects, like how to greet a customer, what things to put forward, are discussed. A unified picture is a necessity and everyone must know what the Elite hotel stands for. The personnel within a service company are the most important since they, together with the customer, affect the product. The staff must be a united front, so what goes on inside the hotel and between the employees is not as important as the product they are selling. The employees need to have a common understanding of what every division and part of the hotel is working with. The customers receive better service and maybe more and additional selling since that is what one receives when delivering face to face. One also has the opportunity to give the little extra to the customer, which leads to the customer coming back. Also, every employee must have tried everything the hotel has to offer, that to be able to better sell the products. According to Adolfsson, all the hotels work individually towards the goals, but there is still a sense of teamwork. Everyone centrally knows what the hotel stands for, so that the product can be delivered the right way, it is here the salespeople has much to say, so that everyone stands united. The problem is that the customer must stay at the hotel to understand what the hotel stands for because it is hard to sell a hotel just by using words.

Employee-focused internal marketing
Our respondent thinks that it is crucial to continuously work with making the workplace better for the employees, and that the management realizes this because it is the management that usually must motivate the employees. The management must also be aware of what different activities that must be acted on to increase motivation, and to then put those activities to action. Elite hotel has meetings between different departments where they bring up what is done, how well things are going and what is to come. According to Adolfsson, they also show the financial numbers, the revenue for the specific hotel and the rest of the chain. The management also puts forward different consequences that might occur from a bad encounter with a customer. Both good and bad news and critic is handled. The departments come together several times per year to enjoy themselves and to share information.
**Internal service encounters**
The employees give feedback to the management, says what they want, what they feel under their coffee breaks, since those breaks are usually used to discuss the jobs and the working situation, and mostly all employees are present during that time. The hotel is very strict with the idea that no one is better, or above, any other employee, but sometimes some parts of the organization, like the cleaners, do not always get all the information that is said during meetings between the sales manager and the customers. Nevertheless, it is very important that the employees can feel that they can speak their minds when needed. When someone in the organization has done something good, the management notices this by printing out statements telling about the happening and putting these up around the hotel for everyone to see. Our respondent often tells the staffs what is going on and what contracts and deals has been signed, so that the employees feel appreciated for their contribution. The hotel spreads information the right way when meeting and having fun together. They tell the employees of what is happening with the other hotels in the chain, so that everyone can do a better job and learn from others.

**Benefits from internal marketing**
The Elite hotel believes that the greatest benefit with internal marketing is more satisfied customers, because if they can motivate and make the employees more committed, they will deliver better service towards the customer and the customer will be more satisfied and it is then more likely that they will visit the hotel again. Another benefit with internal marketing is that the employees have fewer sick-days and are more comfortable with their working situation, and that leads to lower costs for the company. Adolfsson states that there is also a connection between internal marketing and company profit.

4.3 Motivating Employees at Elite Hotel

*Offer a vision*
According to Adolfsson is it important that the employees are aware of the brand Elite, plans for the future and the vision. The employees must not only be aware of the brand Elite, they must feel that they are a part of it and that they all contribute to its success.

*Compete for talent*
To employ the most competent personnel it is often more than one person who is involved within the recruitment, this due to the large amount of people that must cooperate, how the cooperation works is what matters in the end. Elite Hotel recruit from other hotels, usually from Stockholm, but that is handled centrally. There are specific job descriptions. Adolfsson is newly recruited, so she is not quite sure on how the recruitment process looks like, but it is important that the employee is service minded and has experience from the service industry. How the employee work with other people is another important factor, which can only be discovered when the person has stared to work. Adolfsson also think the hotel must keep investing in employees since they are the most important factor. A hotel must be able to change without breaking the core vision.
Stress team play
To get new ideas, Elite Hotel arranges parties for the employees. It is most appreciated when all departments can do it together, but they have separate activities as well. Each department has its own executive, so there is not much involvement between the departments. Further, Adolfsson believes there are plenty of internal marketing activities for the employees, but since she has not been at Elite hotel for a long time, she has not been able to participate in all activities, but there are parties and visits to other hotels within the chain. Those are the most appreciated activities, especially for the employees that only work extra, and Elite hotel has many extras. Big parties need a lot of planning, so they occur less often than the smaller parties within each department.

Measure and reward
All employees receive further education regularly, this to be updated on what products and services the customers appreciate. Adolfsson meets customers personally to be informed on what travel needs they have and how Elite hotel can make it better for them. Elite hotel has a membership program they offer all customers to tie them to the Elite organization. The customer only needs to sleep one night in an Elite hotel to get a membership and after fifteen nights per year do they become a “black member”. Through this, Elite rewards the customers that returns. Adolfsson is not aware if there is any reward system for the employees, but Elite usually offers the employees a cake, or similar, when something has been performed well. The cake is for everyone since everyone helps each other. Every person has different personalities, but it is important that they all can think a step further, and if they do that they must be rewarded in some way. Elite hotel must put more attention into the market and that all employees feel they are a part of the hotel as a whole.

Leverage the freedom factor
There are regulations on how the employees should dress and behave; the reason for this is that the customer always receives the same image in all Elite hotels.

Know the internal customer
Adolfsson do not know which specific activities that motivates the employees, but when something has gone well for another hotel within the organization, Elite in Luleå can receive information centrally of how they have worked. Elite hotel cooperate with several different activity and event companies in Luleå, this to be able to offer the customers full package solutions during their stay. There are different packages offered between the hotels.

The importance of communication
Most of the employees do not travel as a part of their work, but they all are informed of the travels some employees do. The information is spread during coffee breaks. Adolfsson puts forward the example of the success of Plaza hotel, when they had done well and won a price for “best hotel”, Elite hotel in Luleå took part of the information of how they had worked, to get hints of how to work successfully as well as getting something to strive for. Often the management gets updated and then the employees and it is done personally, not through a computer or intranet. Adolfsson would enjoy it, if the
internal marketing could improve time plans and the coordination of work. The information is not satisfyingly spread at the present and the employees must feel that they are more involved in the hotel, as part of something bigger. Adolfsson claim it is important that all departments come together, so the information is shared between all employees, because this will get the customers satisfied and the employees motivated.
5 DATA ANALYSIS

In this chapter, we will analyze data collected in order to be able to present findings and conclusions in the next chapter. We will analyze the collected data based on the order of the research questions and since a single case study was made, a within-case analysis will be the form. The empirical data will be compared to the theories presented in the conceptual framework to see whether the data collected match or not. In each section below, a short reminder of the used theory from chapter two and then the empirical data will be presented. Finally, a comparison will be made between the two.

5.1 Understanding of Internal Marketing in Hotel Chains

The used theory by Tansuhaj (1988) state that internal marketing has to do with recruiting and training, motivating, communicating and retaining the employees.

According to Adolfsson, internal marketing is the most important factor in all service companies. Before a company can succeed externally, the company must do well internally. The employees must be motivated, committed and right for the job. Therefore it is important to get the employees to understand that their behaviour and their service is an essential factor. It is important for Elite Hotel that the working environment is satisfying, so that the employees can do a good work. It is important to recruit the right people, but as important is retaining the current employees. A lot can be said about internal marketing, but the biggest up side is that the employees feel motivated, have all the information they need to fulfil their tasks. When an employee knows what the company stands for, and can relate to it, they will provide better service, says Adolfsson.

The similarities between theory and our empirical data collected from our respondent are both that Elite hotel values the processes of recruiting and training, motivating, communicating and retaining the employees. In this case the theory fits the empirical data quite well.

Customer-focused internal marketing

According to Hales and Mecrate-Butcher (1994), customer-focused internal marketing has to do with the front-line employees.

It is important for Elite Hotel that all employees have correct knowledge, since the customers expect that all employees can answer their questions. The quality the personnel deliver has an affect on how the customer experiences the product or the service. The employees must also keep in mind that their behaviour and service mindedness is of importance of how the company, and the whole chain, is understood because of the catastrophically effects one dissatisfied customer can have on the hotels. The most effective external marketing is a flexible employee that understands what service is. According to Adolfsson, a strength within the company is meetings on regular basis where important subjects, like how to greet a customer, what things to put forward, are discussed. A unified picture is vital and everyone must know what the Elite hotel stands for. The personnel within a service company are the most important since they, together
with the customer, affect the product. The staff needs to have a common understanding of what every division and part of the hotel are working with. The customers receive better service and maybe more and additional selling, since that a possibility when delivering face to face. One also has the opportunity to give a little extra to the customer, in terms of performance, which leads to the customer coming back. Also, every employee must have tried everything the hotel has to offer, in order to be able to better sell the products.

The similarities are that both focus on the front-line employees, that everyone who comes in contact with customers will have the right and correct knowledge and information about and in their jobs. Also agreed is that these encounters will give the customer a positive or negative feeling about the hotel and the service provided. It is also understood that the possibilities to sell more are great, either at that specific moment or later when the customer comes for another visit. Implied is also that the effects of word of mouth are crucial for a hotels survival. Both in theory and in life, a united front towards the customer is of significant value. This is achieved at the hotel by meetings on regular basis where important subjects, like how to greet a customer, what things to put forward, are discussed.

What differs from the theory in Elite hotels case, is that the hotel demands that every employee have tried everything the hotel has to offer, everything from the food, the hotel rooms to having knowledge about what all the different departments in the hotel are working with, and how they do it. This to create a more common understanding of the hotel as a unit, and to be more able to sell its products and services.

Employee-focused internal marketing
According to Hales and Mecrate-Butcher (1994), employee-focused internal marketing is concerned with marketing or promoting the organization to the workforce.

Elite hotel works continuously with making the workplace better for the employees. The management must also be aware of what different activities that must be acted on to increase motivation, and to then put those activities to action. Elite hotel has meetings between different departments where they bring up what is done, how well things are going and what is to come. According to Adolfsson, they also show the financial numbers, the revenue for the specific hotel and the rest of the chain. The management also puts forward different consequences that might occur from a bad encounter with a customer. Both good and bad news and critic are handled. The departments come together several times per year to enjoy themselves and to share information.

The similarities are that both agree on the reinforcement of the organizations mission, quality, how things are going for the specific hotel unit in comparison to the whole chain and so on. All the departments come together on a regular basis to share information about what has been happening and what is to come. This to further market the hotel, and to make the working place more enjoyable for the employees, so that everyone feels as part of the hotel. As said earlier, efforts are used in recruitment of the right people through specific job descriptions.
One difference that might present itself here is the one regarding rewards and incentives. Besides from treating a cake once in awhile, our respondent did not know if there where some kind of specific rewards or incentives for the employees in the different departments.

**Internal service encounters**
According to Paraskevas (2001), internal service provider behaviour framework distinguishes a successful internal service encounter from a non-successful one.

The employees can give feedback to the management, say what they want, what they feel under their coffee breaks, since those breaks are usually used to discuss the jobs and the working situation, and mostly all employees are present during that time. The hotel is very strict with the idea that no one is better, or above, any other employee, but sometimes some parts of the organization, like the cleaners, do not always get all the information that is said during meetings between the sales manager and the customers. Nevertheless, it is very important that the employees can feel that they can speak their minds when needed. When someone in the organization has done something good, the management notices this by printing out statements telling about the happening and putting these up around the hotel for everyone to see. Our respondent often tells the staffs what is going on and what contracts and deals has been signed, so that the employees feel appreciated and updated. The hotel spreads information the right way when meeting and having fun together. They tell the employees of what is happening with their hotel and the other hotels in the chain, so that everyone can do a better job and learn from others.

When comparing theory to empirical data regarding internal service encounters, there are many similarities. As said earlier, professionalism, in other words, are the employees having the information needed to fulfil their tasks and knowing what is going on, and dependability, which is concerned about the job being done promptly and correctly the first time. The communication between management and employees goes both ways, the employees can give feedback to the management, say what they want, what they feel under their coffee breaks. The hotel is very considerate of the employees, they are very strict with the idea that no one is better, or above, any other employee and good and outstanding efforts from the employees are duly noted and spread throughout the hotel. The hotel also tries to fulfil every need that might occur from the customer and give as good service as they possible can.

**Benefits from internal marketing**
According to Tansuhaj (1988) there are several benefits from using internal marketing.

The Elite hotel believes that the greatest benefit with internal marketing is more satisfied customers, because if they can motivate and make the employees more committed, they will perform better and deliver better service towards the customer and the customer will be more satisfied and it is then more likely that they will visit the hotel again. Another benefit with internal marketing is that the employees have fewer sick-days and are more comfortable with their working situation, and that leads to lower costs for the company.
Adolfsson also state that there is also a connection between internal marketing and company profit.

Here, there are similarities to theory. According to Adolfsson, the hotels greatest benefit from internal marketing is more satisfied customers, since the internal marketing activities also affect the employee’s job performance and therefore their service towards customers. Also lower absenteeism is reached when the employees have fewer sick-days. Regarding employee turnover, tenure and tardiness there are statistics, but not available to us at the moment of our study, but our respondent states that there is a positive connection between internal marketing and those factors.

A difference between the theory and our empirical data is the one between internal marketing and company profit and revenue and that fewer sick-days also affect the costs for the company. There are also statistics about these relations, but only internally for the company. These might be understood as very common and basic connections or relations, but they were not stated in the used theories, therefore our notice. See Table 5.1 for an overall comparison regarding internal marketing.

<table>
<thead>
<tr>
<th>Understanding of internal marketing in hotel chains</th>
<th>Elite Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Internal marketing</td>
<td>Agree completely</td>
</tr>
<tr>
<td>Customer-focused internal marketing</td>
<td>Agree completely + contribution</td>
</tr>
<tr>
<td>Employee-focused internal marketing</td>
<td>Agree partially</td>
</tr>
<tr>
<td>Internal service encounters</td>
<td>Agree completely</td>
</tr>
<tr>
<td>Benefits from internal marketing</td>
<td>Agree completely + contribution</td>
</tr>
</tbody>
</table>

5.2 Motivating Employees at Elite Hotel

Offer a vision
According to Czaplewski, Ferguson and Milliman (2001), the first critical area for success is vision. A company must provide its employees a clear vision, so they know what they are working for. This is something that is used at Elite Hotel to motivate the employees. It is important for Elite Hotel that all employees in the organisation have the same vision, so that the customers recognize and receive the same service at all hotels within the chain, but also that the employees feel they are a part of the company’s business operations.

Compete for talent
The theory states that a company should make extensive efforts to employ the best people because this will give the company the advantage of a weld team. The interview process should be designed according to the specific employment description. This is an area that Elite Hotel finds important, and they are satisfied with the existing process where several
people participate in the interview process. They do not have any tests or group interviews to test the applicants’ ability to work in team or if they are service minded.

**Stress team play**
Teamwork and employee training is an important factor for a service business. Teamwork facilitates the employees to do a better job because the service business is a very demanding industry in terms of caring, sensitivity and the eager to please. It is easier for an employee to support another employee if they have an understanding for each other. Elite Hotel has a team for each area in the hotel which facilitates teamwork, but there is not much connection between the departments.

**Measure and reward**
To motivate employees they must feel appreciated, they can be that by measurement and rewards. The rewards can be everything from financial compensation to recognition. In this area Adolfsson is not sure, but there are some rewards that include everyone at Elite Hotel. They treat the employees a cake when, for example, all the hotel rooms are sold out or something similar. But individual rewards do not exist except appreciation through words.

**Leverage the freedom factor**
Employees must have the freedom to make their own decisions to be motivated and they must be able to affect their work, so they can achieve recognition for themselves. Elite Hotel has regulations on how to act and what to wear, which means there is not much scope for their own influence. Still, the hotel support different personalities as long as they are service minded and know how to work to make the best results.

**Know the internal customer**
A factor to put effort into is the importance of knowing the internal customer. Here, marketing research should not only be on the external customer, but on the internal customer as well. Focus groups and employee surveys are good systems to get feedback from the employees. Elite Hotel does not have focus groups or forms where employees can tell their opinion, however they do have an open environment where all employees are equal.

**The importance of communication**
According to Schade (2004), it is impossible to have a satisfying internal marketing if the communication process is infected. At Elite hotel, they have a dining room for all employees and that makes it easier for everyone to tell each other what they think and what they, if possible, would like to change. See Table 5.2 for an overall comparison regarding motivation at the hotel where the question marks equals not enough information about the subjects.
### Table 5.2 Motivating employees at Elite Hotel

<table>
<thead>
<tr>
<th>Motivating employees at Elite Hotel</th>
<th>Elite Hotel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Offer a vision</td>
<td>Yes</td>
</tr>
<tr>
<td>Compete for talent</td>
<td>Yes</td>
</tr>
<tr>
<td>Stress team play</td>
<td>No</td>
</tr>
<tr>
<td>Measure and reward</td>
<td>?</td>
</tr>
<tr>
<td>Leverage the freedom factor</td>
<td>No</td>
</tr>
<tr>
<td>Know the internal customer</td>
<td>?</td>
</tr>
<tr>
<td>The importance of communication</td>
<td>Yes</td>
</tr>
</tbody>
</table>
6 CONCLUSIONS AND IMPLICATIONS

In the previous chapter, within-case analyses were conducted. In this chapter, we will put forward the main findings and conclusions of our study based on theories, interview with the sales manager of Elite Stadshotell Luleå, as well as analyses. Since we only have investigated one hotel unit, it is difficult to generalize any conclusions. Therefore, our conclusions are only applicable to the investigated company. However in depth case analysis conducted not only sheds lights on fundamental factors but also may provide a guideline to the pattern in other hotels in the industry. We will present the findings and conclusion for each research question. Finally, we will provide implications for management, theory and future research.

6.1 How Can Internal Marketing in Hotel Chains Be Described? – Research Question One

When we studied and compared our empirical data with theory it was obvious that internal marketing is a great concern to our company of study, which is Elite Stadshotell Luleå. According to our respondent, and us, internal marketing is the most important factor in service companies. The hotel puts a lot of effort in recruiting and training, motivating, communicating and retaining employees. The two main goals are to motivate the employees and to see that they have all the information needed to fulfil their tasks. However, our study does not show to what extent these activities are handled or how often they occur.

The hotel is also very strict with the idea of showing a united front towards the customer. To ensure that everyone who works there knows what they are talking about, the management demands that every employee really know and have tried what the hotel has to offer, everything from the food, the rooms to knowing how the other departments work and how they manage. They have good communication within the company, even if several departments do not work closely together. Every employee has to feel as part of something bigger, and the units within the hotel chains are being compared to see which one has the best workforce and so on.

Also, included in internal marketing, is the professionalism between the employees and towards the customer. No need or demand is too high or too difficult to achieve. They are often dependably of each other and therefore the internal relations are handled and promoted carefully. To their help they have a two-way communication between the management and the employees within the company.

The Elite hotel greatest benefit from internal marketing is more satisfied customers and on second place comes lower absenteeism through fewer sick-days. They have also seen a connection and a relation between good internal marketing, better job performance and company profit.
With regards of internal marketing in hotel chains, these are the main conclusions:

- Elite hotels main goals with internal marketing are to motivate their employees and make sure that they have all the information they need to fulfil their tasks
- The greatest benefit from internal marketing is more satisfied customers
- A united front towards the customer must be upheld
- Much focus is put on marketing towards the customer

6.2 How Do Hotel Chains Use Internal Marketing in Motivating Their Employees? – Research Question Two

Since Adolfsson was not sure of what motivates the employees at Elite Hotel we did not receive a straight answer. On the other hand, they used several internal marketing activities that worked as motivation factors for the employees. As stated above there is too much focus on the external marketing in comparison to internal marketing which, according to the theories used is not appropriate.

Elite Hotel is careful with informing the employees about their vision and goals, they do that so every employee is certain of what to strive for. If the employees know what to strive for they will be more motivated to do a good work. It is especially important for a company chain, that all units are united, so that the customers always receive the same service. Elite Hotel has the same vision for all units because of the reason just mentioned.

To get an employee motivated to do a good job, it is important that they like their colleagues, therefore the recruiting process is a crucial component of an employee’s motivation. Elite hotel is aware of this and Adolfsson believes their recruiting process is satisfying at the present. Elite Hotel does not use team play as a motivating factor, this due to the different areas in a hotel. They have departments and their respective team, but they do not have any job rotation of any kind. When it comes to specific rewards and incentives to motivate the employees, our respondent was not sure if they had anything like it, besides the coffee breaks where they treat the employees with a cake and oral rewards when something has been well done. These are, according to Adolfsson, satisfying rewards for them at the present.

Elite Hotel considers communication the main key for a successful hotel company. Good communication results in pleased employees, they will feel that they are a part of the company and they will know what is going on. Communication between the executives, from executive to employee and between employees is the main internal marketing factor for Elite Hotel, but according to Adolfsson, the communication process is not satisfying at the present.
With regards of internal marketing as a motivator of employees, these are the main conclusions:

- Elite Hotel informs all employees about their vision and goals
- A good recruiting process will lead to the hiring of right people for the tasks required
- The communication process is the most important factor

6.3 Implications for Management

All managers must realise the importance of internal marketing and put as much emphasize and focus on internal marketing as they do on external marketing. This concerns not only hotel managers, but all managers, especially within the service industry since the employees is the most important factor for success for a service company.

Satisfied customers are often the end result of well performed internal marketing, but managers tend to forget that they do not reach a high level of satisfied customers without taking care of their employees. Managers must be aware, and find out, what motivates them in order to increase their performance through, for example incentives and rewards.

Our study shows that not all factors stated are equally important, but communication appears to be the most powerful factor within internal marketing, in both ensuring that employees have all the information they need to fulfil their tasks, and in motivating employees in hotel chains.

6.4 Implications to Theory

Our thesis will contribute to the existing research concerning internal marketing, by highlighting the use of it. Further we believe that our research will contribute to a better understanding how organizations in service industry, especially hotel chains, use internal marketing. Our specific contributions to theory are stated below.

A lot of the empirical data agrees with our frame of reference, besides from a couple of factors. Our contributions to theory are that, regarding customer-focused internal marketing, the hotel demands that every employee have tried everything the hotel has to offer, everything from the food, the hotel rooms to having knowledge about what all the different departments in the hotel are working with, and how they do it. This to create an even better common understanding of what is offered to the customers.

Also, a difference between theory and our empirical data, is the one between internal marketing, company profit and revenue and that fewer sick-days also affect the costs for the company. These might be understood as very common and basic connections or relations, but they were not stated in the used theories.
6.5 Implications for Future Research

This study does not give information in what degree the different motivational or internal marketing activities occur in hotels, which would be interesting to look further into. Also a comparison between different units within a hotel chain or different hotel chains to each other would be relevant. Managers that have limited resources must know which activities are important to act on them. Further research on that area would be appropriate. Also an interesting aspect to focus on in the future would be to take a deeper look at how information processes are built in service companies, since communication is the most central factor in internal marketing. This to observe how the communication process can be improved, and thereby the internal marketing as well.
REFERENCE LIST


Appendix I

Interview guide – Elite Stadshotell Luleå

1. Basic information about you and Elite hotel
   - Who are you (the respondent) and what is your current position in the company?
   - How long have you been working here?
   - What changes has emerged after the acquisition? Internal marketing wise?
   - What is the annual employee turnover in percent (%) of total number of employees?

2. How do you view internal marketing?

3. How do you and Elite hotel use internal marketing?
   - Do Elite hotel have a strategy for internal marketing? If yes, what is it?
   - What are Elite hotel’s short- and long-term goals with internal marketing?

4. What do you think are the benefits of internal marketing regarding the employees?
   - Do you see a connection between internal marketing and employee turnover? Why? Why not?
   - Are there other positive affects that you have seen from the usage of internal marketing when it comes to employees? Why? Why not?

5. What do you think are the benefits of internal marketing regarding customers?
   - Do you believe that internal marketing has an effect on customer loyalty? Why? Why not?
   - Do you believe that internal marketing has an affect on customer satisfaction with the company and the services provided? Why? Why not?
   - Do you believe that internal marketing has an effect on customer repeat purchase? Why? Why not?
   - Do you believe that internal marketing has an effect on the actual service provided for customers? Why? Why not?
   - Are there other positive affects that you have seen from the usage of internal marketing when it comes to customers? Why? Why not?
6. What do you think are the benefits of internal marketing regarding Elite hotel?

- Do you believe that internal marketing has an effect on corporate sales revenue? Why? Why not?
- Do you believe that internal marketing has an effect on corporate profitability? Why? Why not?
- Do you believe that internal marketing has an effect on the perceived corporate brand and image? Why? Why not?
- Do you believe that internal marketing has an effect on job performance, absenteeism, turnover, employee-customer relations and the emergence of innovation and new ideas?
- Are there other positive affects that you have seen from the usage of internal marketing when it comes to corporate benefits? Why? Why not?

7. What types of motivation activities do Elite hotel use?

- Is it important that the employees are aware of the company’s vision?
- How do you do to attract the best people?
- Is team play used at Elite Hotels? If so; how do you encourage this?
- Do the employees get training or education of any kind? How often?
- Is there any reward system for the employees? How does it work?
- Is the company actively working to change/enhance employee attitudes and behaviour?
- How important is it that the employees follow Elite Hotel’s policy and procedure manuals? Can they take their own initiatives?
- Do you know what is motivating the employees? How have you found this out?
- How do you (the management) communicate with the employees?

8. Why do Elite hotel use these specific activities?

- Are there any effects of internal marketing that Elite hotel is missing? (to see if a company might not need all the seven different factors to increase the motivation)

Is there something else you would like to add?
Appendix II

Intervju guide – Elite Stadshotellet Luleå

1. Grundläggande information om Dig och Elite hotell.
   - Vem är Du och vad är din nuvarande befattning i organisationen?
   - Hur länge har Du arbetat här?
   - Vilka förändringar har uppkommit efter sammanslagningen? Gällande intern marknadsföring?
   - Vad är den årliga personalomsättningen i procent av totala antalet anställda?

2. Hur ser Du på intern marknadsföring?

3. Hur använder Du och Elite hotell sig av intern marknadsföring?
   - Har Elite hotell någon strategi för intern marknadsföring? Om JA, vad är den?
   - Har Elite hotell kort- och långsiktiga mål med intern marknadsföring?

4. Vad anser Du är fördelarna med intern marknadsföring gällande de anställda?
   - Ser Du någon koppling mellan intern marknadsföring och personalomsättning? Varför? Varför inte?
   - Finns det andra positiva effekter av användandet av intern marknadsföring gällande de anställda som Du har noterat? Varför? Varför inte?

5. Vad anser Du är fördelarna med intern marknadsföring gällande kunderna?
   - Anser Du att intern marknadsföring har en effekt på lojaliteten hos kunderna? Varför? Varför inte?
   - Anser Du att intern marknadsföring har en effekt på kundernas tillfredsställelse? Varför? Varför inte?
   - Anser Du att intern marknadsföring har en effekt på kundernas återköpsbeteende? Varför? Varför inte?
   - Anser Du att intern marknadsföring har en effekt på servicen gentemot kunderna? Varför? Varför inte?
   - Finns det några andra positiva aspekter som Du har noterat gällande intern marknadsföring och kunderna? Varför? Varför inte?

6. Vad anser Du är fördelarna med intern marknadsföring gällande Elite hotell?
   - Anser Du att intern marknadsföring har en effekt på företagets försäljningsvinst? Varför? Varför inte?
   - Anser Du att intern marknadsföring har en effekt på företagets lönsamhet? Varför? Varför inte?
Anser Du att intern marknadsföring har en effekt på företagets uppfattade varumärke och image? Varför? Varför inte?

Anser Du att intern marknadsföring har en effekt på utförandet av jobb, frånvaro, personalomsättning, anställd-kund relation och framkomsten av innovation och nya idéer? Varför? Varför inte?

Finns det några andra positiva aspekter som Du har noterat gällande intern marknadsföring och företagets fördelar? Varför? Varför inte?

7. Vilka olika typer av motivationsaktiviteter använder sig Elite hotell av?

- Är det viktigt att de anställda är medvetna om företagets vision?
- Hur lockar Du fram den bästa personalen?
- Använder sig Elite hotell av gruppaktiviteter? Om JA, hur uppmuntrar Ni detta?
- Erhåller de anställda träning eller utbildning av något slag? Hur ofta?
- Finns det något belöningssystem för de anställda? Hur fungerar det?
- Arbetar Elite hotell med att ständigt ändra/bygga på de anställdas attityder och beteende?
- Hur viktigt är det att de anställda följer Elite hotellets policy och procedurer? Kan de ta egna initiativ?
- Vet Du vad det är som motiverar de anställda? Hur har Du fått reda på det?
- Hur kommunicerar ledningen med de anställda?

8. Varför använder sig Elite hotell av just dessa specifika aktiviteter?

- Finns det några effekter av den interna marknadsföringen som Du och hotellet saknar?

Finns det något annat Du skulle vilja tillägga?